

June 4, 2025

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Limited**
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Kolkata - 700001

BSE Security Code: 500043

NSE Symbol: BATAINDIA

CSE Scrip Code: 10000003

Dear Sir/Madam,

Subject: Post Earnings call

This is further to our letters dated May 27, 2025, May 30, 2025 and June 2, 2025, 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 Call (Group Call) held on Monday, June 2, 2025.

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
AVP (Special Projects) – Company Secretary & Compliance Officer

Encl.: As above

BATA INDIA LIMITED

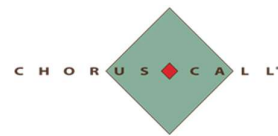
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“Bata India Limited
Q4 FY '25 Earnings Conference Call”
June 02, 2025



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

MODERATOR: **MR. GAURAV JOGANI – JM FINANCIAL
INSTITUTIONAL SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Bata India Limited Q4 FY '25 Earnings Conference Call, hosted by JM Financial Institutional Securities 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 the 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. Thank you, and over to you, sir.

Gaurav Jogani: Thank you. Hello, everyone. On behalf of JM Financial, it's my pleasure to welcome you all to Bata India's Q4 and FY '25 Earnings Conference Call. From the management, we have with us today Mr. Gunjan Shah, Managing Director and CEO; Mr. Amit Aggarwal, Director Finance and Chief Financial Officer; and Mr. Nitin Bagaria, AVP and Company Secretary.

I would now like to hand over the call to the management. Thank you, and over to you, Nitin.

Nitin Bagaria: Thank you, Gaurav, and thank you, JM Financial team, for putting this together. Very warm welcome to all of you. I have with me Gunjan, MD and CEO; and also Amit Aggarwal, Director Finance and CFO.

We have shared the presentation with the stock exchanges last week. We'll be taking you through the same. We'll navigate the slides as well as the page numbers to stay synchronized. On Page number 2, you have the disclaimer. I'm sure you have gone through the same.

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

Gunjan Shah: Hi, everyone. Good morning. Welcome to the call. I will jump to the presentation, Slide number 3, and also in line with the previous presentations over the last couple of quarters, I will focus on a few focused levers that we are consistently driving amongst the overall strategy of driving growth profitably.

Okay. So, the 3 levers, just for refresh, driving same-store growth, portfolio evolution on a few focused portfolio levers and the last one being inventory agility/complexity. So, we'll try and update you on the various initiatives and how that's been progressing.

Within the store growth, there is Zero Base Merchandising. We made obviously some decent progress post the last quarter, where we were scaling up the pilot, and the second one was on driving value proposition in the stores.

If you can just move to Slide number 5, you will see where we have tried to picturize what is the kind of change that we are trying to do through Zero Base Merchandising visually besides obviously the numbers that I will talk about subsequently. I have also spoken about the numerical part, but this will pictorially tell you how the stores look different.

Just to give you, the objective is to make the stores more inviting. As you can see in this example of one of the stores, the barriers to visibility, insight depth into the store, the number

of fixtures that were on the store, that have been reduced, while simultaneously increasing seating, which helps and aids conversion, especially on the busy weekend, etcetera, when there is a surplus of consumables in the store.

It also enables us to make the store more clutter free. While the picture does not show that, but I will move you to Slide number 6, which shows on the left side what are the key inputs that go into unmeasurable and numerical manner onto Zero Base Merchandising. We are now to about 146 stores. So, it's obviously a very large expansion from less than 40 or so last quarter. The pace has obviously gone up as we have learned to do this much faster. Obviously, we want to keep on doing this much faster. This quarter also, it's going to be a very large focus area.

Associated with this is that the number of lines in the store have dropped by almost 40%. The inventories have dropped by about 25%. What we measure as availability of various size sets and articles has gone up significantly versus net of control by about 300 basis points. And the retrieval time as a key measure for customer experience and success is reduced to less than 1 minute at 45 seconds, which is what the pilot was also. So, it's being done now at scale versus more than 1.5 minutes for the rest of the network.

What this shows is that despite the muted demand, etcetera, that these stores do deliver significant key success factors. The ones that we measure for the ZBM is that how are they doing versus controlled stores in the same city, and they are all in the positive as the numbers show to you, both in terms of consumer experience as well as in terms of financial outcomes.

Okay. Moving to Slide number 7. The other lever was driving value proposition. We've made again significant progress on this. Now it's spread all across the network. We would also have started seeing some impact of this from a volume growth objective, but still a long way to go in my view of what would define success for this.

