February 14, 2025

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The Manager
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The Calcutta Stock Exchange Limited
7, Lyons Range,
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 January 21, 2025 and February 12, 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 Wednesday, February 12, 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
Digitally signed
by NITIN BAGARIA
NITIN BAGARIA
AVP (Special Projects) – Company Secretary & Compliance Officer

Encl.: As Above

"Bata India Limited
Q3 & Nine Months FY '25 Earnings Conference Call"
February 12, 2025

MANAGEMENT:	**MR. GUNJAN SHAH – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – BATA INDIA LIMITED**
	MR. AMIT AGGARWAL –DIRECTOR (FINANCE) & CHIEF FINANCIAL OFFICER – BATA INDIA LIMITED
	MR. NITIN BAGARIA – AVP AND COMPANY SECRETARY – BATA INDIA LIMITED
MODERATOR:	**MR. RAHUL ARORA – NIRMAL BANG EQUITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Bata India Limited Q3 FY '25 Earnings Conference Call, hosted by Nirmal Bang Equities Private Limited.

As a reminder, all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*," then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Arora – CEO of Nirmal Bang Equities Private Limited. Thank you, and over to you, Mr. Arora.

Rahul Arora: Thank you, Ranju. I would like to welcome one and all on this call. And I would like to thank the Bata Management for giving us the opportunity to host the Earnings Call for the Quarter Ended December '24.

At the outset, I would like to introduce Mr. Nitin Bagaria – the Assistant Vice President and Company Secretary, to make the introduction and introduce the management. Following which I think the management will make some opening comments and then we will take the Q&A.

So, thank you once again to one and all and to the management especially. And Nitin, over to you.

Nitin Bagaria: Thank you, Rahul, and thank you, Nirmal Bang team, for putting this together. Very warm welcome to all of you.

I have with me Mr. Gunjan Shah – MD and CEO. We also have Amit Aggarwal, who has joined us as a Director of Finance and CFO in December.

We have shared the presentation with the stock exchanges sometime 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. Hi, everyone. Welcome to the call. I will now want to move to the presentation, and I will try and navigate through slides.

I am on the Slide #3, which is the one with the levers:

I have spoken about this, and we have changed the format a little for all of you, ladies and gentlemen. We have obviously uploaded the standard template, which gives you a little amount of longer-term direction, but I will want to focus on a few levers that we are trying to focus on to drive growth largely and some amount of efficiency/simplicity in the system, which will also result in better effectiveness of the business. I did talk about some of them in the last quarter also and I will show you progress update against that and what are our plans wherever I can comment on it. The rest of the appendix has been uploaded. You can have a look at it at your leisure.

Moving into the key growth levers, therefore, I am on Slide #6, which is basically talking about six items that I will be talking to you, the entire thing of keeping the store at the center to drive store growth, so both in terms of merchandising, it's become much larger than just merchandising, but the project is still called ZBM; and the value proposition which has also opened up in the last quarter; I will talk about that.

On the portfolio front:

Two large initiatives continue. I have been talking about it for some time. There is a lot of exciting work happening on it, some progress update as well as what we want to do going forward on Floatz and Power. And last, but not least, as I mentioned, simplicity and agility, I will talk about two large areas, inventory, I talked about it last time, and complexity reduction. Okay.

So, moving further into the store growth levers, store at the center of whatever we do, on the zero-based merchandising for enhancing consumer experience and therefore resulting in obviously both financial as well as non-financial metric improvement in the stores. The last quarter, as seen, now we have exited at 17, but it's been a fast pace towards the lag end of the quarter and that has now spread across three towns. This quarter, we should be ramping it up even faster now with having the learning spread across regions, the template set in terms of the playbook of how we want to roll it.

The gains continue, as you can see in the graphs below, as well as some of the metrics, both net of control. So, the rest of the network, as well as in isolation per se. So, lines in these stores have reduced by almost 60%. Sales per square foot have actually gone up. And because this has resulted in significant inventory reduction along with lines at, as you can see, 0.628, so 38% reduction, the ROIC on these stores has gone up. It's also over a period of time. Now we have seen it for almost 12 weeks of consumer data, etc.

