August 17, 2023

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BSE Security Code: 500043

NSE Symbol: BATAINDIA

CSE Scrip Code: 10000003

Dear Sir/Madam,

Subject: Post Earnings call

Dear Sir/Madam,

This is further to our letters dated August 2, 2023 and August 11, 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 Friday, August 11, 2023.

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 - *Company Secretary & Compliance Officer*

Encl.: As Above

"Bata India Limited

Q1 FY '24 Earnings Conference Call"

August 11, 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 Q1 FY'24 Results Conference Call hosted by Axis Capital Limited. As a reminder, all participant 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.

I now hand the conference over to Mr. Gaurav Jogani from Axis Capital. Thank you and over to you, sir.

Gaurav Jogani: Thank you, Zico. Hi, everyone. On behalf of Axis Capital, it is my utmost pleasure to welcome you all to Bata's Q1 FY '24 Earnings Conference call. Today, from the management, 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, Nitin.

Nitin Bagaria: Thank you, Gaurav and Axis Capital. A warm welcome to all of you. We have Gunjan, who is MD, CEO. We also have Anil Somani with us. We have shared the presentation with the Stock Exchange a little while earlier, but we will be happy to take you through along on this call. We will navigate the slides as well as the page numbers to stay synchronized. On slide number two, we have the disclaimer. I am sure you have gone through the same. We will move to the next slide, which is slide number three. Over to you, Gunjan, and thanks for joining.

Gunjan Shah: Thank you everyone, welcome to the call from Bata and thanks for joining. So we'll start off with the agenda, we will talk about business overview, I'm on slide number three, the strategy highlights and then the financials and then we will open up for questions as we have done for now several quarters.

On the key highlights before I jump in, we obviously saw footprint extend. I will talk about most of these points in subsequent slides to now almost 2,100 points of sale including shop and shops. Our technology investments continue and in fact the largest one will go live in this month, is on track and the next year we will go live in quarter one of next year, sorry quarter four of this year.

We will also be extending our sneaker studios, they have now got extended to almost 565 stores as well as our new product that I have been now talking about for several quarters, which is Floats, the casual, washable, molded footwear. Keeps on recording highest volumes, and has obviously done highest ever even this quarter.

Moving on to highlights on the various strategies and thrust areas that I've talked about. I'm on slide number six. Portfolios, Sneaker Studios, we continue to push forward. As I said, we've added to almost 565 Sneaker Studios stores and Sneaker continues to outpace our growth. Despite now strong bases also coming along, because it's now almost 18 months since we started this entire Sneaker drive.

Floats I've talked about it's now started contributing meaningfully to our volumes and also value to the extent that it's given us confidence to open up our first new banner under floats and I'll speak about that. We also have a significant focus towards comfort as well as style brands and they continue to grow for us leading our outpacing our overall growth despite the overall muted environment that we saw in the quarter gone by.

Franchise on the expansion and retail excellence, we did renovate a significant number of stores this year, this quarter which was almost about 40 stores. We are towards the fag end of our backlog refresh that we had wanted to do because of the gap during COVID. And I think over the last 18 months and maybe another six months, we will have the store refresh continue and then we will come back to normative refreshes.

Franchise store additions continue. We added further 30 stores, 29 stores this quarter. And that pace continues. And we continue to see exceedingly good response from that business channel. Distribution business, while the mass business has been sluggish, we continue to invest behind basically expansion.

And we are also now making significant efforts towards controlling the retail channel by putting in for the field force, sales force productivity tools as well as key account management on the top 2,000 out of the MBOs that we reach out to.

On the marketing investments, we did run campaigns on monsoon back to school. School was extremely positive this year. We did manage to capture the demand in the right manner, including the newer styles on shoes, etcetera, which we had missed last year. And we also had to keep on USS in line with what industry trends were. It gave us a good response in this relatively inflation driven environment that we had on the demand side.

E-commerce was outstanding for us this quarter, continued to grow strong double digits, and was also backed by further initiatives on basically franchise stores now have been added into Omni. It's early days from a meaningful turnover contribution from them, but we have fixed the model that is required to make sure that Omni also runs on this, as well as we have basically expanded our servicing capability for e-commerce business marketplaces.

On the supply chain side, the big milestone that we managed to do was implement WMS. Now, even in the distribution business side, and the first warehouse went live in South India, and soon to follow with the rest of the warehouses the rest of this year. We did continue to be tight on costs. I think we are now making some decent amount of headway on cost efficiencies, both on the COGS side as well as on fixed cost and we are hopeful that that will help us invest better in the business for growth.

Last but not the least, technology, three big projects that I am talking about here besides many others, one on the inventory management software has been completed, so it is completely on the cloud and the other two HPM which is automating the entire merchandising matrix for almost 1,700 EBOs plus 400 odd SISs is also going live as we speak and ERP is on track for quarter 4 of this financial year. So Yes with that I'll move on to slide number eight retail expansion

We continue to see expansion across all the three lines on retail exclusive outlets Cocoa the largest of the footprint continuously [inaudible 0:07:16]. As I have mentioned consciously our strategy is towards the capital efficient lines particular franchise and Stop & Shops and they continue to outpace. Franchise has seen decent traction and we continue to see significant additions.

