

August 13, 2024

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**BSE Security Code: 500043**

**NSE Symbol: BATAINDIA**

**CSE Scrip Code: 1000003**

Dear Sir/Madam,

**Subject: Post Earnings call**

This is further to our letters dated July 30, 2024 and August 8, 2024, on the captioned subject.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), we are enclosing herewith the transcript of the Post Earnings (Conference) Call held on Thursday, August 8, 2024.

The same shall also be made available on our website i.e. [www.bata.in](http://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**

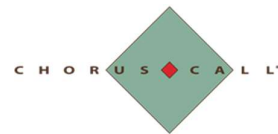
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“Bata India Limited  
Q1 FY '25 Earnings Conference Call”  
August 08, 2024



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

**MODERATOR:** **MR. UDIT GAJIWALA – YES SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to Bata India Limited Q1 FY25 Earnings Conference Call hosted by YES Securities. 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. Udit Gajiwala from YES Securities. Thank you and over to you, sir.

**Udit Gajiwala:** Thank you, Steve. Good afternoon, everyone. On behalf of YES Securities, we welcome you all to Bata India's Q1 FY25 Earnings Conference Call. From the management team, we have Mr. Gunjan Shah, MD and CEO, Mr. Anil Somani, Director of Finance and CFO, Mr. Nitin Bagaria, AVP, Company Secretary. I now hand over the call to Mr. Nitin. Thank you and over to you, sir.

**Nitin Bagaria:** Thank you. A warm welcome to all of you. We have Gunjan Shah, MD and CEO. We also have Anil Somani, Director of Finance and CFO. We have shared the presentation with the stock exchanges earlier today. We will be taking you through the same. We will navigate the slides as well as the page numbers to stay synchronized. On Slide number 2, we have the disclaimer. I am sure you have gone through the same.

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

**Gunjan Shah:** Okay. Good afternoon, ladies and gentlemen. Joining for the call today, I will briefly run through the presentation which, as Nitin mentioned, is already uploaded. I will start with Slide number 4. Just a broader context, when we met for the call last time, we had said that we saw improvement in momentum at that point in time through the quarter between Jan and March at that point in time. That did continue for some time, but then we did see deleterious momentum in the latter part of the quarter, driven by various factors, heat wave, election, as well as wedding season, presumably.

So, it's been overall a relatively tough quarter, reflecting in our sales for a long time having dipped actually negative to negative 1%. Within that, there were bright spots and I will talk to you a few of them. I will also try and see if I can give some sense of how we are trying to give impetus to the trajectory going forward, which we are hopeful of. I think one hit that keeps continuing really well, I have been talking about it for multiple quarters, has been floats. The brand continues significant momentum.

Now, on reasonably sizable base, contributions which are upwards of almost 4.5% to retail business and continues to log in highest quarterly sales quarter-on-quarter. So, almost running like a start-up. We are also running it like a start-up, a lot of investments that we are putting behind it, both on the front end, back end, technology, moulds, stores, etcetera and I will talk a little about it. The other big focus area has been power. Power has seen right from the previous quarter, as well as the quarter one of '25, double-digit momentum, we will want to keep pushing this brand, we feel that it's the right umbrella for attacking the athleisure space.

And it's got a good sweet spot in terms of the right to succeed at the mass stage price point in the range of 2000 to 3000 plus or minus, right. And there is a lot of work that's happening, a lot of the technology work that we have put behind power over the last two years, etcetera is flowing through, we will see, two large product launches going in this quarter also, which are with distinct user benefits that we are very confident will give us further traction on this. There is also a relatively better momentum that we saw in Comfort and Hush Puppies.

So, the premium Delta continues, though it's been a narrowing gap, but it still continues. And Sneaker Studios, empowering the entire, encompassing the entire sneaker proposition expanded to about 740 stores now. On the expansion piece, franchise store expansion continues. So, we did see a continued expansion, we will continue to see almost 40 to 50 EVOs getting added every quarter, we are very hopeful that it will basically -- this momentum will turn around.

And these store expansions will help us. Within that franchise will be obviously predominant part, which I've talked about as a strategy going forward, especially in the tier three to tier five, where we are obviously, in many, many towns, the first organized retailer providing the kind of experience that we are, who are EVOs. Beta distribution also expanded, though the mass price points continue to have some amount of stress, it was relatively a little better last quarter, despite the other momentum areas that I talked about.

