

August 18, 2025

The Manager
Corporate Relationship Department
BSE Limited
1st Floor, New Trading Wing,
Rotunda Building,
P J Towers, Dalal Street, Fort,
Mumbai - 400001

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai - 400051

The Secretary
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 July 31, 2025 and August 14, 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 (Group Call) held on Thursday, August 14, 2025.

The above information shall also be made available on Company's website viz., www.bata.in

This is for your information and records.

Thanking you,

Yours faithfully,
For BATA INDIA LIMITED

NITIN BAGARIA
AVP – Company Secretary & Compliance Officer

BATA INDIA LIMITED

CIN: L19201WB1931PLC007261

Registered Office: 27B, Camac Street, 1st Floor, Kolkata-700016, West Bengal || Tel.: (033) 22895796 || Fax: (033) 22895748
E-mail: in-customer.service@bata.com || Website: www.bata.in



“Bata India Limited
Q1 FY ‘26 Earnings Conference Call”

August 14, 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 FINANCIALS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Bata India Limited Q1 FY '26 Earnings Conference Call.

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 this 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. Gaurav Jogani from JM Financials. Thank you. And over to you, sir.

Gaurav Jogani: Hello, everyone. On behalf of JM Financial, it is my pleasure to welcome you all to Bata's Q1 FY '26 Earnings Conference Call.

Today we have with us Mr. Gunjan Shah – Managing Director and Chief Executive Officer, Mr. Amit Aggarwal – CFO, and Mr. Nitin Bagaria – AVP and Company Secretary.

Thank you and over to you, Nitin.

Nitin Bagaria: Good evening, everyone and welcome to the Bata Q1 FY'26 Earnings Conference Call. We have Gunjan Shah – MD and CEO. We also have Amit Aggarwal – Director Finance and CFO joining us.

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. On Page #2, we have the disclaimer. I am sure you have gone through the same.

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

Gunjan Shah: Hi, everyone. Pleasure to be back on this call for this quarter.

While overarching, the quarter was a relatively tough one. It seemed a little better than what we had seen in the previous quarter of Jan to March. But still, it resulted in only flattish kind of a growth, while we managed to have the operational efficiencies reasonably working for us.

And it just goes on to show that the backbone of the P&L is strong enough. And hopefully, once we start seeing growth, led by the initiatives that we have talked about and hopefully pushing ahead, we should see this translating to much better profit growth also.

Moving forward, I will try and keep consistency with what I have shared with you. On Slide #3, I am going to talk about three large initiatives. I have talked about them in the past. And I will give you progress updates on all three of them going forward also.

And some of them I will inch towards the kind of plans that we have for the balance of the year in the next two quarters. Store growth, same store sales growth. Portfolio evolution from a product portfolio. And inventory agility. These are the three things.

Moving forward, Slide #4, talking about store growth. There have been two large initiatives: the ZBM project, Zero Base Merchandising, that we are now scaling up pretty large; and the value proposition project, for driving same store growth.

In Zero Base Merchandising, for enhancing customer experience, the key metrics are now we are at close to 200 stores end June 2025, plus 50 stores in the quarter gone by. So, the pace is picking up.

We would like to have it much larger, provided we are able to make sure that the inputs that go into making a successful transition to ZBM and the kind of output metrics that you see on the chart on the right side, they fall into place.

We hope to maintain this progress of about 50 stores a quarter, and if things work out well, then maybe a little more accelerating. Line reduction. And hopefully, now these are all Pareto stores. So, there should be a larger contribution to the overall store network from a turnover perspective.

These stores have seen a line reduction of 33%. That is we have reduced the clutter piece. They have also seen an inventory reduction of almost 22%, so a significant return on invested capital for these stores, and are much better from an availability perspective or size sets, etc., for the lines that we have kept there at almost 450 basis points.

What does that result in is a much better consumer experience. The NPS scores are better. The Google ratings are better of these stores. The unit per transaction is much better. The turnover is better in terms of same store growth versus Control stores as well as the volume per throughput is much better.

So, we are able to display our merchandise, display our proposition to consumers much better, and the stores are run more efficiently from a store manager perspective, which I have talked about for now the last two quarters, three quarters. We hope to continue this projection going forward and maybe even consolidate even better.

The second big initiative, Slide #6, is on driving value proposition. We do sense stress even now in the mass segment, the middle and mass segment. And there have been concerted efforts. We are gaining significant momentum. Now we see some signs of success on it.

Some of the examples I have put here, Bata Ladies, a very large volume contributor as well as value contributor to the store's turnover. We have introduced key price points both in open and closed. And there is significant success in terms of checkout rates. They have also improved as far as checkout rates go.