As you can see now, especially on the ladies Bata core essentials that we call, right, the price points have been already discovered, last time I shared this. Now it is spread across almost about the full network. Simultaneously, we have also introduced and launched the whole Power Move+ collection, which is starting at a very attractive price point, with some very cutting-edge designs that we have developed along with some of our China partners.

We will expand this much, much larger. There are some exciting results in the latter part of the previous quarter, but we will see this going larger even towards the second half of this calendar year. Obviously, parallelly, we are also expanding this across the network. This kind of a price point deserves to be there across the board. So, it will go to all Bata stores. Hopefully, that should also drive volumes for us and, therefore, volume-driven revenue growth.

Slide number 9 and moving to the next lever, which is on -- basically on certain focused portfolios. One -- first one is Floatz and, therefore, the volume category. It continues its attractive growth trajectory, as you can see here, now at pretty large volumes. It is also -- continues its growth rate of almost 40% plus.

As you can see out here, it's almost more than doubled in the last 2 years backed by solid volumes. And obviously, as I mentioned, that it comes at a -- in most stores, it comes at a

premiumized price, PSP. As you can also see that we are also trying to use some amount of science behind how we are trying to display it with a silhouette led display with the range now expanding, but simultaneously trying to bring out a story, as you can see in the pre and post photographs that have been done.

We are also investing big time in this portfolio behind collabs, which we see is one of the key drivers for consumer interest, especially in the youngsters, both kids as well as below 10 as well as 10 to 15 or 10 to 16. And we will increase collabs. We have done this with Marvel. Donald goes live -- has actually go on live already in stores, right? And we will have obviously some more campaigns coming across going forward. So, we hope that this growth rate trajectory continues on this part of the portfolio.

Moving to Slide number 10. Another piece that has actually taken a lot of our effort has been Power portfolio. Besides the Move+, which was a price point driver, we have also introduced 2 new technologies, EasySlide has been there for some time, now is getting scaled up. Now we are taking it to 1,200 doors. We are also resetting the price point on this to make it even more attractive. And also, the Stamina+ collection, which is at a premium end at about INR4,000 MRP.

And that has shown some good results in the first launch in the last quarter, and that's been taken to almost 400 doors. So, the technology as well as the premium objective on Power continues while we do the Power Move+ that I talked about in value propositions.

Continuing forward to Slide number 11. Hush Puppies continued its expansion on the premium side, right? As you can see, consistent quarter-on-quarter store expansion, and that journey continues, both through the franchise model as well as the COCO model. We have also associated, as I had shared with you last time, with Vir Das and Sahiba Bali. And they were the centrepiece of the office speaker campaign, the Ease, please that you see. And that has given us some very good results. It's also burnished our credentials on taking the comfort premium credentials of Hush Puppies into a semi-formal space. And we expect that to unlock revenue growth for us going forward.

On Slide number 12, moving on to the inventory agility lever. So obviously, a whole bunch of numbers that are flowing in the next couple of slides, as you can see. They are continuation of the updates that I've shared with you all in the previous presentations for the last couple of quarters.

So, on Slide number 13, if we can move there. So, the number of clients overall across the network, while I talked about the ZBM stores, right, overall, across the network also reduced by almost about 30% year-on-year. The top articles, the way we look at it is that while we reduce the whole success of this is that while we reduce inventory and complexity, we keep on increasing our size fulfilment as well as ability to satisfy consumers in store.

So, it's a dual balanced objective. We develop -- deliver both, then it's excellence on this front. So that has gone up. As you can see on the numbers, it's 12% better than where it was last year, despite significant reduction of availability and 7% better on overall.

The clutter at stores, so basically, the objective is that total net lines, including any discontinued lines at stores, are what is this clutter at store, and that lines for store is the active lines that we are sending into the stores, right? So, both of them are significantly reduced.

The next chart on 14 on inventory agility is more talking on financial terms. The inventory is a significant drop at 16%. This is over a continuing drop over the last almost now 5 quarters that we have managed to do. That has shown up in terms of turns also.

We still see some more meat going forward on this entire piece, not only in total quantity, but also on the quality of inventory, which is what you see in the aged inventory that's about 30% to 35% lower.

So, in that line and the potential that we see on this, we will -- I'll take you through Slide number 15. We have launched off a large transformation project with an external partner on what we call is Customer First, on how are we able to make sure that everything that we are doing through the organization comes through the value chain and impacts the consumer.