We will continue with a strategy of 80, 20 in capital efficiency. While now we have started seeing incremental Cocoa additions, but we will still outpace by as I have said the potato rules In terms of franchise driving bulk of our additions. We have also started seeing additions in terms of Hush Puppy franchise, hopefully the momentum will grow and the balance of this year.

Franchise, 29 stores as I mentioned, we have now reached almost 450 stores, much earlier than the 500 that we had envisaged 1.5 years back, and within a three year framework. So, we are very hopeful that we should be able to prepone that target by almost a year.

On the distribution side, which is slide number 10, we are, while we have been talking about this distribution with growth, we are also now moving towards basically focusing towards controlling on retail, and that will be the next level on this front. While we are seeing now some signs of stabilization from inflation is therefore a pricing front, and hopefully the demand benefits of that should flow.

But to reinforce that, as I said, I think focus on front line sales force, key accounts and therefore activating the brand in those outlets, as well as sales force productivity is going to be now the next level of shift that is going to be driven in this business. We are very hopeful this can give us meaningful expansion of Bata brands availability, especially in the interiors.

Digital business did extremely well, continues its strong growth momentum over the last almost three years now. We continue to drive it all across our three channels, and we saw obviously a significant business growth in not only marketplaces, but also in our dotcom channel. The number of visits have gone up dramatically, as well as basically in terms of as I said Omni that has now been enabled not only now in Cocoa, Bata, Hush Puppies as well as now the franchise outlets.

We have also made sure that almost all relevant platforms are all now basically have our offerings available across our brands and we continue to look at evaluating even ONDC how can we partner with them. What you also see out there is early launch that we have done of our new collection under power and which is a step and go. We feel that's a big feature that we have launched and that collection is hitting the stores as we speak.

On slide number 12 on marketing, we had campaigns that we ran which were topical. You had monsoon driven from the floatz collection, you had schools, you also have various regional festival campaigns and obviously the large one that we had to do which was end of season sale. We saw good response. I have mentioned about schools and floatz, even end of season sale. We saw good response. I have mentioned about schools and floatz.

Even end of season sale, I talked about it. I think that did extremely well. However, we were expecting a much, how do you say, we were expecting to start a little later, but we saw industry trends tending towards it much earlier. But that did help us reduce our inventories, which will lead to much special merchandise hitting the stores as we in the last couple of weeks that we have started now, going with full price merchandise.

On the brands and categories, Northstar continues to do well. Hush Puppies, Comfit, as well as Floatz, all of them doing well. Hush Puppies was relatively muted largely I would say with basically the wedding day is moving the casual section of Hush Puppies continued to do well it was a horrible section that I think did get impacted because of the auspicious day movement between the quarters, but we are very hopeful we continue to invest behind the brand and in fact this year we should see highest ever additions on the Hush Puppy store network that we have been largely stable for the last about 4 years, 5 years.

Besides that several other achievements that have gone into investing behind experience for all various stakeholders, not only consumers, but consumers as the center of it. We launched Buy Now Pay Later. We have also launched automated application for the visual merchandise activation across stores and making sure that we are able to track it across franchise as well as local network.

I talked about this, the first banner under floatz that we have launched, extremely efficient model. We are very hopeful, early signs have been very good. It's been in operation now for almost 6 weeks. And the signs have given us enough confidence that we are now lining up almost another 10 such banners, kiosk stores across the next three months, four months. We also launched almost first in industry, shoe insurance program, Bata Shoe Care.

It's giving us good response. We started off with 50 stores. Now we have penetrated almost 500 stores on it. We would see much more gradual improvement and traction on it as we are able to even market it better. Store renovations I've talked about. We have done significant amount of store renovations in the last 18 months and we foresee another I think one or two quarters of that and then we should get back to normative levels.

We did have launch and automated application for Landlord Connect which helps in much better relationships and therefore much better transparency as well as account clarity with our landlord partners. And the one that I talked about a little while back, which was that we will actively look at adjacent spaces, we have launched Power Activewear apparel that is now hitting on a pilot stage to almost about 60 stores, which should be done within this week or next.

And we will look forward to the results and keep you all updated on how that's going. We are very confident of the mix that we have launched. It has been in the works for almost a year now, right from research to understanding where do we want to position to the technology that we have incorporated in the products. And we'll keep you updated.

On slide number 15, other highlights, we did launch, so now almost 50% of our receipts are now digital, and we are looking forward to it getting to almost close to 90 plus, which should be digital receipts, make it more tech-friendly, user-friendly, as well as obviously efficient. We did launch the Power Step and Go collection in the last few weeks and we feel that's a very unique feature, extremely comfortable as well as hands free in terms of usage and we are very bullish on this collection that has been launched.

We did obviously take the inventory management software, got it upgraded into version 2 as well as got it completely on the cloud now and obviously there was work that happened on cyber security. India sourcing hub has now taken some more shape we are seeing now export orders coming through and which should be obviously increasing as you know the system stabilizes etcetera.

We did see efficiency benefits across several lines including freight etcetera and outsourcing that we have done in terms of 3PL. On the last line is basically I mentioned about WMS in a [14:58]Depot and Hosur as well as optimization on freight cost and sorry on freight and warehousing costs.