As you can see, some of the data points, I will just take you one of them and then we can extrapolate to the rest. Opening price points of Rs. 399 and rs. 499 were introduced at scale across almost 800 doors. Those price points resulted in checkouts going from 3.5% to 8%.

The meaning of checkout in a better reference would be the average checkout of the full portfolio of our network is about 4%, roughly. That is basically equivalent to 2x, so anything about 4% is better than average.

These portfolios show a checkout of 8%, right, and at a large volume base of almost 15,000 pairs per month or per week, which is also significant from an overall growth perspective. So, we now plan to expand this to almost a full network, which is close to 1,200 stores.

A similar data point for Rs. 799 – Rs. 999, checkouts moving up to 6.4%, price points clearly demarcated. And then the network getting expanded, and obviously then backed up with now communication to consumers outside the store in terms of the value proposition, depending on what is the proposition in which stores. One example has been shown.

Similarly, on the Power side, and the price points of Rs. 1,699 - Rs. 1,999, first time introduced at scale. Some initial signs of success is a checkout of 6.6%. We would like to now expand this across the network and with additional lines also, so four more lines coming through in addition to the seven lines.

So, there should be a significant portfolio that we build there. So, these are just a couple of examples. There are many more that are being worked upon on the value proposition, and hopefully allowing us to have a little more optimism going forward.

On the portfolio evolution, three large levers: casualization, driven by Floatz; Power, driving the athleisure portfolio; and Hush Puppies on the premium side.

On Floatz, Slide #8, significant progress. Momentum continues, 30% plus kind of growth. It is significantly indexed from a price point perspective. It is 1.2x of the average ASP of the store. So, it adds on to the ASP of a store, while driving significant volumes.

The quarter that went by, as you can see on the right side, did see a significant addition of new portfolio. What we have been very conscious of is that as the new one comes in, there is the existing one which is now faded out also.

So, standardized merch packs have been done for various clusters of stores of alpha, beta, gamma. And as you can see, some of these are collabs with Disney properties. Some of them are technology introductions. And some of them are just pure design and color introduction. But to great response and obviously the checkouts are showing up out there.

We also launched in this quarter some of our largest campaign for the quarter was around Floatz, Comfort Never Looked So, Good, along with a mega influencer, Prajakta Koli, to great response also.

The second piece on Slide #9 on Power portfolio investment. These are on the premium side, price points of Rs. 2,500 to almost Rs. 4,000 plus. These, again, saw significant traction. Checkouts, mind you, at this level are relatively lower at these price points.

Even there, if you are getting 4.5%, it is extremely good, because it results in significant turnover. And there we plan to obviously extend this whole Power Easy Slide collection to the full network now and with a significant widening of the range.

And we are now wanting to also insert this property of Easy Slide in some other product categories of ours that I will talk to you as we go by in the subsequent quarters. Power Stamina on the premium side for running shoes, good response, at Rs. 4,000 plus, checkout of 4% at six lines. So, that continues to invest on democratizing technology.

The last but not the least on driving premiumization, Hush Puppies continues to expand. We are now close to 150 EBOs, as you can see in the graph, both COCO as well as franchise combined. We will want to see a reasonable split of almost, let us say, about 60% - 40% in terms of expansion going forward of COCO as well as franchise in this.

And this was backed with, obviously, a large campaign that we continued on the Ease Please along with Vir Das, the brand ambassador for Office Sneakers to great response. And that was the first major departure that we have done from the core categories of Hush Puppies of formal dress shoes as well as informal dress shoes, which are moccasins as well as loafers.

That is the centerpiece of Hush Puppies sales. Office Sneakers has been a significant addition to that portfolio.

In addition, as you can see in Slide 11, we have been also investing significantly on driving a refresh of the entire Hush Puppies brand. The new concept, as you can see in before after, much more brighter, does have very premium codes.

The category is displayed in a far more focused manner as well as the fixtures are reduced to make it easy for consumers to navigate and give them better comfort and accessibility. So, 36 of those stores that I showed you have been already converted. And that progress will continue to keep investing on this channel for that consumer segment.

Moving to Slide #12. Inventory agility is very critical. I think this is some area that belatedly we have gotten to the task. We are on it for almost about three quarters. And the progress is there in the subsequent two charts, three charts.

Slide #13, the lines overall, while I showed you for the ZBM stores dropped by 33%, overall for the full network has dropped by 25%. And the clutter at the stores also, including aged lines, has also dropped by almost 23%.

The top articles availability has also gone up by 7%. But however, this area, we still have significant headroom to progress. And there is a concerted project called Customer First, which is in this complete zone of end-to-end how do we improve this entire agility.