So, consumer centricity, making sure that we are agile enough to adapt to trends, the pipeline is kept efficient enough so that we are able to react fast, driving it through operational excellence, so making sure leakages are, how do you say, tightened up. And last but not the least, making sure data is at the core of all the decisions that we take, including innovation.

So, it's going to result in tangible outcomes that we foresee over the next several quarters. The project has already been kicked off, and we are looking at great benefits, so furthering already some initial signs that we have seen on this front that I shared with you in the last previous slides.

Slide number 16, a few other highlights. Now franchise stores stand at about 625. For the first time after a long time, we have started seeing some revival and contribution from the less than INR1,000 price point, which shows up in our volume growth, though we would have desired much more, so that we can also result that into revenue growth, which we are hopeful for going forward.

Overall, NPS stands at a high of 85. Efficiency parameters on the stores have gone up. We are also, in our distribution business, expanding our key retail outlets, which are our activation program for the MBOs to now almost about 1,400 outlets.

We installed our largest ever capex in the back end in Batanagar in the PUDIP machine. This backs our commercialization of the IMEVA machine that we did last year. These are all in line with what we feel is the right strategy for manufacturing, which is automated capex, technology intensive, and IPR driven is what we want to own, while we use contract packers for the manual labour-intensive pieces, fashion driven.

We were also recognized for some awards. We ran a few campaigns, as you can see out here, during the quarter. And also, collabs with fashion designers.

With that, I will take you to the last slide, which is Slide number 18, and I will invite Amit to talk on this. Amit?

Amit Aggarwal: Good morning, everyone. From a financial slide's perspective, the overall revenue from operations stood at INR788 crores, which is a value decline of about 1.2% compared to the previous year same quarter. The gross margin were at about INR455 crores, while there is an erosion of about 230 bps versus the last year same quarter.

EBITDA margin reported is at about 25.5%. The change versus last year is about 14 bps lower. Now in the EBITDA margin, there is a change in accounting for one of the licensed brands based on the Ind AS. Like-to-like EBITDA margin versus last year would have been about 23.5%.

From a PAT perspective, overall, PAT stood at about INR46 crores, which is a decline of about 215 bps versus last year same quarter. Over to you, Gaurav.

Moderator: The first question is from the line of Sameer Gupta from India Infoline.

Sameer Gupta: Sir, firstly, on the gross margin contraction this quarter, now I understand that increased franchising operations will also lead to some gross margin dilution. So, if you can maybe quantify the impact of that and the rest, if there is any gross margin contraction, the reasons for that?

Gunjan Shah: Okay. So, a couple of factors that contributed to it. One is obviously the mix. It's obviously franchise and e-commerce, as I mentioned in the past, does have a different implication on the way it flows through from a gross margin to EBIT level.

But also, the fact that we have been consciously providing value proposition, while we are parallelly working towards resetting the cost structure for some of our lead products like the kind of example that I mentioned, Sameer, in my presentation. And that should pan out over the next -- so both of these are the things that have contributed to the gross margin that you see.

Sameer Gupta: Got it, sir. Second is, sir, more bookkeeping question. If you can help me with the channel mix in terms of revenues for this year, COCO, franchisee, multi-brand distribution and e-commerce.

Gunjan Shah: Should be basically about for the year, can I have it handy? Retail would be about 70% COCO. You will have franchise at about 7.5%, e-commerce at about 10%. And you will have IND at about 12% to 13%.

Moderator: The next question is from the line of Videesha Sheth from AMBIT Capital.

Videesha Sheth: The first question was that you ended the year with 100-odd stores being added. So how should we think of store addition momentum going forward?

Gunjan Shah: Yes. It should be a little higher going forward, Videesha, right now as we look at it, right? Obviously, as I mentioned, we would want to continue. And we've largely retained, which is

about an 80-20 ratio between franchise and COCO. But it should be a little higher next year compared to the previous year that we've seen.

Videesha Sheth: Got it. And if you could just help with the revenue contribution of revenue mix from the key brands that you operate being Power, Hush Puppies, Comfit, etcetera?

Gunjan Shah: Okay. We don't share that, but basically, I would say that the second and the third largest brand after Bata, which is the largest by far, is Hush Puppies and Power. They would be in the strong double digits in the range of about 20%.