Moving to financials and therefore, the last slide of my presentation, slide number 17. Despite this, we did see about 2% growth in a pretty tough environment. I think a large part of it was driven through same store growth, but we are hopeful that this is a temporary phenomenon, our investments continue and a result of that was that we did see our EBITDA sequentially climb from 23 to 25, however over last year it was a decline of 100 basis points and a similar trend line that we saw on the PBT side, which you can see on the graphs on the right. With that, thank you so much for the time and we are open for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Ali Aliasgar Shakir from Motilal Oswal. Please go ahead.

Aliasgar Shakir: Yes, thanks so much for the opportunity and for that detailed presentation. First question is on the revenue growth, sir. So you did explain the network expansion that we have done from somewhere about 1,900-odd point of sales to 2,100, and also the particular categories which have seen growth.

So, if you could just explain what would have led to 2% growth, I mean any particular categories that would have seen decline product wise or in terms of network if we have seen 10% growth, but revenue growth is 2%, then which particular channel would you have seen decline? Is it the retail channel, Cocoa channel or are the new channels that we have expanded in which is the shopping shops and MBO have probably seen a weaker performance?

Gunjan Shah: Hi Ali, that's a lot of questions bundled into that, but I'll try and give a jab at it. So, our growth engines largely continued in terms of outpacing growth, which is franchise as well as e-commerce. The distribution business, while the platforms are strong, we are strengthening them, as I said, in terms of now getting into retail productivity and control, and therefore extraction of throughput per distributor.

But it has had impact because of this entire mass category, GST, pricing, etcetera. It's now stabilized. We have across channels now not taken price increases for almost about eight months to nine months. And we don't foresee touching that any significantly going forward. So, we are very hopeful that that should along with the retail control give us. On the Cocoa side, it has been basically, I would say that we've been also cautious in terms of our investments and it's a capital intensive kind of a channel.

So while we will keep expanding in the last two quarters, we have started seeing net Cocoa additions, but as I have mentioned, our conscious strategy is to make sure that we are driving expansion almost 80% through the franchise network. So that's where I would place myself right now.

Aliasgar Shakir: So I wasn't clear why would we have seen just 2% growth when the network has grown 10% year-on-year. Are we seeing like-to-like decline, SSSG decline in our network?

Gunjan Shah: No, there is been decline, obviously. That goes without saying. But I would say relatively it's been not so sharp. It is basically, I would say, I think it's a combination of two facts. And we will have to see how it pans out. I am very hopeful. As I said, one is that consumers have seen a significant amount of inflation and that takes time for consumers to absorb.

I think the second piece that is also there is basically it's a, I think, consumption and occasion days, especially wedding occasions, etcetera, have had a calendar shift. And we are looking forward to the festive season very optimistically and that should hopefully cover up for this.

Aliasgar Shakir: Got it, this is quite helpful. Two more questions, one is on your margin, we have seen you despite RM softening and also you know you've taken some mix lead price improvements, margins have come down. Can you just explain what has led to this?

Gunjan Shah: It's actually very simple. It's been largely driven through basically inventory optimization. So, we have had, how do you say, we did see industry moving into EOSS much earlier. And therefore, basically, our EOSS period got preponed into a large part of June and that did have obviously an impact on margins.

As I said that -- that has also resulted in us now bringing in our fresh merchandise back in much faster. So, I don't think that's a longer term structural phenomenon, but yes in the month of June we did have a preponment of EOSS for about two weeks or so.

Management: And just to add to what Gunjan said, that our inventory degrowth compared to last year was 4.5% despite a sale growth of 2%. So, we would see a much better fresh inventory in the coming quarter.

Aliasgar Shakir: Got it. So hopefully, we should expect Q2 onwards relatively better margin profile.

Manangement: Yes, we hope so.

Aliasgar Shakir: Okay. And this last question is on this apparel bit quite exciting to know the kind of opportunity this throws, especially you have 2,000-plus stores in your network. So, if you could just throw some light in terms of what price point, product range that we are seeing here and Sneaker is in 560 stores in 18 months. So, how quickly you plan to roll out your apparel in terms of your overall network.

And if at all you could give any kind of broad targets in terms of what is the size and scale you want this particular category to grow in two years, three years?

Management: Okay so what I what I will do early is that an appropriate time we will come back with a proper update for you all which will give a little more flavor to this entire piece, but just to give you at a macro level. So, first thing is it's a pilot right so we should not run ahead of ourselves it's a new category. We want to make sure that we have learned it well right.

We have shown our ability to scale up things as soon as we see so floatz is a classic example. As soon as we saw that they're giving us response and success and we have now scaled up not only width of lines and range, but also stores and therefore it is penetrated to almost about 80, 85% of our network already, right? And to the extent that we are opening it up.

Now coming back to apparel, apparel in general as a consumption per human being or a body, right is to the extent of 7 to 10X of what footwear is. So, that's the kind of adjacent consumption opportunity that's there. Now it's split, it's obviously a far more nuanced in terms of both bottoms and tops. There is undergarments and overgarments, there is various locations, there are fits, as well as formal, informal, etcetera.