It's resulted in now some kind of footfall increase net of control, as well as much better consumer experience signified by two metrics out here. The first one is retrieval time, I think it's a big part of consumer experience. The network is then an average of two minutes. These stores are now at 45 seconds. And the NPS of these stores is under 300 basis points better than the rest of the network. So, progress continues. I would have wanted a much larger part of the network going in. This quarter I think we should see a significant explosion, because now we have set the trainer model as well as the playbook, which will help us roll across the wide part of our network. Our objective is to take the Pareto stores in first and therefore have an outsized impact from a like-for-like store growth.

The second one, it's a new topic that I have brought in. It's been in the works for the last about two, three months. This is just one manifestation from an example point of view, but focused towards our core categories. The one that I am showing you here is the ladies category. We have done it in a few stores, basically collapsing price points. In a way, also using that to get in value proposition wherever applicable. So, as you can see, there were 11 price points in this category, which is called ladies closed. It has been crashed for ease of decision-making for consumers to only three price points. That has resulted in a significant explosion in terms of pairs growth from these stores, as well as a commensurate impact on turnover. The other key marker that we have kept it, does it help us in an absolute gross margin? And that right now has shown some kind of a positive indication, as you can see in the pilot on the left.

What does that do? It obviously, as I said, the price point reduction is to three per store for that category that we have talked about, as well as, as I said, comes out from competition benchmarking, etc. We want to also now fine tune in terms of how do we make sure that the right kind of call-out happens to consumers. That's still in fine tune working, as well as in terms of store windows, etc., as you will see going forward. So, good for this thing, but this should scale up much faster, because this does not result in, unlike zero-based merchandising, the whole store gets re-overhauled. It's not just the range, but also the visual cues, the visual merchandising, as well as the fixtures in the stores have been simplified. In this case, it's just a question of changing the price point, collapsing them across the portfolio products, which can be done digitally. So, we should see a full-scale sold out of a few select categories, starting with ladies in this quarter, and hopefully the overall impact on the network because of that, as we have seen in the pilot.

Moving to the next one from a portfolio perspective, I will talk to you about two specific ones:

- One is Floatz, continues the momentum, continues leading our growth by a mile. We are now also getting into some kind of simplicity in terms of how we communicate our entire Floatz portfolio. It's now become, in many stores, contributing to almost 8% to 10% of turnover, significantly accretive from a margin perspective. Obviously, we have worked on backend efficiencies on this as the volumes go up and the economies of scale kick in. We did have some slight amount of supply disruption in the quarter that went by, and now the volumes are pretty large. But it's got smoothed out towards the end of the quarter in December, and January onwards is back to normal. We have also launched obviously the new collection, Dual Density being one, which is a technology-driven product, which is Dual Density with a differential proposition for the outsole compared to the in-sock.
- And the second one that has been also the collab, which is with Marvel and Disney. A large part of it will get scaled up in this quarter, and it's giving us exciting results. We are very excited with it. So, Disney will get scaled up, as you can see. We will also obviously have a big build up towards the summer and the monsoon, which is when this category starts seeing the crest coming through. So, good momentum and should continue going forward. As I mentioned to you all last quarter, Floatz was the fastest to Rs. 100 crores plus, and that's what we saw in the calendar year, and we will hopefully want that momentum to only continue going forward.
- The other one was Power in Athleisure and driving overall growth. Our second largest brand, after Bata continues to grow faster, led by volume growth, almost close to double digits last quarter, and was backed by obviously new launches, Easy slide as

well as Stamina. Easy slide has been a great roaring success. It's at two times the ASP. And we are now widening the range in terms of color options as well as design options.

The earlier one was a little more basic, and that's giving us good, exciting results. Stamina is the other one, which is the running and the walking shoe of ours. And that is also giving us an accurate ASP as well as results. We are also consolidating the seven EBOs that we had opened. That is now the focus is towards driving trading density and a certain throughput that we want, which is accretive to overall network, and therefore shows the viability of this network before I start expanding this further. But the turnover as well as the trading density has improved last quarter.