Videesha Sheth: Noted, noted. And just 2 small clarifications on my end. In Slide number 6, so when you're talking about the output of the Zero-Based -- or sorry, of the value proposition there, I just wanted to check that is it fair to interpret that the opening price points are currently available only in 600 stores out of the entire network?

Gunjan Shah: Okay, No, no. The value propositions, you're talking on Slide number 7.

Videesha Sheth: Sorry. Slide number 7 on the left-hand side.

Gunjan Shah: Yes, yes, yes. No. So this is basically trying to talk about that overall universe, which is the price point that you see. So, let's say, for example, the core price point of INR799, Videesha, right, would be a core in, let's say, for example, about 800 stores, what is the opening price point for the balance 600 stores.

So, from a full portfolio on the table, we have an opening price point, and that's basically suitable as the opening price point in the store for, let's say, about 600 stores, which have been taken to 800 as part of driving the value.

Videesha Sheth: Understood. And on the slide earlier to that, which is on the Zero-Base Merchandising, the import and -- or the output is being showcased in this slide. That would be for all the 146 stores. Or again, it will be a sample out of stores -- 146 stores?

Gunjan Shah: No, no. This is for all 146 stores.

Moderator: The next question is from the line of Gaurav Jogani from JM Financial Institutional Securities.

Gaurav Jogani: So, my question is with regards to this -- the lower other expenses this quarter. So, you did, I think, mention that there is some adjustment with regards to the license rights. So, if you can explain that a bit in detail and what exactly it is.

Gunjan Shah: Yes. I'll ask Amit to do this.

Amit Aggarwal: Gaurav, in terms of -- see there is a change in the construct of one of our licensed brands. And in line with the earlier, the ex-royalty, what we were paying towards the usage of the brand was being charged as other expenses. However, in line with the India's requirement due to change in the structuring of the agreement, the same has been led to creation of an intangible asset, which you would see in the balance sheet side also. Therefore, once I create an

intangible asset, the amortization and the financial liability of the same gets charged in the form of depreciation and finance costs on a like-for-like basis, yes.

- Gaurav Jogani:** No. So, my question, sir, would this be a recurring in nature? I mean, every quarter now...
- Amit Aggarwal:** Yes, yes. It will be recurring. So, we will have 3 more quarters where there will be numbers may not be comparable with reference to the previous year. Once we reach quarter 4 of '26 financial year, then number starts becoming like-to-like.
- Gaurav Jogani:** Sure, and that explains the reason why the other expenses have declined so much on a Y-o-Y basis.
- Amit Aggarwal:** Yes. Apart from that also, there is an improvement or underlying initiatives, which we have run, which has led to improvement in overall other expenses. If you look at purely from a P&L perspective, if I exclude the gross margin impact, the overall cost structure, which is including your employee expenses, finance cost, depreciation and other expenses, overall, the trend is marginally lower versus last year.
- In terms of percentage of revenue, it has marginally gone up by 30 basis points, which also includes one exception -- one-off exceptions of about, let's say, 100 basis points in terms of my employee cost.
- Gunjan Shah:** It should not be recurring.
- Amit Aggarwal:** It should not be recurring in nature.
- Gaurav Jogani:** Sure. So, you're saying the employee cost is higher by 100 bps approximately this quarter, right? Because the run rate was around INR100-odd crores a quarter basis.
- Amit Aggarwal:** Yes. Roughly, yes.
- Gaurav Jogani:** Okay, okay. And sir, my next question is with regards to the overall demand conditions. So, you did highlight that in the 146 stores where you have implemented the zero-base budgeting, there, you were able to see a better revenue conversion, volume, etcetera.
- But what about the remaining? Is it largely because of the muted demand environment exactly or there is some other issue as well? Because of this, the overall revenue performance is thought being flattish rather is what I would say.
- Gunjan Shah:** Yes, yes. No. So obviously, we know that the demand conditions are -- have been tight, Gaurav. However, within that, what we see is that our ability to do 2, 3 things, right? One is provide the right kind of portfolio to consumers, which we are looking for, and many of them are what we see very clearly are looking for some kind of a relief from the overall inflation that they've seen and, therefore, value for money.
- The second piece is our ability to showcase that to the consumers in a tangible way, which is, are you able to showcase them in a non-cluttered way, are you able to showcase them in a full set manner, which is all sizes, etcetera, our ability to make sure that they are served well. And

those are the ones which are resulting in the delta performance that we see and which we are measuring for.

So -- which is why we are looking at it very aggressively across the various levers that I've talked about. And hopefully, that should result in the overall network getting impacted over a period of time.