What we felt is our right to succeed in this would be coming from two, three areas. One is consumers who are walking into our stores are looking at footwear, but they are also buying apparel outside somewhere so that's obviously the immediate hanging fruit. We felt that athleisure is the area that we should basically are we should be targeting first and which is why we have launched this under power.

We have launched it in about 60 stores. We have brought in, make sure that as I said at the start when I was giving my brief, that there is a lot of groundwork that we have done in terms of the product, the fit, as well as basically the technology that is put in. And the last piece is that from a pricing point of view, we have tried to make sure that it when we have done consumer research, etcetera, we have tried to find a sweet spot which is sitting somewhere in the middle range, which is obviously straddling the premium guys on one side and obviously the unbranded and the mask guys on the other side.

So, the range that has been launched is from 800 to about 1,300 and we will share more news as we learn also a lot more on this. But it's been a solid jab at it. Our primarily objective right now is to make sure that if there are 100 people moving out of the store buying footwear in a day, how many of them we can make sure that they get the apparel from our store and based on feedback and obviously learnings, we will keep reviewing the merchandise, etcetera.

Moderator: Thank you. We move to the next participant. Our next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.

Bhargav Buddhadev: Yes, good afternoon team and thank you for the opportunity. My first question is on what is the share of exports now and when we say that Bata India is aiming to become an India sourcing hub, can you share some thoughts in terms of timelines and market opportunity that this can translate into?

Gunjan Shah: Yes, so basically, see the macro opportunity as I have said in the past, when I have said that we are evaluating this entire piece, is coming from a fact that we've got one third of the global production that Bata does happens in India, largely for India itself, right? So, we do about 50 million pairs, globally we sell about 150.

So, there is another 100 that is being sourced from various parts of the world. Now, we have right now not contributed meaningfully to that entire pie that is happening. We do source a large part globally from China and globally we are also looking at consciously diversification out of China from a sourcing strategy and because of the large base as well as knowledge and expertise that we have in India across various footwear types and almost across all our brands. Natural outcome of the diversification out of China is to enhance the India sourcing hub.

Now in that light basically what work has been happening is to make sure that there are multiple things that have to fall into place. We see signs of that now progressing right, the teams have now started getting aligned. There are now supply chain linkages that are being created so that people get comfortable in sourcing out of India.

And last but not the least, there has to be a lot of tech transfer that has to happen out of the current supplier base, wherever that is lying, in China or otherwise. So, there is progress happening. I think once we start seeing meaningful numbers, we will make sure that we also share it with you. But we do see light at the tunnel sooner rather than later.

Bhargav Buddhadev: And will we sort of manufacture this through a vendor ecosystem or we'll be investing in manufacturing?

Gunjan Shah: So that will depend on the product. As long as I mentioned in the past, this business is straddled on two fronts. On one stratum is fully automated products, largely molded as well as single molded stuff, etcetera, something like floatz. On the other side is customized, huge manual interventions, tiles, small MOQs, etcetera. So depending on where in the stratum the product sits, that is where you will see, wherever there is a high level of capex and automation, we will put it up in our plant. But wherever it is to do with, let's say for example, as I said, styles, labor intensity as well as smaller MOQs, we will want to leverage the source ecosystem that we also have very large in India.

Moderator: Thank you. Mr. Bhargav, may we request you to rejoin the question queue for follow-up questions as there are several participants waiting for their turn. Thank you. Our next question is from the line of Nihal Mahesh Jham from Nuwama. Please go ahead, sir.

Nihal Jham: Yes. Thank you so much and good evening to the management. So my first question was, as a part of the opening question you did allude to the mass segment being under pressure. So just to quantify that, possible to give a sense of how the growth divergence was within the less than 1000 and above that segment, we've done that in the early quarters before?

Management: So, while in the overall, while we did have obviously a muted scenario, the mass category still is showing signs of stress. However, it is also, I am seeing that sequentially coming down. So that's why I said that we are very hopeful that all this investment that has gone behind the mass category, some of the price points that we have introduced as well as the width on the multi-brand distribution that we have done, we are hopeful that it can come back. But yes, even in this, we have seen the premium category grow faster, especially the products that were basically in the range of about INR1,000 plus compared to the products that were less than INR1,000.

Nihal Jham: Got that. I just wanted a discussion on the inventory, if it's possible to say give a ballpark number and is this, if it's higher than say what the average is during pre-COVID, will there be a requirement to increase the EOSS beyond August to liquidate it, so that we have fresh inventory at the time of festive?

Management: No, we are very comfortable on our inventory. As I said, we introduced EOSS largely because the industry phenomenon introduced it and therefore consumers by nature expect it. So that is the reason and as I mentioned to another person on the call, we have already started now pushing our fresh merchandise across all our stores.

Nihal Jham: Helpful. I just had one more question. On the apparel focus that we are having, as much as I see the stores of Bata while it was possible to introduce a vertical sneaker studio, is there a space to put enough collection to create these conversions unless we focus that as we have done the renovations?

Management: So you are right, it's not easy. It's not only space for display, it's more efficient than footwear by the way in terms of display, largely because it's either folded or it's on hangers and therefore you are able to show more range compared to let us say footwear etcetera. It also requires much less inventory space from a storage perspective. But however it also requires changing rooms. So I think it cuts both ways. We will also learn. We have got enough stores in fact which were the initial pilot stores, where we have space to accommodate this and we are able to bring alive the proposition.