So, we are hopeful that that reversal journey will give us positive momentum in the balance of the year. Our investments behind stores continue, actually a pretty large number, I think 40 stores. So, ideally, we should be in the range of about 20-25 stores of renovation every quarter. This was timed, obviously, relatively a leaner time. And that's where we wanted to large part of these projects of ours at the store renovation.

Power EVO, I will talk about it. We opened one the previous quarter, this quarter also, we saw another one. And our ambitions are wanting to keep learning and moving forward on the front. We did attempt a large campaign, try and fly first in the industry to push basically in terms of footfalls and getting the momentum back. And also, we did a very different kind of a social media launch of Nine West. Now, Nine West is fully present in about 60 stores. And we are working towards making sure that we expanded going forward. E-commerce continues to expand. E-commerce momentum continued even in the previous quarter.

And obviously, not only in terms of portfolio, but also in terms of profitability, as well as partners, everywhere we did see good momentum. We also saw that momentum reflecting in our omni-channel as well as barter.com, so besides marketplaces. Some good work that happened in the efficiency, on the efficiency lines, capacity utilization was actually the best that we have seen in six quarters in our in-house.

We are at, and it progress well going forward at the best inventory levels that we have for the last almost eight quarters. Despite that, our availability has been also the best. So, I think it's been a good all-around work that's happened on inventory management and that should order well for us. In fact, it gave us a little amount of confidence that we postponed our EOSS sales in June by a couple of weeks compared to last year. And that reflects in the stable cross-margin

that we saw, despite obviously the overall revenue momentum being over. Simultaneously, I have been talking about this.

We have now fully stabilized in the previous quarter. Now, what I feel is right at par variable structure performance pay at stores at about 30% as per design. And we also stabilized the ERP module that we have run with MS Dynamics during the quarter. So, this is the first quarter where the results came in out of the ERP module. Moving further, a few highlights. The store expansion continued. What you see in the red bar is COCO. What you see in the grey bar is basically the franchise. Did see a slightly higher than normal COCO expansion last quarter.

As I said, we do try and pre-pone this relatively a quarter that we feel that from a project point of view, it's the right one to do. However, franchise did outpace it and that will continue. Another big highlight is the success of this from a partner perspective that now almost 50, half of the franchise additions are coming from existing partners opening up multiple stores within the radius that they operate in.

And we would like that to keep continuing going forward. And the other big endeavour that we will have is to continuing push towards bringing in newness and innovation into our stores, not only in the top 500 stores, but even the bottom 800 stores. And that's been a big endeavour. We did make a shift the needle last quarter and the next six months will see a significant shift on that.

Moving to Slide number 7, which is basically in terms of seeding for the future, Power EBO. We have talked about it. We started the first store. It's in the north. The second one also has opened in the north. We will want to keep learning on this and the signs and the feedback are pretty good. We are getting the kind of trading density that we want from these stores. They are pretty compact stores, not more than thousand square feet.

And that seems to be the model that works. As you can see, it is encompassing largely the kind of portfolio that we want to show from a running sports perspective, but also has digital interaction. It's got apparel that we have anyways been working on for the last year or so, as well as some amount of non-footwear. We will want to expand this banner to about 15 stores in the next two quarters that is December 2024. This quarter, we should see about four to five additions. In the same breath is Power Apparel.

I have talked about it. We are there in about 70 stores now, slightly more than last quarter. And now the kind of traction that I have been mentioning this quarter on quarter for the last almost two quarters or three to you, we are seeing the kind of threshold that we want. And most probably, I think, in another two or three months, we should be looking at expanding it to almost 100 plus stores, ideally double of the 70 that we had. It also has given us a lot of understanding on franchise and making sure that we've got the right price points, some amount of also the material that we are losing. So earlier, we had only polyester.

Now we've got also cotton and blended stuff going. Price point that we have now aggressively put in, etcetera, all of them are working towards it and we are hopeful of the traction going forward. The other big piece has been floats. I've talked about it from a category and a business perspective, a lot of investments go in. As I said, now contributions are pretty handsome and come at accretive margins. We also are investing in the brand outside the Bata banner and the floats kiosks are the first entry towards that.

We are now at more than a dozen kiosks, 16 to be precise. A lot of learnings, but prima facie, the underlying momentum is very clearly visible and we should be expanding this and doubling this by also in the next two quarters. We will keep updating you on this. There's also work afoot in terms of opening the first EBO offloads. The kiosks are basically in the range of about 100 to 150 square feet, as you might be able to guess from the photograph on the screen.