Gaurav Jogani: Okay. Sure. And sir, just lastly, I mean, on the Floatz side, your Floatz have been really doing well for you. Has this now been expanded across all the stores? Or still it remains in terms of the presence limited to most of the metro towns or certain kiosk that you were trying to open earlier?

Gunjan Shah: It is across stores. It is across stores, Gaurav. It is now in some stores. It is now resulting in basically some of the places where we have opened kiosks, etcetera, and -- which is to cater to basically where we might not have the right kind of store footprint or we want to have a point of sale, which shows up consumers the Floatz proposition.

Gaurav Jogani: Sure. Sir, I think last time, you did mention that this has already crossed, I think, \$1 billion plus in revenues for us. Any number that you would want to put out for this brand?

Gunjan Shah: At the run rate, in fact, it costs out by a handsome margin. I'm assuming \$1 billion is INR100 crores, right? So, it plotted by a handsome margin last year. And this year, my sense is if this continues momentum, right, we should be in the range of about INR200 crores.

Moderator: The next question is from the line of Ankit Kedia from PhillipCapital.

Ankit Kedia: So, my first question is on the inventory. You're now introducing more of the Power products in the stores, which could be at a higher ASP. Two, we are reducing inventory in those stores of other products, which 2 years back was not there. Apparel was not there 2 years back in the store. So, what kind of the inventory are we reducing in the stores? So, I understand that clutter getting reduced. But what are these new products replacing in the store?

Gunjan Shah: Okay. So, there are 2, 3 pilots that are there on this, Ankit. Then, I mean, obviously, we can speak a long time because there's a lot of effort that's gone in. The results are now being seen, but it's been in the works for almost about a year, right?

So, the first thing that there is, the one that I'm sure you can tangibly see is, reducing the aged inventory, which is basically to do with on 2 fronts, right? One is reacting fast on a slow-moving product. And the second one is to make sure that we are also ordering in the right manner. Right now, the technology of the Blue Yonder that we've implemented, some of the processes and governance that has been put in place, etcetera, etcetera, leading up to that.

So, reduction of aged inventory, which is redundant inventory, does not provide proposition. We don't market it to consumers is one big lever. The second one is basically making sure that we are able to have sharpish collection for the new products.

Now making a new -- let's say, for example, a new sandal or a new loafer just by itself does not -- at least we believe, does not basically lead to great success or great probability of success. We need to present a collection to consumers, and -- which is what, let's say, this entire Power Move+ is. It's a collection of articles, which are basically sitting in a certain proposition of, let's say, in this case, value-added certain technology at a certain democratize price and, therefore, leads to pitching a story to the consumers.

And hopefully, a good chance of success that we've seen, or Floatz, for the matter or, let's say, the office sneakers from Hush Puppies. So that's the second thing. I don't -- so that also forced the teams to be far more choiceful in the new products that we bring in.

The last thing that's there and which is, I think, the one that is going to result in a lot more work going forward is cannibalization. Is there a distinct reason for a product to be on the shelf? I mean if it's another sandal with the same black color, if it's the same slip-on with the same brown color, are you offering enough reason for the consumer to be able to see it differently versus another one against it right on the shelf? So, are the price points enough different, etcetera?

And this has also resulted in -- that is what I've talked about in ladies value proposition that one is the value proposition of opening price points, etcetera, but the other one is the collab's price points. And then that results in questioning that do you need the same sandal, which was at, let's say, for example, INR799 and you have another one at INR899.

Now they might not necessarily need to coexist together. Either one of them will serve the proposition to the consumer. So, these are 3 broad levers, obviously, results in a lot more work. But effectively, that's what is resulting in this.

Ankit Kedia:

And sir, in a lean demand environment, what we have seen in last 3 or 4 quarters, if the demand doesn't play out, do we see higher discounting? How does the supply chain at the back-end work given that you're more sharper in the inventory?

Gunjan Shah:

Yes. So, it does result in that. It comes with the lag and which is what I answered to someone else who was talking about it, that we are now also making sure that the products that we are looking for value proposition, we want to reset the cost price. The volumes go up on a per article basis. My ability to amortize costs and, therefore, get per pair cost down goes up, etcetera.

So, they do result in that. What it also helps is that because you've got conscious -- limited conscious choices of new products, your ability to react is far better. If a product is selling well in one part of the geography versus another, we move that stock out. Obviously, it slows you down if you've got more and more clutter in the pipeline. So yes, it does result in a much better efficiency. Therefore, lower intensity of markdown after a lag.