The last section on this key lever in my presentation is on simplicity and agility. And if I can move you to slide number 14, so this is the progress that we have managed to achieve. I think we will see a little more going forward, 33% reduction in the planned range for a store, right? That's the first quadrant that you see on the top left. That also reduces clutter. Now the difference between the first and the bottom quadrant on lines is that even discontinued lines, etc., how are we making sure that the store gets decluttered out. So, a focused work towards clearing them, maybe even aggressively discounting, but getting them out, because they are not large quantities, but they clutter the store and the consumer choices, etc.

So, both the planned range is coming down as well as the number of lines in a store at any point in time are coming down. We will want to see a lot more reduction going forward, and I will keep updating you on that. But parallelly, while we have done that, and as even my commentary in the press release plus the subsequent chart will show, is that while the inventories have been tightened even further, our availability has actually gone up. And that's because we have brought in simplicity, the number of lines that we are measuring for and promising availability to stores and therefore consumers.

So, it's at 20 points extra than where we were earlier. And within that, the top articles are at 20 points extra. Overall availability keeps inching up further. I think there is still some mile to go on it. I think this can go up by at least another 10 percentage points on both these availabilities as we keep pushing this forward. This is backed by obviously a lot of complex work that's happening in terms of back-end supply chain, front-end logistics, etc.

Moving you to the next chart on Slide #15, yes, on absolute inventory, I talked to you last time, pleased to share with you that despite literally our highest availability and some of the progress I talked about, this is the lowest inventory that we have in our system for now going backwards eight quarters. So, it's a good mix to get in. Low inventory, high availability, reduced complexity, and also backed by lowest or lower agent inventory.

I think agent inventory can go down even further. So, it's been now almost two to three quarters of continuous progress, also results in obviously lesser clutter at the stores. Backed by, as I said, better demand planning, supply chain and logistics, forecast accuracy is one of them, which is leveraging the technology tool that we have put in place called high performance merchandising, which I talked to you all in the previous quarters. Results in better stock turns and therefore inventory base, so this is the financials we show on the balance sheet.

So, that covers all the specific highlights, areas that I wanted to talk to and share with you all. There are some more other key highlights. We did cross the landmark of 600 stores on franchise. This was less than about 100, till about three years back. So, it's been a big journey or explosion. Northstar and Bubblegummers were the other brands that actually did relatively much better in an overall muted quarter. We also saw volume growth after some time, even for the year, as well as for the three months of the quarter that went by, and we want to keep continuing that.

Some of the initiatives that I have talked to you that we want to see volume-backed growth coming through. We also saw some category as well as key retail outlets expansion in the distribution business. E-commerce show addition of quick commerce, Zepto got activated and the others are in the pipeline at the right time. We got awarded for some franchise brand. We did land up doing campaigns. The festive campaign with Kartik Aaryan did go live. Jim Sarbh for Hush Puppies and Vir Das is the brand ambassador for Hush Puppies. So, you will hear a lot more of that. Vir Das incidentally hosted the Oscars wearing Hush Puppies this year.

With that, I come to the end. We have a chart on financials, which I will want Amit to comment on, which is Slide Number 18, and then we can open up for questions here.

Amit Aggarwal: Good afternoon, everyone. Revenue from operations stood at Rs. 918.5 crores, which represents 1.7% value growth. Gross margin at Rs. 515.6 crores, which is improvement by 17 bps over the last year gross margin. EBITDA margin at 22.7%, which also expanded by 141 bps, and while the reported PAT is about Rs. 582 million, which is flat.

Gunjan Shah: Before exceptional, I forgot to mention, we did incorporate in the quarter that went by one-time exceptional item, which was on VRS related to one of our south factories. So, while I think four quarters back, if I remember right, we had taken in the closure of the Bangalore factory. This one was, partial VRS for a certain section of workers, which was amounting to about roughly Rs. 11 crores, yes. So, that we had taken incorporated. So, the PAT obviously is after that. Thank you.

Moderator: Shall we open the line for questions?

Gunjan Shah: Yes.

Moderator: Thank you. We will now begin the question-and-answer session. (Operator Instructions) The first question comes from the line of Ankit Kedia with Philip Capital. Please go ahead.