On the Slide 8, the other piece has been Nine West. I talked about it. We did do a launch. It's there in about 50 stores right now. We should have enough learnings in place. We should be looking at expanding that to about 70 stores within the Bata network. On the e-commerce, as I said, I think that continued its positive trajectory even last quarter across marketplaces, the D2C platform of ours, as well as Omni and all of them kept on generating momentum across various categories, some campaigns that we ran.

We are also wanting to make sure that some of the impetus that we have seen in the offline world on brands like Floats and Power, etcetera, we will be investing a significant amount of effort, etcetera, to make sure that e-commerce also joins the party on it in the next couple of quarters. On the MBO side, the investment in infrastructure expansion continues. We are also now investing in the top 1,000 outlets out of this direct reach that we have got of 50,000 plus, which we tracked for and where our FSR reaches.

We are also organizing the way we are putting up the entire range in these top 1,000 stores. They give us good throughputs on a per month basis. Besides that, we have invested in the EVA category at a price point of about 500 plus or minus. That's given extremely good results and has been doing extremely well despite the overall sluggishness in that segment, in that price point. On the campaigns in the quarter gone by on Slide number 11, we continue to invest in this and that shows up even in the P&L.

Our marketing investments are a big jump over last year. The campaign that I talked about on Try and Fly, we did a Nine West social media focused launch with influencers. We did obviously a topical campaign on floats, which was to do with the season. Last but not the least, obviously, in terms of brand stories coming alive within our stores. Some of the examples that you see on the screen in front of you. It's also been a period in the last quarter where we've got some good awards, especially from various stakeholders on the customer as well as on the consumer side.

Whether it be the franchise program, the loyalty program, as well as the social media campaign that we run. With that, coming to the last section, which is financials. While the results obviously have been published, sales have been muted. It was a negative 1.4% blended. Gross margin was flat, slightly positive, but mostly flat. That shows towards basically also I think

some of it was to do with making sure that we are able to toggle our inventories reasonably well. We did continue to invest.

This quarter also that I've not mentioned is that we have also charged off the complete expense on our IT projects, especially the largest one being ERP and that shows up in our other expenses. We've been on the conservative side on that side and this is the last quarter of large expense that was there on ERP. Marketing cost I've talked about.

Overall, it's not been too far from our ballpark of 250 to 300 basis points, but versus last year, yes, it's been a higher increase. And therefore, I think a longer term trend line, obviously disappointing revenue growth last quarter. We are hopeful that that turns around quicker. And we also had relative simplification in our piece where we saw an opportunity and we monetized the Faridabad land. That did obviously show up a bump up in terms of a one-time gain and exceptional income that came in.

As I mentioned, between other expenses as well as some other lines, we had a cumulative impact of one of expenses that we also charged off in this quarter on a conservative basis about 300 basis points on the EBITDA level. And therefore, that brings me to the end of the presentation. Thank you so much.

**Nitin Bagaria:**

We can now do the Q&A.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Saurabh Kundan from Goldman Sachs. Please go ahead.

**Saurabh Kundan:**

Thank you very much for the opportunity. Sir, my first question is, can you please let us know the channelized growth between COCO, franchise, distribution and online in this quarter?

**Gunjan Shah:**

Yes, I do not share the precise numbers, Saurabh, but overall, as I have been mentioning, the piece was that franchise and e-commerce were the channels that grew the fastest, outstripping the overall growth. On the mass side, distribution business was the relative laggard relatively.

**Saurabh Kundan:**

I know that you mentioned that this quarter, you said that April, May and towards the later part of June probably was weaker. But what is the same-store sales growth that you see, let us say, in your COCO network, roughly? Even if you want to share April, May while you were still seeing slightly better, even if you can share that number, the same-store sales?

**Gunjan Shah:**

It has been evidently negative, Saurabh, but lower single-digit negative. Our endeavour is, and I have stated this, is that we get it to basically mid to high single digits and we should see the efficiencies flow at a significant level. So one of the reasons, even if I remove some of the one-offs on the expense side, is that the [unclear] is coming because of the same-store sales growth being muted.

**Saurabh Kundan:**

Right, right. My next question is on the high-performance merchandising tech investment that you have been doing. Can you let us know how do we measure what improvement or what impact it has had? For example, if you could let us know the full-price sales now versus before or any other measure that you track internally to see the effectiveness of these investments?