As I said a primary objective right now is to make sure that, we've learned this category well, we understand what works in this, we are able to quickly and agilely take feedback and correct around things and then obviously we will make sure that we've got a concrete plan of expansion.

Nihal Jham: Thank you, Gunjan. I'll discuss it in detail.

Management: But right now, no expansion of stores on behalf of this, even in the pilot.

Nihal Jham: Got that. Thank you so much.

Moderator: Thank you. Our next question is from the line of Varun Singh from ICICI Securities. Please go ahead.

Varun Singh: Yes, sir, my first question is like given the distribution expansion, since past several quarter, it is extremely low, hardly 1% or 2% compared to the last quarter base. I understand the 80%- 20% principle, which we are using to drive capital light distribution expansion but still, given that context 1% to 2% overall total store expansion, that number looks relatively on the lower side.

At the same time, if you can also help us understand that, like currently our total Coco store is 60%- 62% ballpark compared to our overall distribution. So at what level you think that, the current capital light aggressive store expansion that we are doing that is likely to stabilize. So what should be that ideal ratio, which is there in your mind? So just two questions on this distribution front, sir.

Management: The second part is easier to answer, which is basically, I actually missed your first part, can you just repeat that question please?

Varun Singh: Sir, first part is our overall store expansion is 1% or 2% every quarter?

Management: Your expansion has been 1% to 2%, okay, got it. So see the piece that is there is, and that is why I have been talking about capital efficient model is that it's a once you invest in a Coco store, it's a multi-year game, right? And it's not only the fixed cost that gets incurred by default because of that, it is also the capex that goes in which get amortized over, several years. So it is important that we are relatively conscious of where we go about it. So we have also been simultaneously. So what you see as numbers are net stores.

We have also been consciously of reading out legacy stores that we have not been, how do you say, enthused about in terms of future prospects. So that leads to a net control that we want to have. As I've said, our endeavor is towards getting the capital efficient model going, which is obviously the franchise model. That we have seen healthy additions, to the extent that it's almost 2x over two years, or two and a half years, I would say.

So that will continue to grow very fast. We will expand, so till about three quarters back, we were having net reduction on Coco. Now we feel confident enough that we can see expansion, but as I mentioned many times in the past, we will continue to see a Pareto skew towards franchise on that model. In terms of where can we take this, there are many ways of looking at it, right? So when we looked at, let's say for example, a strategy on EBO expansion, whether Coco or franchise, there are almost 700 what we call as targeted shopping areas that we want to be present in across the length and breadth.

We have also tied up with third parties to help us identify these locations as well as towns that we can take it to. Franchise has also allowed us to enter cohorts and consumer cohorts, whether suburbs of large agglomerates or urban agglomerates, or in Tier 4, Tier 5 towns, where earlier a Coco model was not allowing us to profitably hit there.

What we are also wanting to make sure, because of this entire piece, is that we are going to be conscious of that, it is going to be a same-store growth that will give us long-term profitable growth. So we are very consciously wanting to be sure that we focus on that also. But there is enough potential as far as the opportunities where we can penetrate with this.

Varun Singh: Yes, and about the ballpark number on the top of your mind regarding overall contribution from Coco?

Management: In terms of revenues?

Varun Singh: In terms of both distribution and revenue?

Management: So as I said, we will keep on expanding. Last year we have added almost something like about 120 stores. Primarily almost 110 plus came from franchise. We will see the Coco maybe expanding a little more aggressively now, but the ratio will not dramatically change. It will still be in the ballpark of 80%- 20%.

Varun Singh: I meant that, on a steady state or where do you think this number to stabilize over a long period of time, maybe five years, four year, six years time?

Management: It is difficult on that front because see India is also developing so towns and townships that were not suitable for us from attractiveness from setting up an EBO, whether franchise or Coco are becoming attractive. So I would say that, we carry a horizon and that horizon has got enough on the plate for us, right? So we will keep on updating those work that we do and as infrastructure evolves, as the per capita income evolves, etcetera, as of now, we've got enough on our plate for the next three to four years.

Varun Singh: Got it. And sir my last question is on, there's a chart called weighted distribution in your presentation. If you can help us understand, how should we read or make use of these numbers?

Management: So I mentioned this, someone else had asked it about two, three quarters back. It's basically the primarily objective that we had, at the chart of this, at least the journey that I've been showing on the charts, right, about two years back, was to make sure that we've got large and potential distributors in loop with us. And we are not with people who might be decent size for us, but are not large from a potential access point of view, because that is the best way that we get a sense of how much access to outlets that they give us.

So this is basically a measure of telling us, what is the size and profile of the distributors that we are getting to from a potential perspective. As I mentioned, now we feel that, we have reached a certain level where we now need to start looking at our extraction as well as our retail control, which is the outlet that these distributors service. So that is going to be the next leg, and I'm sure we will be able to show you progress etcetera, on that front, which will basically give us much better extraction for distributor going forward.

Varun Singh: No, I mean if the number is 44%, so 44% means what?

Management: 44% of the footwear distributor potential that we mapped is where we have got a percent from a distributor engagement perspective.