Ankit Kedia:

Sir, my last question is on the focused product scheme announced in the budget. We haven't seen the handprint of that from the ministry side. Do you think if implemented we'll see a lot more of the global brands coming in the country or exports as opportunity will open up for you to the parent? How should we read that from a budget perspective?

Gunjan Shah: Okay. While we await the fine print in the retail, as you've rightly said, there is not so much of clarity. However, the piece is that -- and I think there is already a lot of ecosystem that is developing because of BIS itself Ankit, right? So that we can see evidence of that.

From a Bata perspective, we are obviously consciously working, and I have mentioned this, on creating a complete structure within Bata India, which can basically cater to Bata globally. And that's going to be opportunity, which will keep ramping up over a period of time. And as we see tangible progress, I will keep updating you on it. And if there is clarity on PLI or any other scheme, etcetera, it will only provide impetus on this going forward.

Moderator: The next question is from the line of Rahul Agarwal from IKIGAI Asset.

Rahul Agarwal: Gunjan, a couple of questions. Firstly, on this resetting of the business, that's the way I'm looking at it...

Gunjan Shah: Can you speak a little louder, Rahul?

Rahul Agarwal: Yes. Yes, sure. Is this better?

Gunjan Shah: Yes.

Rahul Agarwal: Okay. I was basically looking at Bata in terms of the entire resetting of this business. I understand the demand is weak, but you're obviously doing more premium, some automation focus, more efficient inventory management. From an investor perspective, what would you expect Bata to look like 3, 5 years out?

When you are tangibly measuring success of these changes, how should we look at it? Specifically talk about financial metrics. How -- will the Bata look very different from what we are looking at today in terms of growth, margins, in terms of balance sheet turns? Anything would you want to highlight? That's the first question.

Gunjan Shah: Okay. Why don't you complete your question, Rahul?

Rahul Agarwal: Sure. And second was more a bit shorter term, let's say, next 2 years. You talked about volume growth, consecutive quarters, now better. But obviously, pricing is paying its own part. The way to look at growth for Bata should be more format-wise, which you discussed about retail, FOFO, COCO, e-commerce, industrial. And what it entails when the salience changes, what it entails for the gross margin operating margin?

Because assuming that whatever right now, fourth quarter, you've reported based on that salience and incremental growth outlook. How does this business look like in, let's say, 2 years? How should we look at growth in ASP and different format growth, whatever you want to talk about?

The relative question also was on inventory and working capital. Should we expect more rationalization on inventory, which you alluded that we'll continue to work on that? This 80 days of inventory of sales, which you look at, does it further decline? And where this business stabilizes over a 2-year time frame? Those are my questions.

Gunjan Shah:

Okay. All right, Rahul. So, they are pretty much linked together, Rahul, so I'll try and see without -- we don't normally give you -- give forward-looking commentary. But however, at least from a trust area and an impetus perspective, I will try and give you few markers and more than happy to see whether the team can connect with you offline also.

One is that we want to make sure Bata is, how do you say, the heart of our consumer base, which is basically the middle-class Indian is what it remains to be, right, and how do we make sure that we are relevant to that. From all the initiatives that are either I'm talking about it or the ones that we want to go going forward.

So, making sure that the product portfolio, our communication strategy, our stores, the way they look, etcetera, the way the experience for consumers is, is all connected towards this one larger objective from a consumer perspective.

The second theme that's there is that we want, over the next not only 2 years, but also 5 years, to make sure that we -- it's a volume-driven growth trajectory overall, right? There might be some quarters up and down, but we want to make sure it's a volume-driven revenue growth trajectory.

The third piece is this should come with the kind of initiatives that I think we've already set in place, plus the larger projects that I also alluded to in my presentation. It should come with an extremely aggressive objective on inventory agility, overall, in general, right? Now that resulting to many facets. And with some of them, I have talked about, some of them will expand as we roll out this project further.

In terms of complexity, the agility of bringing in new range, etcetera, the amount of choices that we make or bringing the new range, but presented in a coherent manner to the stores, to the consumers in the stores, etcetera.

Last but not the least, we would and are endeavour at all times and I think the amount of work that we have done on the cost efficiencies, etcetera. Once we see the revenue growth trajectory, it should result into, obviously, operating leverage and, therefore, profitable growth for us.