**Gunjan Shah:** Yes, yes. So there are a few, Saurabh, and it can be a long discussion, but there are a few process metrics. There are a few outcome metrics. Eventually, the business case of that project, which has now been fully, how do you say, implemented, is basically in terms of impact from an outcome perspective on three, four large pillars. One is cross-margin, markdown, a combination of that, and therefore, obviously, improvement on it. The second one is in terms of inventory turns, right.

We would want to see, and as I mentioned, even when I'm making the presentation, some early signs, but we will want to see, you know, we measure it for consistency on trailing 12 months, which will take another six months of consistent performance. But basically, inventory versus sales ratio. Last is going to be availability, right? And we do measure for availability versus what has been the designed assortment for a store. And for each size, and how are we present every day and every week. So all these three are the outcome metrics.

There are many other process metrics, which I'll not drain out here.

**Saurabh Kundan:** Okay. Could you give us an idea of what are your full prices? So percentage of sales that are not discounted in a year?

**Gunjan Shah:** We would, my discounting on an average is at high single digit. Do I have the full price contribution? I'll need to offline revert to you. I'm sure we can take that out.

**Saurabh Kundan:** Oh, sure. I'll connect with you, sir. And that's it for now. Thank you.

**Moderator:** Thank you. The next question is from the line from Rahul Agarwal from IKIGAI Asset Management. Please go ahead.

**Rahul Agarwal:** Hi, good evening. Thank you for the opportunity. Sir, I had one question. I had all done the sales and channel network. We spoke about 40, 50 store adds across COCO and FOFO is what I understand in the quarter. Could you elaborate on what's the plan for SIS and MBOs? Is there revenue salience overall? Because I'm relatively not really sure how much do COCO, FOFO contribute to our business? And related question was from a gross margin and ROCE perspective, like how would they be different? Like COCO, FOFO, that's the first question.

**Gunjan Shah:** Okay, so Rahul, you've asked multiple questions. Can you just repeat it quickly?

**Rahul Agarwal:** Okay, sure. So one is COCO, FOFO, SIS and MBOs. How do you plan to increase that network? I understand COCO, FOFO is going to be 40, 50 per quarter. And gross margin and ROCE, how are they different between COCO and FOFO?

**Gunjan Shah:** Okay. All right. Got it. The second one I've stated in the past also, Rahul, and the ROCE is, so there are two ways of looking at it. One is at an EBITDA level. And the second one is at ROCE and both of them are important. Actually, both of them franchise by default is better from a ROCE as well as an EBITDA level, as long as it's, you know, there is a threshold at which it switches over. So the threshold that we have seen is roughly in the range of about, you know, annualized turnover of about INR2 crores. So anything above 2 crores, then the COCO kicks in as much more accretive, right?



And an ROCE by default franchise is much better because a lot of the inventory and working capital is loaded onto the franchise because we follow an outright model. So I hope that answers that second question. The first one was the ratio between EBOs, I mean, COCO, FOFO, SIS and MBOs. We don't do ratio from a number because MBOs are very large numbers and throughput per store is very different. And that's why I show it to you separately.

Even similarly for SIS also, our throughput per store is much lower than obviously the FOFO and the COCO. But between COCO and FOFO, if I'm looking at, let's say, for example, about 40 stores in a normal, at a, let's say, in a quarter or 45, we should have about 35 FOFO and about 10 COCOs. Does that answer your question?

**Rahul Agarwal:**

Yes. And secondly, and then I'll come back in the queue, on the manufacturing and outsourcing mixed situation. So what is it right now for Bata overall and any updates from a BIS perspective for vendors if you could provide this?

**Gunjan Shah:**

Yes. Thank you, Rahul. I should have actually included that in the presentation also on the BIS, but thanks for bringing it up. So a couple of things, I think the in-house manufacturing versus contract, the ratio has moved to about 25 for 75. Another big milestone while I declared and we had charged it off, I think, in a couple of quarters back, which was the VRS cost, a one-time cost, but we have also now formally notified the closure of the South Can factory, which was in Bangalore, Kenya. So that ratio will only keep moving.

So it's in the ballpark of about 25% right now. This was still about two years back at about 35. So there has been a distinct shift and I think one of those big reasons has been South Can itself. The second piece is the BIS. It has been now, I mean, at least the question marks have been completely clarified. It is effective from 1st of August.

The government has been extremely engaging and we have been partnering with them for the last almost about 18 months now, right from even the kind of quality control orders, etcetera that have been issued. It encompasses about, from a Bata portfolio perspective, almost about 90% of our products.