Varun Singh: Understood, got it. Okay, sir, thank you very much. That's it for my side.

Moderator: Thank you. Our next question is from the line of Tejash Shah from Spark Capital. Please go ahead.

Tejash Shah: Hi, good afternoon. Thanks for a very detailed presentation and improving disclosure standards. So a couple of questions. So first, we have seen a lot of permutation combination of late in franchise model in the industry of late. So just wanted to understand in our franchise model, apart from capex, what does the franchise has to fund? And how do we account for margins that we give to franchise in P&L?

Management: I have explained this in the past, but I'll give it an attempt again. It is basically, it is an outright franchise model. It is capex from the partner. It is also inventory from the partner because it's outright. And we do give him a margin. I will not reveal it, but it's in the ballpark of about 30% to 35%. And obviously fixed costs are incurred by the partner for store operations.

Tejash Shah: Okay, and sir, the revenue that you account in your numbers, it is net of margins?

Management: Yes, absolutely. So it will always show up lower on the margin line. The way we look at, I have said this also in the past, the way we look at it is that for any targeted shopping area, when we want to evaluate between a Coco and a franchise model, we look at basically which model gives us much better absolute net profit per pair.

Tejash Shah: Okay, and so employee expenses also borne by the franchise?

Management: Sorry?

Tejash Shah: Employee cost is also borne by the franchise? What does he cover in the…

Management: All the fee cost of store operations are borne by the franchise partner. Including staff, yes.

Tejash Shah: Including staff, but the training and all you actually handle is…

Management: Yes, absolutely. Training, supervision, compliance, the software is our own proprietary software and several other things that would be part of compliance. Including, as I mentioned, the Net Promoter Score, which is basically in terms of measuring the consumer experience that the consumer sees in a franchise store. We have a control as well as obviously a governance mechanism on it.

Tejash Shah: Sir, second, we have expanded our sneaker collection to 560 stores. So are the SSG in this store much higher than the rest of the network that we have?

Management: For sure. Basically, and they have also outgrown our sneaker sales. While the sneaker collection in general has expanded across all our stores. What we have brought in these sneaker studios is put them all together with a much wider, obviously, sneaker collection. So for the sneaker collection, expansion, refresh, bringing in new styles, colors, etcetera has happened across stores. So, these sneaker studio stores have now over almost 18 month journey, right, have shown a distinct higher shift in terms of contribution of sneakers as well as obviously growth of sneakers.

Tejash Shah: But at store level does it contribute because when you are expanding this, you must be sacrificing some other collections also there in terms of wall space? So why not just to show up in SSD?

Management: Yes. It is, it shows up, so it is something that is accretive. It is also, please understand, it is also a fact of bringing and registering in the consumer's mind that this is the kind of collection and width of sneakers across usage and brands and price point that we've got to offer to them and that is what works for that consumer and that is where we have tasted success on it. So you might have still had those in various categories.

So the ladies and the men's category in the kids category, you will have it in let's say the power section somewhere and a non-star section somewhere but putting it all together, itself has a dramatic impact on the consumers, registration of the entire proposition. So that's also been one large piece of this entire Sneaker Studio story within the store.

Tejash Shah: Okay, and sir, a last one if I may. Sir, when we see all the reforms, all the initiatives that you have taken in the last 18 to 24 months may, and when we kind of reconcile that with the revenue momentum that we are showing, and then there is no syndicate data here, so I'll rely on listed universe, footwear players' numbers. We seem to be losing market share in listed universe also. So just wanted to understand, where's the bottleneck that all the initiatives are still not reflecting and kind of changing the growth momentum or trajectory over here?

Management: So I would say that it's a combination of many things. It's a price point that you play in, it's the usage occasion that has also seen some kind of a shift post COVID, right? So, and also the fact that, we have consciously taken a call on the Coco footprint, which many others have obviously been on a much more aggressive expansion. Eventually, these things stabilized.

And we had seen, obviously, the premium section running way ahead of what we had long-term seen in the last couple of years. We are seeing now that getting balanced back. So I think it's a question of some of these phenomena playing out over a certain time horizon. As long as we are confident of the thrust levers that we are working on that should help us gain profitable growth over the next, over a period of time.

Tejash Shah: Sure, sir. Very clear. Thanks and all the best.

Moderator: Thank you. Our next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead, sir.

Gaurav Jogani: Thank you. So my first question is with regards to the cost savings. We have seen your both employee cost as well as the other operating expenditure being much lower. In fact, it has declined on a Y-o-Y basis. So is this a conscious estimate on the part of the company, given that the focus on the cost of the initiative, which is start now to reflect? And can we expect similar cost savings in the future as well?

Management: So, yes, we've been talking on it and we have been working on it for some time now. It has started showing some efficiencies. So I've talked about, let's say for example, we have now done 3PL of the largest warehouse that we had in the north. That obviously is going to shave off a large part of our staff cost. Similarly, now this quarter, we will go ahead with a 3PL of our next largest warehouse which is in the south. So all of these are basically efficiency drivers and many others. We did a small VRS in our factory in the south in December last year.