Ankit Kedia: Sir, my first question is on zero-based merchandising. Last quarter, we had given a target of 100 stores by December and 250 stores by March '25. We are still at around 17 stores in the presentation for December. So, we are behind that target. So, any challenges in executing zero-based merchandising?

Gunjan Shah: Okay. Hi, Ankit. Thanks for that. Yes. You are right. And that's what we had set out ourselves. I think, unlike the other initiative as I mentioned even in my call or presentation that this one requires a lot. And what we have realized, as we mature this entire thing and understood consumer feedback, the store understanding of what's happening, why are they doing better, etc., we realize that three, four things go together. So, it's not just initially, it started off and which is like the project is called zero-based merchandising, but it's much broader than just merchandising.

So, now we are not only making sure that the range is curated, the voice of the store is brought out and therefore the relevant consumer cohort. But then making sure that simplicity comes through all across, right? So, the communication cues, how do you say the visual merchandising that we put, the number of fixtures, so for example, at least the first set of stores that I remember clearly, there were the gondolas, etc., were to an extent of about eight gondolas. After the entire exercise went through, the gondolas were reduced to four, but simultaneously the seatings went up and we had basically about eight seatings and that went up to about 13 or 14. So, all of these were physical changes.

So, I think a combination of the physicality of the change and simultaneously the question of training the trainers, because now we are spreading across, it was earlier limited to one city, I think is what took time. Now as I mentioned, I think the progress that we have seen between Jan and Feb also, I am pretty confident we should get back to the earlier plan, albeit with a lag of a quarter or a few months.

One other piece, Ankit, just to let you know, this also is teaching us new muscles, which we hitherto were not doing, and which is a relevantly best practice, which is making sure that we are able to suck out stocks out of stores on change of season, right?

And I think that also leads to the other piece that I talked about, which is decluttering. So, all of these combined together, Ankit, yes, so you are accurate in your comment.

Ankit Kedia: Sir, so, in the overall, say, by end of FY '26, will we be able to implement zero-based merchandising across the COCO stores first?

Gunjan Shah: It will be focused on COCO stores primarily, Ankit. So, the '25-'26 year will be fully focused on that. I don't have a number to give you right now, but the objective and endeavor would be to cover Pareto turnover contribution stores within such a long time period, right? We are right now focused towards making sure that the top 50% turnover, and which is what the 250 stores, 300 stores ballpark gets us there, is where we want to first ramp it up.

Ankit Kedia: Sure. Sir, my second question is, on the whole, the value proposition. At least in the example you have shared, we have, exited the Rs. 499, Rs. 599, Rs. 699, the entry-level price points. Is that the right way to look at it? While from 11 price points, we have moved to 3 price points in the women's closed footwear, but a big chunk of the entry-level footwear we have exited, right? So, how does the customer behave in that? If a customer wants Rs. 599-Rs. 699 price point, it's not there in the store, so they move out to competition. How does that play out?

Gunjan Shah: Okay. No, Ankit, very perceptive question. This was an example to just highlight the piece that I wanted to message out of this was, clear out price points. As you can see, the pairage is faster than turnover. So, obviously, people are getting much better value proposition, right? Now the example out here, I have given it to make it simpler, but it will be depending on consumer cohort. So, if, for example, I am in a relatively premium mall in, let's say, Mumbai, right, I will want to make sure I curate the price points accordingly, but tomorrow for a store that I have, let's say in a Meerut, I will have a very different, but they will still have three price points, right, across the three silhouettes, and that's where maybe the Rs. 599 becomes now the critical price point, and all products within the flat ballerinas now congregate towards that. So, I hope I have been able to answer you. But yes, right now, optically, your comment is right, but that's not how it's panning out. It will depend on the consumer cohort.

Ankit Kedia: Understood. And my last question is on the volume growth. So, till the first half, our volumes were negative for YTD. You made a comment that for nine months, we have become positive on volume growth. So, what changed in this quarter in terms of MBO traction, in terms of entry-level price points, the value proposition? Where is the volume growth coming from?

Gunjan Shah: Okay. So, three things, and some of these are, as I mentioned that, we want to reinforce these, etc., but three things that would have driven. One is that it's the volume growth is across channels of us, right? So, whether it's franchise, even the MBO, right? We saw volume growth better than the value growth.