There is a small amount that is still not issued quality control orders, but a very small amount. The rest of it is all now covered and most probably for the broader footwear industry itself. We have successfully transitioned, I think actually about a month or so prior to even the 1st August, from our sourcing as well as manufacturing base.

There are some small parts of the portfolio, very miniscule and non-material, where there is some action still to be done or rather stabilisation in terms of getting the domestic sourcing done, especially where we have got very low volumes. Those are the ones that are still getting stabilised, but we are confident that they will not disrupt our initiatives, both marketing as well as merchandising in store. So that is the broad update on BIS.

**Rahul Agarwal:**

Perfect Gunjan, I will come back in between. Thank you so much. Thank you.

**Moderator:**

The next question is from the line of Videesha Sheth from Ambit Capital. Please go ahead.

**Videesha Sheth:** Yes, hi. Thank you for the opportunity. My first question was on the expenses side. We see that employee and other expenses have increased by 15% and 18% respectively during the quarter. Now, while other expenses had some impact of the one-time tech-related investment, what led to the 15% increase in employee costs? And also, how should we be looking at the cost side going forward as despite large part of the franchisee-led expansion, we see an increase in expenses?

I understand that the marketing-related expense and tech-related expense would increase the cost, but at the same time, we do not have to incur store-related expenses due to FOFO expansion, right? So I just wanted your clarification on this point.

**Gunjan Shah:** Yes. So, no, you are right. So basically, other expenses I have broadly talked about, right, even in terms of payroll as well as, okay, yes. So as well as payroll, etcetera, there were, there is no, I mean, basically, broadly underlying, we are actually pretty tight on it. And in fact, some of the piece that I talked about from a store level, variable cost structure, etcetera, will start kicking in in terms of benefits. So we do not see it outpacing sales growth going forward.

But the piece is that this quarter, there was some one-off related in the base, etcetera Cumulative impact, as I said, was to the extent of about 300 to 320 basis points, you know, between the ERP, the IT expenses, as well as some payroll-based effect.

**Videesha Sheth:** Okay, got it. In this continuation to the payableization comment that you mentioned, in the PPP, we could see that 30% of the incentive is variable in nature. But when we try to get an understanding from FY24's annual report, the sales commission line item as a percentage of total employee spend comes out to be only 14%. So is it only because of corporate employees that the 30% is getting diluted?

**Gunjan Shah:** I need some expert advice on this.

**Anil Somani:** So principally, what you are talking about is an annual report. The annual report, we report the total payroll cost. So question is, just to understand it better, how you are correlating from the annual report a variable piece of it, please?

**Videesha Sheth:** So in other expenses, we have a line item regarding sales commission? So would that...

**Gunjan Shah:** My sense is Videesha – my sense is your hypothesis is correct, the denominator does not necessarily include only store payroll. But we can offline correct it to you. But the construct has been what I'm stating.

**Videesha Sheth:** Got it. And lastly, can you help with the contribution from new launches or fresh inventory for the first quarter?

**Gunjan Shah:** Okay, so the number of lines that we would have launched in store, and they are not necessarily new to the system. So let me tell you, okay, so a little more elaboration. So we've got a large network, it's divided into store clusters, right? And depending on the cohort of consumers that it is in, because the merchandise in let's say a high street in Meerut has to be very different from a merchandise which would be in a mall in Gurgaon, or in Mumbai,

etcetera right? And therefore, then we have it divided into almost four or five clusters. So when I see a successful product, let's say in tier two cluster, or let's say a cluster two, not necessarily tier two town, but cluster two.

And next season, I take it to tier three, because it's seen a certain amount of success, etcetera It is a newness for that cluster and therefore that consumer cohort. If I have got through to you, then the eventual newness that we are talking about to these clusters of stores is to the extent of about 30%. The sales contribution is in the range of about mid-teens, so about 14 to 18%, depending on the month. The inventory allocation also is in the range of about slightly higher, about 14% to 18%.

**Videesha Sheth:** Okay, thank you.

**Gunjan Shah:** Thank you.

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

**Anurag Lodha:** Hi, thank you for the opportunity. So I just had one question. So your premium product portfolio has particularly done well. So I just wanted to understand how has the value segment performed? What is the salience between premium and value right now?