So all of these, we have done significant upping of incentive and variabilization of store staff expenses. So they are all leading up to productivity, etcetera, and as I said, some of the technology leavers that I've talked about, they will also lead to much better productivity in terms of even managerial staff and at supervisory levels. So an accumulation of initiatives, and we are very hopeful that they should only gain momentum going forward.

Gaurav Jogani: Sure. Sir, my next question is, with regards to this implementation of the merchandising software that you have talked about, so is it a possibility, that because of this software now being implemented, maybe there is some cleansing of the old merchandise that you are also taking along, and which is in turn possibly impacting your revenue growth in the near term. But as you said, the special merchandise will start hitting from the festive period, which in turn can also boost sales for us going there. So is that a right understanding?

Management: I, your voice got a little garbled in between, but what I heard you say was that this automated merchandising project that we are on, it is basically along with a platform globally renowned by Blue Yonder. The levers are right. They will help us be more efficient, not only aging, but also making sure that, we are able to plan for the right articles in the right kind of stores. Because the network is so large, we've got tried consumer cohorts that we cater to.

And therefore, making sure that we are able to customize to what a store in, let's say, South Mumbai in a mall is very different from the kind of merchandise that we need to offer in Dhulia, which is a store that we would be having there. And therefore, making sure that we are able to customize, therefore productivity of inventory goes up.

As an outcome of that, you will be able to also make sure that you have lesser aging, etcetera and therefore, much better efficiencies of the inventory side. So, yes, the benefits and the business case are on much better revenue growth, as well as because you're offering much relevant merchandise to the consumer core, and the other side is on inventory efficiencies.

Gaurav Jogani: Sure, so just a follow up on this. What I was actually trying to ask was that since this application has just got recently launched, would that also mean the cleansing of some of the non-moving inventories in particular locations, which could have possibly impacted sales for us in the near term?

Gunjan Shah: I don't foresee any near-term impact because of this going forward.

Analyst: Okay, thank you.

Moderator: Thank you. Our next question is from the line of Alok Shah from Ambit Capital. Please go ahead.

Alok Shah: Yes, thanks for the opportunity. The first one is, Gunjan, just wanted to check when the new product launch is made, how does the product travel across your different formats of stores, say flagship, family, normal, distribution, franchisee, etcetera. So how does it go? Does it go all across the formats at the same time or how does the rollout happen? That's my first question.

Gunjan Shah: Okay, so I'll try and give you a couple of examples. In case it's a new format and a new product altogether. So for example, let's say when we had launched floats, which was something that we didn't have, either because of the price point, because we did have Ewa products, but with the compound that we launched at the price point that we launched, which was almost 50% premium to the rest of the products that we had, we were making sure that we initially launched it in about 20% of our network, and then because we are having relatively agile lead times, we could then expand it over a period of the next six months to nine months to now as I said almost about 90% of our network.

But now taking this parallel further, now we are launching and obviously we are investing in molds and therefore much larger designs and range and floats that we are doing it much more ambitiously and faster because these we feel much more confident. It is upgradations, new designs, value-addition, but the same DNA of the product of floats. And which we will, so floats 2.0 that we have launched, we have launched it at almost 450 stores in one shot. So then we become a little more ambitious in terms of how we go about launching it. So that is broadly the process. I hope that answers your question.

Alok Shah: Correct. So just an extension to that. So say floats is a new one. Say a range in North Star, right? Say, five new designs in North Star gets launched. So how does that rollout happen? Say, first to your store and then say after how many weeks, etcetera, to smaller stores of Bata COCO and then after how many weeks to franchising. I mean just wanted to understand that.

Gunjan Shah: Largely they would follow the floats 2.0 sample, right, which we will have -- see it also depends, Alok, on the price point that we launch it at. So therefore, there might be and now more-and-more store with the franchise network becoming large we are also wanting and developing since the last season, customized selection for those type of stores. So it can also be the bottom 500 stores this product goes, but doesn't go to the top 800 stores.

So there are various ways in which we skin it, also depending on the price point, but largely it will follow the model which is for products which are let say in the North Star updates, etcetera, new styles, colors, etcetera, we will then go much closer to 2.0 because then we are largely in the same DNA of the product. And therefore, you will go to a much wider set of our target stores in the first season itself.

Alok Shah: Got it. Fairly clear. The second point was on, consistently over the last few quarters, you've been mentioning about the growth in North Star, HushPuppies, Comfit, etcetera. That if you do some checks, it's coming to around maybe 45%, 50%-odd of your revenue. Maybe, maybe we could be wrong. So firstly, just wanted a clarification that what that number could be? And parallelly, then, if that is growing then what segment is growing at a larger rate and what is largely, the management strategy to address that decline?

Gunjan Shah: So if I look at it from the last about 12 months period because longer horizons are not handy in terms of the data available but let's say, these categories would be in the range of about 30%, 35% of a turnover, they have grown faster, right, for sure. What's happened is that there are the mass volume products that are there. And especially, as I've been mentioning it now for some quarters, we do see sequential improvement on those because of I think external environment as well as I think some of our internal actions, but they have been the ones that have taken the toll. So price points below INR1,000, which would be Sandak, etcetera, are the ones that have taken some kind of a toll. Open footwear, volume products, etcetera.

Alok Shah: Got it. I have a couple of more, maybe I'll take it offline. Thank you.