The second piece is that we have also leveraged, and obviously set up the entire execution calendar for EOSS much better. So, that did help it along also. And the third piece is obviously some of these areas, which I have given you some example of value proposition. We will want to make sure it comes across several core categories, where you feel that consumers are looking for value, and as I mentioned, they're pinched for inflation.

Ankit Kedia: Understood. Thank you so much, sir, all the best.

Gunjan Shah: Thank you, Ankit.

Moderator: Thank you. Next question comes from the line of Videesha Sheth with Ambit Capital. Please go ahead.

Videesha Sheth: Hi. Good evening. I hope I am audible. Just one question from my side is, you have not added any stores this quarter. So, anything that you'd like to call out over here on the store addition momentum going forward?

Gunjan Shah: Yes. No, Videesha, you are right. The net additions have been flattish. That does not mean that we have not added. Gross additions have been there, I think, in normative numbers. But what we have aggressively also done, and I think a lot of work that was being put in by the team for the last about six-nine months, is that finally they come home to roost, so that we have also closed unprofitable stores, right, stores, which were diluting from, let's say, like-for-like growth within the town, etc., etc. So, combination of non-profitable stores, as well as taking away or splitting out the like-for-like, a lot of that has happened. I think that's a progress that we will keep doing. There's also a framework that we have put in place for tightening it. So, my sense is it will be there for another quarter or so, but then the gross additions will keep happening. Eventually, net will start taking over.

Videesha Sheth: Okay. And the net addition, once the momentum improves, should it return to the earlier run rate of 30-40 stores per quarter?

Gunjan Shah: Yes, yes, absolutely. On the EBO front, including franchise, for sure.

Videesha Sheth: Understood, understood. And just one clarification on the earlier conversation around zero-based merchandising. These Pareto-based stores, they would be contributing to what percentage of overall revenue that you are looking to roll out zero-based merchandising?

Gunjan Shah: Okay. I don't have ready numbers, Videesha. I am sure the team can share it with you.

Videesha Sheth: I can get that. I can get that.

Gunjan Shah: But the Top 100 stores that we will want to first attack should be contributing to about 25% of our turnover.

Videesha Sheth: Understood. Thank you. I will get back in the queue.

Gunjan Shah: Thank you, Videesha.

Moderator: Thank you. Next question comes from the line of Gaurav Jogani with JM Financial. Please go ahead.

Gaurav Jogani: Thank you for taking my question, sir. And also, congratulations on finally, the cost leverage is starting to work out and good work on that. So, my question is again with regards to the gross margins here. While we have seen that there are higher sales on the USS bid and also volume growing faster, so, what really has helped the margin expansion on a Y-o-Y basis?

Gunjan Shah: I will ask Amit to answer that.

Amit Aggarwal: Hi, Gaurav. So, in terms of the margin, the overall gross margin has expanded by 17 bps. This has come on account of a couple of things. One is tightening of the way we source the product as well as in-house manufacturing. Both of them have been more efficient, plus, the second aspect is in terms of overall the sales from discounted products have been slightly on the lower side.

Gunjan Shah: Versus year-on-year, the other piece, Gaurav, is that some of this, at a gross margin level, the fixed cost of IHM that has been worked upon for the last now almost two-three years is finally getting to count, right? So, the factory that we took closure about a year, year and a half back that I mentioned in my opening call in Bangalore, etc. So, finally, all of that is obviously benefiting also in addition to some good work in terms of utilization and fixed cost in factories that Amit mentioned.

Gaurav Jogani: Yes. Sir, just one follow-up here. As the proportion of the franchise stores are increasing and mathematically, the gross margins for the franchise stores should be lower. So, going ahead, what kind of margin expansion thought process should be there in the gross level? Because ideally, as the network of the franchise stores would increase, the gross margin should be lower. Am I right in my thinking?

Gunjan Shah: No, you are right in your thinking. Mathematically, that is how it works. So, you are right and I have commented on this in the past, right? We actually hold the business lines and the business units, which is SBUs for franchise, COCO, etc., to their sequential gross margins. When we are looking at combined together, right, we look at it basically at an EBITDA level, right? So, at that level, basically both of these get neutralized, and their franchise is significantly more accretive.