**Gunjan Shah:** Okay. As far as contributions go, I had mentioned that also, which was that basically the premium product, which is, you know, about 2000 continues to grow faster. That continues even last quarter, while the difference in trajectory has been narrowing, but it still continues to outpace. The contribution is that greater than 2000 is in the range of about 25%. Greater than 1000 is in the range of almost about 60%. And less than 500, which is largely the mass distribution business contribution, that would be in the range of about 15% now.

**Anurag Lodha:** Okay, understood. So are you suggesting that value segment is kind of picking up? I mean, you suggested that difference is kind of...

**Gunjan Shah:** We are hopeful. I think in absolute, it is still not turned around completely. But we are hopeful seeing some of the signs that we are seeing on the ground on that front, that in the coming quarters, we should see that turning around for us.

**Anurag Lodha:** Got it. Thank you.

**Moderator:** Thank you. The next question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.

**Priyank Chheda:** Yes. Hi, sir. Could you speak about the categories which are working well, which are not working well and why? What are the broader trends that are panning out in your footwear category? Now, we are four years away from the COVID. So there would be some sure large consumption shifts that would have happened. And one clear shift that is witnessing from your research is that sports and athleisure category is for sure looking very promising. So any

particular data points or any particular insights you would like to share on a broader category trends would be helpful.

**Gunjan Shah:**

Sure, sure. Okay, thanks, Priyank. I didn't spend as much time on it. So one is that I can give it in the perspective of last quarter, last quarter. But I can also give you a little more broader one. That's what you're looking for. So on the broader front, and that's very clearly reflected in some of the highlights, some of the efforts that I'm talking about, the investments and resources that we are putting in, etcetera, has been sneakerization, casualization, as well as in terms of fashion. So these are three big pivots. Now, they manifest themselves in many ways.

And let's say, for example, one example is floats. It's a classic case of casualization. Give good style, give good technology at the right price point, and there is momentum to be generated. And that's inspiration that despite the kind of overall consumption, you can make your own headway if you get it right. And similarly is on, as I said, on the sneakerization piece, as well as on, therefore, athleisure as a combination under it, which is why the apparel piece, etcetera, comes in.

And the last piece was, you know, fashion premium, etcetera, where Hush Puppies, some of the stuff that we are trying to do on non-footwear, especially nine vest, handbags, etcetera The one specifically last quarter that did show some amount of obviously stress disproportionately was the dress piece, both ladies as well as men. And my sense is to do with, which was otherwise doing reasonably well, I would say, but that obviously did not do well last quarter and most probably got to do with some of the occasion, wedding days, etcetera, etcetera, which should bounce back,

I guess. I hope that answers.

**Priyank Chheda:**

So, the broader three trends which you spoke on, which is sneakerization, casualization, and fashion, what would be our sales contribution coming out from this trend, which is in our favor? And actually, what is driving such strong momentum or such a great acceptance for the consumer in this category? And how are we strategizing to benefit out of this? And on the other side, why formal as a category, which is again, a very large for us, is not picking up, is there some work to be done from our side as a market leader?

**Gunjan Shah:**

Right. So, formal, let's say, for example, if I go backwards two years, formal has been doing well. Right. The piece that I commented on was dress specifically within that, which did not do well last quarter. And my sense is because of, you know, some of the events that I talked about. But otherwise, over a longish period of time, I think it's relatively doing better.

The one that is, you know, the longer term trend, I think there is a lot of work to be done, we can do a lot more. I think even let's say, for example, floats, for example, we would be in the range of about 1.2 to 1.4 million pairs for the year. My sense is that can this can easily scale to about 5 million pairs, right?

Both offline, online, etcetera all combination done together. So, there's a huge opportunity that is there. In some of the places, we have to also fix the proposition as well as the mechanism of making sure that we are able to package it to consumers. So, are we putting up the stories

together? The power EBO, the power apparel, the entire athleisure, umbrella, etcetera is an endeavour towards that.

We do see that if you put in the right kind of technology, the right kind of initiative and the proposition to consumer, you will see traction on it. And that's what we are seeing for the last two quarters in power also. So, yes, so there is traction, but there is a long way to go.

**Priyank Chheda:** So, you didn't answer about what would be our contribution, revenue contribution as of now? And what would we see going ahead with these three trends? Where are we positioned?

**Gunjan Shah:** Okay, so casualization would casual overall, sneakers and casual combined should be contributing to about 50% to 55% of our business. My sense is that going forward, this should become about 60% to 65% in the longer term over, let's say, three years.