Rahul Agarwal:

So, does this also mean we should get back to value equal to volume growth this year or you still think there is time?

Gunjan Shah:

I'll refrain from giving a forward-looking statement, but the direction is in the endeavour of what I said.

Rahul Agarwal:

Okay. And based on the salient changes, more franchisees, more e-commerce growth, does that entail any meaningful changes on EBITDA margins? So obviously, you mentioned that...

Gunjan Shah:

Yes, yes. That was the -- yes, yes. That other piece, I didn't comment on. Ideally, we would like -- we are -- something that we have mentioned that we want to make sure that this multichannel model remains from a revenue pipeline perspective. And I think each one of

them caters to consumer cohorts, which are -- yes, there might be overlaps, but there are large enough distinct consumer cohorts within that.

So, for example, franchise allows us to add EBOs in towns and markets, which otherwise the COCO model did not have till, let's say, about 4 years back in a very profitable way. And that also we have fine-tuned now. So, we will expect all of these channels to grow.

COCO will have its own new source of growth driven by same-store growth. You will have a lot of franchise, both same-store growth as well as basically expansion, especially in the urbanizing India. A large part of our addition in the last 2, 3 years have come through that and will continue going forward. And e-commerce and multi-brand outlets, obviously, have their distinct strategies. So, it should basically largely be pronged on all these 4 with the focus being on retail, for sure.

Rahul Agarwal: One follow-up. Because you mentioned a number of stores opening should be higher than last year, but are you guys working with some kind of numbers here? Or it's more about taking it very opportunistically, FOFO continues to expand faster than COCO and then you'll end up doing, let's say, 120 stores, something like that. Or is there a hard number to work around it?

Gunjan Shah: No. There is obviously targets and numbers that people and the teams carry on this, Rahul. There are also -- more importantly, there are target areas that we want to be in, right? So, there is a complete census mapping. Now there's enough and more modules of multiple data integrators that give us the right kind of, what we call, a PTAs, the potential trade areas, which is what we start as a universe.

That universe, by the way, if I last remember, is at about 600 locations, right? So, we have managed to successfully, economically viable, how do you say, commercialize, let's say, about 100 last year. So, there will be enough and more opportunities going forward.

Moderator: The next question is from the line of Rajiv Bharati from Nuvama.

Rajiv Bharati: Sir, I'm on Slide number 14, the inventory reduction part. So -- and there, you mentioned that aged part, right? So, is it safe to assume that this 16.5% or the delta between the 2 is basically largely each inventory reduction?

Gunjan Shah: I can't mathematically do it, but the large part would be, which is what I mentioned to another gentleman on this call some time back, which is that there are multiple levers towards this inventory. I think the one that is the fastest and the most profitable is reduction of aged inventory, which is being proactive in slow-moving SKUs before it becomes aged as well as trying to be choiceful of what you bring into the stores, right? But there are other levers that I mentioned about. But my sense is, yes, some mathematics will show that a large part of this would have been aged.

Rajiv Bharati: And the -- let's say, the inventory turn on that aged part would be, let's say, 0.5 or something like that.

- Gunjan Shah:** No, no. It will be lower. It will -- yes, it will be lower. I don't know the exact numbers. I can offline get back to you, but it will be lower.
- Rajiv Bharati:** I mean, what I'm implying is looks like close to INR250 crores is the aged inventory out of the INR765 crores. And I was just wondering that the inventory turn on rest of the portfolio is upwards of 3, 3.5, is it?
- Gunjan Shah:** I don't think that conclusion is right because I don't know how you got that INR200. But aged inventory is in low single digits.
- Rajiv Bharati:** So how I got is INR915 minus INR765 is 0.37, right?
- Gunjan Shah:** No, no, no. They are very different. That's total inventory, Rajiv, whereas the aged inventory is showing a reduction of 37% from a starting point of X. Both of them are in low single digits as a percentage of the total inventory, which you see on the left top chart.
- Rajiv Bharati:** Sure. And on Slide number 6, which is your -- sorry, not 6.
- Gunjan Shah:** Mind if I say, the best-in-class benchmark, by the way, on the aged inventory is low mid-single digits. So, it should be in the range of about 2%, 3%, so less than 4%. So, we still have some way to go, while we have reversed a large part of the reduction. But it's in that range. So, it's nowhere close to the 20%, 30% that you calculated.
- Rajiv Bharati:** Yes. And on the overall volume growth in the -- at the company level, can you specify that number? How much is that?
- Gunjan Shah:** We don't share that. But as I've mentioned in my press release also as well as my commentary in the start, the second quarter that we've seen reasonably broad-based volume growth in the mid-single digits would be the best.
- Rajiv Bharati:** Why I'm thinking? Because on Slide 6, right, the ZBM portfolio is having a volume growth of 8%.
- Gunjan Shah:** It's net of control. The way we see it, net of control, as you can see in the comment, right? So, it's not necessarily in absolute. It is how they are doing relative to the rest of the stores in the same consumer cohort or city.
- Rajiv Bharati:** Sir, I got that. The next question is in terms of, let's say, this ZBM scale-up. We are probably a quarter behind what we have initially shot for right, 250, by the end Q4. Are you sharing what is the number you're targeting for, let's say, '26, '27?
- Gunjan Shah:** That's a very -- ideally, we would like to see -- and I've mentioned this, yes, we took a little while to scale up, but now the scale up is happening at a pretty good pace. So, my sense is that we should be covering about, ideally, my best guess is about 300-odd stores by [December] end. And that should cover us -- my sense is about 50% or 45% of our turnover on retail.
- Moderator:** The next question is from the line of Vikram Damani from Damani Family Office.