Gaurav Jogani: Sure. And, sir, on the Power part, now we have seven stores odd that we have Athleisure as these are kind of model stores. So, any further updates you can give how the performance has been for these seven stores and how do you plan to take these ahead?

Gunjan Shah: So, Gaurav, there is a lot of feedback that's there, right? I mean, it's not as if I have just put in the summary output of it. Obviously, the numbers show that there is progress happening. Are we satisfied with where we are? No. And which is why the task with the team right now is to still, I need more improvement on trading density, which is the productivity of these stores. Because now we have got a critical mass from our ability to drive a network, drive some merchandise, etc. There are many learnings. Like, for example, how much do we give space as well as highlight NFT, including apparel? I think there is some way to go on that, right?

Also, the fact that what is the way in which we can get in, let's say, much easier, price point as well as clarity to consumers, the store offers us much better things. We can also, because the store is dedicated only for Power, the kind of merchandise, the kind of options that I need to show, which is differentiated from otherwise the rest of the network of mine, is also something that there is way to go. So, there are enough levers to push this further, but the prime driver will be trading density.

Gaurav Jogani: Sir, just a follow-up to this is, because of the learning that you have in Power, are you also contemplating to take other brands also to this route? Like how you have done also for Hush Puppies, driving separate EBOs for them, and then the overall performance kind of picks up and also drives premiumization for you. So, are there any other brands that you think you can take out and expand on this EBO basis?

Gunjan Shah: So, Gaurav, I have spoken about this. We have got to be choiceful in doing this, right, because it can very easily start detracting efforts from the core, and the core will be to make sure that 1,250 store Bata banner keeps growing, right? But yes, for future, we are, and that's the whole objective of why we are doing this in Power. The other one that I have talked about is Floatz. So, there also we have got almost about 15 to 20 doors, and there, again, we have reached critical mass.

We need to make sure there we are also getting them to a certain level of trading density and profitability before we start expanding it further. They are also tests of creating a separate consumer cohort for these brands by themselves standalone. So, yes, that's where we stand right now.

Gaurav Jogani: Thank you, sir. That's all for me.

Gunjan Shah: Thank you, Gaurav.

Moderator: Thank you. The next question comes from the line of Sameer Gupta with India Infoline. Please go ahead.

Sameer Gupta: Hi. Good evening, everyone, and thanks for taking my question. Sir, wanted to understand Bata as a brand. What is the contribution currently and how it has trended over time, let's say, pre-COVID versus current? Now, why this question is because there is a belief that the contribution has decreased significantly, and if that is so, what are the reasons? Is it specific to certain categories like formals or women's? Some color on this aspect will be helpful, sir.

Gunjan Shah: Okay. And I am assuming you are asking from a much longer horizon, Sameer.

Sameer Gupta: Yes, right.

Gunjan Shah: So, I might not have the numbers handy, but, Sameer, we can definitely see how I can share it. So, there are two-three phenomena that are there, right? There is a sneaker as well as the Hush Puppies on the premium, which has outpaced overall, right? So, that has gone up in contribution. From a Bata EBO perspective, right, and including within that, there has been a migration towards the more relevant variants of Bata, which is Bata Comfit, right, Bata Red Label, as well as Floatz by Bata, right? Now, obviously, are on the slightly more premium side, and premium has been doing better, and which is why we are now wanting to strengthen the core, and I think the consumer is ripe right now to offer the kind of action that we are talking about, right? Give clear choices, but give solid value to them, and hopefully get that traction converted in an absolute manner in terms of better trading volumes.

The other piece that is separate outside the EBO, which has also unfortunately gone through some of it, and I have commented on it, is the price point that was 500 and below, especially post-GST and the inflation, etc., in the NBO business. Now, we are hoping that that also turns around at some point in time. Last quarter, saw some early signs, but we will have to wait and see whether it's secular. So, that's where the broad trends are. So, I think the Bata core broadly stands where it is. The premium as well as the sneaker part has outgrown, and the massy piece, which was the 500 and thereabouts, is what has de-grown contribution-wise.