**Priyank Chheda:** Perfect. And just last question on the VAS norms, you did mention about your positioning for the norms getting implemented. Do you see competition from, say, MNCs veining out because they might take some time to readjust to the supply chains, in particular, into the sports and athleisure category? And also for the unorganized players, if you can comment on that?

**Gunjan Shah:** Yes. No, I've been asked this question. We will have to see how this pans out. See, the industry in general carries inventories to the extent, and this is only companies carrying it, to the extent of about four to eight months of inventory at any point in time, depending on the business model as well as the various brands slash players. Now, this is besides NBO retail carrying its own inventory, etcetera So I don't think trends as well as some of these insights will come out so clearly so fast.

But over a period of, let's say, about four to six months, we will start seeing some understanding of how people have adapted to it. We also see on the positive side, to be fair to the industry, etcetera, there has been a lot more upgradation of technology and capabilities within India. That has happened over the last about a year or so. We have also benefited. So some of the products that we used to import, etcetera, those are also now getting easily domesticated, and we are able to make them at even better margins slash price points. So fingers crossed, should not be a big disruption.

But as I said, we'll have to wait and watch for the next about six months to see a clear trend.

**Priyank Chheda:** Great. All the best. Thank you for answering all the questions. Thank you.

**Moderator:** The next question is from the line of Abhishek Getam from Alpha Invesco. Please go ahead.

**Abhishek Getam:** Hello, sir. Thank you for the questions. I wanted to know, understand how is our plans on store openings on geography or region-wide? What sort of target areas are we looking at? And then in the newly opened stores, in like Tier 3 and beyond, what are you looking at the trends there? I mean, is it like floats and EVAs working there? Or is it like sneakers and power working out there?

- Gunjan Shah:** Okay, so there are multiple cuts of the question that you have asked for. Tier format of stores between COCO FOFO as well as I think the banner and the concept that you're talking about in terms of floats as well as power. Floats and power, I have mentioned the immediate near term ambition has been what I mentioned in the presentation.
- So I'll not repeat that. But overall, in terms of store openings from an EBO perspective, we should be looking at analysed about 120 to 140 stores. And as I gave an example, about 75 or 80% of them will be in the COCO, FOFO format. Does that answer Abhishek?
- Abhishek Getam:** Yes, no, I was coming more on the geography which sort of geographies are we talking about?
- Gunjan Shah:** Yes, yes. Oh, sorry. I see. I missed that. You shared it also in the tiers. Geographically, we are spread all across, right? I mean, it's almost to a fault that it's equally distributed all across maybe slightly higher index towards south. But our editions are also spread all across from our regions or state or province perspective. From a tier perspective, I would say that 70% of our net editions would be tier three downwards, overlapping very closely with the franchise model.
- Abhishek Getam:** Understood. And as you said, the index to south more and after that wouldn't be north or west?
- Gunjan Shah:** Index to south relatively slightly more. I mean, it's a small percentage kind of a thing, but otherwise, it's equally split across regions. North is technically our largest region.
- Abhishek Getam:** Understood. And so, you spoke about Evolite growing very fast in even a Lagarde mass market. So, what sort of triggers are you seeing in that brand? Or any key specifics that unorganized market is going off it? So, you're seeing growth there? Yes, yes.
- Gunjan Shah:** No, I think it's to do with the fact that it's at a very different price point. Obviously, the mass distribution channel, it's at about, as I said, 500 plus or minus, depending on the fashion of the articles. And it is something that we have launched about nine, eight, six, nine, six, seven months back. But it's seen great traction. But early days, right? I mean, it's only six days, six months.
- So, two quarters of performance, but it's to the extent that I had, you know, I had to highlight it and share it with you all. So, we are now also investing on it. I'm sure I think in another quarter or two, I'll be able to give you all a lot more insight, which is based on far more, you know, how do you say consistent data points that we'll see also over a period of time.
- Abhishek Getam:** Understood. So, just one last question. So, we, at the company level, we see our COCO can be doing somewhere 55% gross margin. So, how does that model economics reflect for the franchisee owner or on the margin side?
- Gunjan Shah:** Okay. On the gross margin side, Abhishek, I mentioned this, the gross margin side, it is actually lower than COCO, naturally so, because we pass on costs and we pass on margins to our partners. But eventually at an EBITDA level, it is accretive to the COCO model.
- Abhishek Getam:** Thank you, sir.
- Gunjan Shah:** Thank you, Abhishek. Bye-bye.