Vikram Damani: Am I audible?

Gunjan Shah: Yes, Vikram.

Vikram Damani: So, apologies on repeating the question...

Gunjan Shah: Now your voice is inaudible. Vikram, can you speak a little louder? You said you are repeating the question. No problem. Tell us.

Vikram Damani: Am I audible?

Gunjan Shah: Yes.

Vikram Damani: So, I just wanted to get a sense of the opportunity that's arising from the implementation of the...

Gunjan Shah: Sorry. Surety on the implementation of?

Vikram Damani: BIS norm.

Gunjan Shah: Your voice is coming and growing. Okay. Go on, go on.

Vikram Damani: Yes. So, the -- what percentage of sales versus have been a few years ago? And going forward, what sort of opportunity that arises for local manufacturers? If you can just give me -- throw some light on that, please?

Moderator: Sorry to interrupt. Mr. Vikram, your voice is not that clear. Could you speak a bit louder?

Gunjan Shah: No, we heard the question, Vikram. We heard the first question, yes. Yes. Okay. Vikram, so basically, we are 100% localized. There was a level of small amount, but I've given this commentary almost about 4, 5 quarters back when BIS was under transition.

We had a seamless changeover, and we had almost no hiccups, except for maybe a few niche licensed brands, which also have now been sorted now. So, in fact, we are looking at this as an opportunity from an export's perspective, which is what I commented on earlier to one other question. Does that answer your question?

Vikram Damani: Yes. Partly, what I actually wanted to gauge is the overall sort of supply. How much was the BIS supply to India, 5%, 10% of the overall market?

Gunjan Shah: Miniscule. It wasn't -- it was less than 5%, and that's now been eliminated.

Moderator: The next question is from the line of Udit Gajiwala from YES Securities.

Udit Gajiwala: Just one clarification and advice. You have mentioned that the focus is on volume growth. If I look it in quarters back in the con-call, you were mentioning more of a premiumization as the strategy. Is there a shift in strategy or the volume growth will come and premiumization will also be with it? If you can just explain a bit on it.

Gunjan Shah: Yes, yes. No. So Udit, I think it's the latter of what you yourself mentioned right now, right? So -- and that's what my document or my presentation also was while you would have heard me at the start, right, that there is a consumer cohort, a large part of our target consumers who are looking for value proposition. And therefore, how do we make sure that we do it not only in the short term, but also in the medium-term structure is what we are working on.

Some of the initiatives, I have shared with you all. But simultaneously, that doesn't stop us from bringing in technology innovation, brand as well as basically premiumization being driven through it. And that was the example that I told you from a portfolio level, so whether it is Power, whether it is Floatz, whether it -- Floatz is a classic example. Consumers buying that kind of a footwear were buying it at a price point, which was less than half of what the ASP of Floatz is.

The ASP of Floatz is almost 2x of the parallel products that we had on offer for consumers. So that parallelly does do premiumization. Similarly, HP, there are a bunch of levers as well as the product -- the technology driven offerings from Power. So, they will continue in parallel, in short.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Gaurav Jogani: Thank you, everyone, for joining once again. It was lovely interacting with you, as always. We look forward to connect again. Thanks.

Moderator: Thank you. On behalf of JM Financial Institutional Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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