Sameer Gupta: Got it, sir. Secondly, sir, the top-line growth of 1.7%, and what I have noticed is that you typically have a COCO and then a franchisee NBO, where you typically sell, you know, outright at a margin. So, if, let's say, the proportion of franchisee increases, this kind of also depresses the top line. So, can you give a number on a consistent basis, and for this quarter, adjusted for franchisee or, let's say, consumer level, what kind of growth is happening in the turnover? That would be very helpful, sir.

Gunjan Shah: Okay. I get what you are saying, Sameer. I don't have an answer right now. We will try and get back to you. What you are basically saying is that at a consumer price level, right, what would be the right apple-to-apple comparison on turnover, right, rather than the, you know, the wholesale price or the outright price at which franchise or e-commerce guys are buying it. Yes?

Sameer Gupta: Yes, that is true. I mean, just the no effect from the mix of channels changing, that would be great, sir. Yes, and thirdly, sir, this employee cost, what would be the impact of VRS? Let's say VRS wasn't there this quarter. How much this number would be on employee cost?

Gunjan Shah: It is not at the employee cost. It has been brought out separately at Rs. 11 crores in exceptional items in the P&L.

Sameer Gupta: No, no. So, what I mean is that you would have given a VRS to your employees. Otherwise, you would have given them salaries, right? So, if this VRS was not there, typically just trying to model this over the next few quarters.

Gunjan Shah: Okay. Amit?

Amit Aggarwal: So, it would be about Rs. 2.5 crores per annum.

Sameer Gupta: Got it. That's all from me. I will come back in the queue.

Gunjan Shah: Thank you, Sameer.

Moderator: Thank you. Next question comes from the line of Tejas Shah with Avendus Spark Institutional Equities. Please go ahead.

Tejas Shah: Hi, Gunjan. Thanks for the opportunity. And first of all, thanks for sharing more insights and improving transparency quarter after quarter. So, first question is the 17 stores that we have migrated to zero-based merchandising. Apart from the NPS improving, which you spoke about, which is a subjective outcome, revenue per square feet has just improved by 7%. Seven is now a good number looking at macro construct. But the kind of base that we have in some of those stores, I am assuming, with the kind of servicing that we are improving, would you have a higher goal seek in such effort?

Gunjan Shah: No, we would, we would for sure, Tejas. And the piece that we are looking at also, and this is one of the reasons that I responded to one of the earlier questions on why we got delayed, was to make sure that we capture all the learning, because we cannot do one such a large network rollouts again and again. So, we wanted to take a few more weeks and maybe actually a month and more to make sure we capture the full learning on this and therefore making sure that our ability to get the transition going.

So, just to give you one example of it, right? One of the stores that we expanded from 9 to 17 or whatever, right, we actually sucked out the stocks, but we have not put in the fresh stocks sufficiently. And we actually lost sale for a week, and which is criminal, right? A week out of 52 days, the store's profitability get impacted. Now, those are the kind of things that we are wanting to make sure that we fine-tune and tighten, and which should basically give us multifarious impact. Similarly, the visual merchandise piece, the number of communication messages that you are giving, the fixtures that you are putting on the floor and cluttering the floor, etc. So, all of that has gone through an overhaul, and which is what we will hope will get us even better than 7%.

Tejas Shah: Got it. And then zero-based merchandising, is it similar to theory of constraint, or is it different from that?

Gunjan Shah: No, theory of constraint is a supply chain item, in my mind, Tejas. The zero-based merchandising is working from a consumer experience perspective. It makes the consumers' choices easier, bring out the story that you want to bring out to consumers much better, reduce the clutter, and simultaneously, as I said, bring the voice of the store into the whole system of Bata.

Tejas Shah: Sure. And now second is, Floatz seems to be delivering an outlier performance. Something is clearly working there. Can you share more insights? And can we kind of extrapolate that learning or experience, whatever we are doing there, to other brands or other formats?

Gunjan Shah: Our endeavor is in that direction. On the slightly more elaborated discussion seems like an open-ended question, but your question is right. Tejas, we can do that offline.