- Moderator:** Thank you. The next question is from the line of Jasmine from VT Capital. Please go ahead.
- Jasmine:** Hi, sir. My question is more focused on the Nine West agreement that we have. I wanted to understand our position and play in Nine West and what would you clarify as our right to win in this category?
- Gunjan Shah:** Just what are the first part of the question, the agreement and what is our right to win?
- Jasmine:** Agreement and right to win with Nine West.
- Gunjan Shah:** You're talking of the licensing agreement?
- Jasmine:** Yes. Is it any royalty that we're paying? Is it a transfer agreement? I just wanted to understand that.
- Gunjan Shah:** Okay. All right. Yes, for sure. It's a billion-dollar-plus land largely housed, coming out of New York. And therefore, a large part of the franchise of Nine West, etcetera, comes from whatever the fashionist are of New York, etcetera We did this launch and the announcement on this almost two quarters back, Jasmine.
- And we did talk about it in terms of what does it play for us. It fits into our strategy, Jasmine, of two, three areas and whether it's organic and some of the work that we're trying to do through, let's say, power or float or athleisure, etcetera But there are two, three pivots that we see that will unlock further opportunities, both in terms of growth as well as profit pool, which are athleisure, casualization, as well as high fashion premium.
- Now, what this one, Nine West, fits in is basically the third, which is high fashion premium, younger ladies, right? And that's where we see that there is a very clear-cut area that we can penetrate into. And that's where we are hoping that Nine West will get in. Obviously, they come with a very large credential spread across almost about 70-odd countries. As I said, a billion dollar plus of retail sales and with very, very strong fashion credentials, along with some amount of technology.
- Jasmine:** Okay. And in terms of the agreement, if you could shed some light too?
- Gunjan Shah:** I can't share, obviously, details for obvious reasons, but it's a royalty agreement, right? But it gives us, it's a pretty large, wide agreement of longish enough period that we feel confident on investing in creating the brand in India. And it is also, it is an end-to-end agreement. So it is right from manufacturing to retail across all business channels and consumers in India.
- Jasmine:** Great. Thank you so much for that. All the best for the next quarter.
- Gunjan Shah:** Thank you, Jasmin.
- Moderator:** Thank you. The next question is from the line of Varun Gajaria from Boring AMC. Please go ahead. Ma'am, your voice is cracking a little bit. Hello. Ma'am, [inaudible 0:46:04] can you please use your handset or a mic, a headphone mic, please?

**Analyst:** Okay. Hi, this is Varun and thank you for the opportunity. We just wanted to check, when we say 70% store addition in tier 3 towns, will the same apply to Power and Nine West too?

**Gunjan Shah:** Sorry, we could not understand. 70% store addition in tier 3 towns is under, what did you say, last part?

**Analyst:** Will the same apply to Power and Nine West too?

**Gunjan Shah:** No, no, it will not apply and which is why I mentioned to another analyst just prior, a few minutes back, that there are different cuts. In Power, we are focused very clearly to follow a cluster strategy. So, we are largely focused in the radius of NCR and maybe a few kilometers around it, where we want to go with the Power EBO concept and that's got nothing to do with the overall larger expansion of COCO and FOFO.

**Analyst:** Okay. So, marketing campaigns also will be more targeted in those areas?

**Gunjan Shah:** Yes, the store level marketing campaigns, while overall Power campaign itself, because we do sell a large amount of our product of Power and the brand is sold through the Bata banner all across, that will obviously be countrywide. Right.

**Analyst:** And when we talk about tier 3 towns, what is the competition landscape in these areas and what is the plan there?

**Gunjan Shah:** Okay. So, it's a very omnibus kind of a thing. India is very complex to give a very simple answer to this. But at a very average level in most of these towns, there is, we see very clearly the feedback and the pickup extremely fast, because this is a unique, okay, so it plays both ways, right? I mean, it's an EBO experience, we are most probably the first brand to get into some of those markets, etcetera And it gives consumers a great aha.

Simultaneously, it also takes some time for consumers to adopt to a great plush retail environment, right? You get air conditioned, etcetera because you are largely catering to consumers which are otherwise going to LDOs and you know, high street, multi brand stores, etcetera. So, but all in all, I think we do see great traction and which is why I said now, you know, a bulk of our openings are happening from existing partners opening multiple stores.

**Analyst:** Okay. Thank you. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to the management for their closing comments.

**Nitin Bagaria:** Thank you everyone for joining. Looking forward to interacting with you again. Thank you, Udit and YES Securities team. Thanks.

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

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