Moderator: Thank you. Our next question is from the line of Chanchal Khandelwal from Birla Mutual Fund. Please go ahead.

Chanchal Khandelwal: Hi Gunjan, thanks for the opportunity. So the point which Tejas raised previously in terms of markets here, now if I look at from the organization you are coming from, Gunjan, ex-Britannia, you always we always saw that the market share was the utmost focus.

Now somewhere in last 24 months after you have taken off 24 months, 36 months now, somewhere you have taken a lot of initiatives but it's not reflected in the sales, it's not reflected in the same store sales growth. There may be a leaking bucket, but there's something which is going wrong. And plus, if Bata as a brand is not working on, you have multiple brands in the category and you are a net cash positive company. Why the focus is not on aggressive expansion now?

I mean, if I look at the market across vertical, there are companies who have been expanding retail in a very aggressive way. Somewhere we are losing that sales or market share. Any comments here? Before I ask another question?

Gunjan Shah: No, I commented on that with Tejas's question. It's on the same line. As I said, there have been different consumer segments as well as price points have been behaving in a differently post-COVID in a slightly acute manner. I think our initiatives are in the right direction, both from the areas that I've outlined on slide number six of nine, which we have been consistently working on. And I think once these even out over a period of time, we should see the games that we are all looking for.

Chanchal Khandelwal: Gunjan, what we are trying I mean, I'm asking it again, what we are trying is within the same store giving multiple spaces to various categories and trying it out. What I'm trying to understand is that why not try a few new formats and aggressively roll it out given the franchisee route or given the net cash you have and see the success. I mean correct me if I'm wrong, won't that play a better role because of the leaking bucket which we have?

Gunjan Shah: You are saying new banners? Is that what you are talking about?

Chanchal Khandelwal: Yes, new banners for them aggressively expand HushPuppies or aggressively expand some other banners you have multiple banners which you have tried in the past.

Gunjan Shah: Yes, sure, sure. So we are looking at them, but it's not easy to set up a banner, right? To make it accretive in terms of profitable growth and substantial enough, it is years of seeding that needs to be done and with some clarity of where it needs to lead up to. So we are looking at them, as I mentioned to you, we have seen the floats that we have put up, we have also tried out something on the wedding occasion piece which is under Red Label, etcetera. So these are all areas that are there, but to have substantial enough effect to show impact on the overall business, it does take, building over a period of time.

Moderator: Thank you. We move to the next question. Our next question is from the line of Falguni Dutta from Jet Age Securities Private Limited. Please go ahead.

Falguni Dutta: Yes, good evening, sir. So I have two questions. One is on the number of the pair of footwear that was sold volumes in FY '23 and Q1.

Gunjan Shah: I don't have handy, Falguni, the volume exactly, but it was flat over last year. So it's been largely volume driven. Basically, as I've mentioned, we have hardly taken any price increase in the last about eight months to nine months. So it's been a marginal price, ASP related impact. Blended all across, it's been about 1% to 2%.

Falguni Dutta: No, so this is you are mentioning for Q1, right?

Gunjan Shah: Yes, Yes. Is that the question you asked?

Falguni Dutta: Yes, so you are saying that in Q1, the volumes were more or less flat Y-o-Y. Have I understood you correctly?

Gunjan Shah: Yes.

Falguni Dutta: Yes, and another question is like broadly if you can just tell for FY '23 full-year, what was the number of pair of footwear sold?

Gunjan Shah: About close to 50 million pairs, about 48.4 million. About close to 50 million pairs.

Falguni Dutta: Okay. And sir, another question would be, is it possible to give a broad breakup of, like, Comfit would be what percentage of this or sneakers that way? A broad idea?

Gunjan Shah: Sneakers is about 20% of our turnover right, Comfit sits at about 7%, in fact 8% now because of the growth that we have seen.

Falguni Dutta: And any other any two more categories you can give on the which contribute higher. I mean, I just wanted to know broad breakup of the volume of the turnover also will do like you said 20% is sneakers.

Gunjan Shah: Yes, Yes. So I don't have it handy but I can give you HushPuppies that fits at about 20%.

Falguni Dutta: Okay. Thank you. And if by chance you have the number for -- can we take this number to be more or less flattish or no, no, it will be a bit higher in this volume for the -- if you were to break up into quarterly, four quarters, would you have the number for Q1 of last year or can you give us some sense?

Gunjan Shah: Can I request you, Falguni, to reach out offline to our investor relations and we will try and see how best we can understand your question and respond to it.

Falguni Dutta: Sir, would you have their number on the website or else I can just take the number on the call phone.

Gunjan Shah: I will reach out and if not available then we will try and respond to you. I don't have it handy right now.

Falguni Dutta: Fine sir, if you can just tell me whom to call to and whom to speak to?

Nitin: Falguni, Nitin here, I'll reach out to you.

Falguni Dutta: Fine, fine. Thank you, thank you so much.

Moderator: Thank you. Due to time constraint, that was the last question of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Gunjan Shah: Yes, so thank you everyone for your time and joining us. Looking forward to interacting with you again. If you have any further queries, you can direct them to us. We would be happy to answer them. Thanks a lot, everyone.

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