Tejas Shah: Sure. And lastly, see, in the last three years of your tenure, you have addressed multiple gaps in products, service, supply chain, but the brand gap remains. So, in one of the earlier questions, I think, it was also alluded in this direction, but aside from Hush Puppies, which of the brands truly resonate with the urban premium consumer, like, whoever is on the call. For Athleisure brand, do you think there is enough brand gap that you have bridged in terms of what urban premium urban consumer wants?

Gunjan Shah: Okay. No, so there are different, I mean, basically the point is that we have to focus on our core consumers, and therefore different brands have to play that role. And which is where we are seriously focused on, right? Can we do better? For sure, right? Can we bring in more sharper choices? For sure, right? Can we become more trendy? For sure, right? But we will want to stay focused to the core consumers and the core brand. And therefore, the proposition that we want for those consumers. Now, can the Bata brand straddle all consumers together? I don't think so.

And we will have to figure out and you rightly said Hush Puppies targets a different clientele and a cohort and you want to keep enriching and focusing on that and I talked about a couple of initiatives on that front, on the brand front, but simultaneously, the reason that even in the previous discussion, we are talking about seeding and putting a lot of effort behind seeding, let's say, a Power as well as the Floatz, is towards trying to see whether we can straddle and use different brands in our portfolio to straddle different sets of consumers. Similarly, Nine West is an area in that direction. You will have to be also mindful, Tejas, on how much do we want at any point in time. Because as I said, the core is to make sure that Bata keeps growing.

Tejas Shah: Perfect. And just last one on that. Has Power been an aspirational brand in any of your other countries?

Gunjan Shah: Sorry?

Tejas Shah: Has Power, as a part of Bata portfolio, has it been a very successful brand in any of the other countries?

Gunjan Shah: I cannot comment on that, but India is one of the largest markets for Power.

Tejas Shah: Okay, okay. That's all from my side, and all the best for coming quarters.

Gunjan Shah: Thank you, Tejas.

Moderator: Thank you. Next question comes from the line of Awais with Sundaram. Please go ahead.

Awais Bakshi: Hi, sir. Thank you for the opportunity. Am I audible?

Gunjan Shah: Yes, Awais.

Awais Bakshi: Sir, one quick question. When I look at our current performance and compare it with the pre-COVID, which is June '19 to December '19, on an absolute basis, we have seen 11% kind of revenue growth. Also, if I look at the gross margin, while it has come down on a percentage terms, absolute basis, we have again seen growth here. But when I look at the PBT, or for that matter, PBT margin, there is a sharp deterioration from 17% in the pre-COVID quarters, nine months, to now around 9% run rate.

So, firstly, I just wanted to get some sense that am I correct in my understanding that whatever incremental CapEx, which we have done during this period, in terms of adding stores, etc., we have not seen that contributing materially to the bottom line as of now. And if that understanding is correct, can you help me understand how long you see the gestation period is before that start giving us incremental benefit?

And can we reach that pre-COVID pivot margin given whatever business structure we have changed? Your sense on these things would be helpful. Thanks.

Gunjan Shah: Okay. Awais, it's a very large question that you have. And obviously, we have got to go back data points and things that we will have to also look at where the comparative is apple to apple in terms of exceptional items, etc., because we have been also taking a lot of long-term structural calls, which are good for the business and we are pretty confident and we keep tracking the business cases whether it's ERP implementation, whether it's the high performance merchandising or the kind of ERS on IHM, etc., which is obviously going to give us multi-year benefits on operating costs.

But either ways, I think your broad commentary whether the numbers might, we will have to check for, but the commentary is to do with how much have we managed to leverage in terms of cost structures versus the top line, and the answer lies on two phases, right? One is that I think we would like to see much more top line leverage. So, a lot of the focus of the organization is to get the top line going further.

I am pretty confident with the cost structure that I see underlying, right, once we are able to get like for like growth and therefore overall top line leveraged, we should be able to see significant leverage coming through in the direction that you have looked at in terms of PBT margins.

Awais Bakshi: Sure. I would want little bit sense on the numbers, but maybe we can take this offline if that is okay, yes.

Gunjan Shah: Okay, Awais. Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to Nitin Bagaria for closing comments.

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

Moderator: Thank you. On behalf of Bata India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.