Total inventory, moving to Slide #14, total inventory has dropped year-on-year significantly. I showed this last quarter also. This quarter also, it is dropped by 16% and this is despite the fact that we are building up inventory sequentially for the upcoming season, year-on-year, it is still almost at the lowest level that we have ended June at for several years now.

Despite that, our stock turns are better and our aged inventory has been significantly reduced to less than half, which should also portend well in terms of full price range going forward into the season.

Customer First project is on track. As I mentioned, it is a large-scale project, which is dedicated for end-to-end improvement in terms of how do we not only forecast for inventory but also the lead time as well as the way we store inventories upstream versus downstream.

And the best-in-class benchmark that we have is that the stock turn improvement that you see to 2.1, which is on a trailing 12 month basis, it is not an easy metric to move. We want to see it in the next about 12 months to move to almost 2.5 plus.

Moving to Slide #15. Other highlights, 644 franchise stores. Expansion on franchise store continues. We were a little less than required in 20 stores. Largely, the first half of the quarter was disturbed because of the geopolitical situation of Indo-Pak, etc.

And that disrupted the momentum, but then onwards it has picked up and we are hopeful of maintaining the momentum of about 30 stores to 40 stores a quarter. NPS keeps on moving ahead.

We have now introduced a significantly more stringent metric, which is on Google Ratings, which is visibly outside to consumers as well as externally validated, and that is at about 4.6.

KROs are from a multi-brand outlet, we have now significantly invested on KROs, and that is at about 1,500, 300 more than last year. And we have been awarded a few awards, Best Workplace Culture, etc.

We also launched three large campaigns. I talked about the Floatz one. I talked about HP. For Bata we had launched under the Make Your Way platform, the Tropical Breeze Collection, which was under the Comfort piece.

Moving to financials. So, therefore, this is a summary.

Financials, the growth was flat at minus 0.3% at Rs. 942 crores. Gross margin, however, took a slight toll at minus 133 basis points. The EBITDA margin was at about 22.9% and the PAT landed up at about 5.5%, before exceptional, less by 112 basis points.

There were two exceptional items as I mentioned below in the fine print. One was the VRS cost that we incurred towards the partial relieving of some workers in one of our factories, in line with our longer-term plan of trying to get an efficiency on fixed costs.

And the second one was in the base year of last year, where we had got an exceptional item of realization of Faridabad land at Rs. 134 crores.

That brings me to the end. There are a few slides in the appendix, which you can go through. Thank you.

Nitin Bagaria: Yes, we can now move to Q&A moderator, please.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. We have our first question from the line of Gaurav Jogani from JM Financials. Please go ahead.

Gaurav Jogani: Hi, Gunjan. My first question was with regards to the gross margins in the quarter around. We are seeing improvement in the contribution from the premium part of the portfolio. We are also seeing the quality of the merchandise, etc., improving. However, still we see that, the gross margins have declined. So, if you can highlight what has really led to this?

Gunjan Shah: Okay. Hi Gaurav. Thank you. No, your observation is right. Partially, the reason that has been there, especially in the last couple of quarters, would be on the lines of clearance of some of the inventory, not only aged, but also what we call as basically discontinued. And that is the process that we are now putting in much more stringency as part of what I have talked about as Customer First.

But effectively, answering your question, I think a large part of is done. Now we are in a situation wherein we actually do not carry as much aged inventory or discontinued from that front, and especially compared to last year. So, now we should be able to basically realize a lot of that benefit from a gross margin perspective. However, there is some part of it which we will realize, some part of it will get redeployed where we are doing the value proposition initiatives in some of the categories.

Gaurav Jogani: Okay. Sure. That is clear. And my second question is with regards to multiple steps that we have been taking, even, I mean, Zero Base Merchandising, the portfolio revamp, even on the tech front where you are doing multiple initiatives. However, somehow the revenue growth has been hard to come by. If you can dissect that what it is that despite a very low base, we are not able

to take the revenue growth to even mid-single digits. So, what apart from the slow macro consumption would help you to drive it to double digits?

Gunjan Shah:

Okay. If I have understood your question right, it is basically in terms of what is it that is causing the roadblock to revenue growth, right, in, whatever, individual segments, or any commentary on that front. I mean, while we leave aside the environment piece, Gaurav, the piece that is I think in our view is going to be at the lower price points, and that is where basically the level of revenue growth is most critical to come through from. And that is the piece that we are focused significantly on.

While this quarter we did see a significant, how do you say, sluggishness on the MBO, that is a distribution business front, we did see encouraging signs from a scores perspective on the lower price point. And we are hopeful that the initiatives that I have talked about will only gather momentum as we go forward.

So, the lower price points less than Rs. 1,000 is where the stress is, and that is where we want to basically keep accelerating ourselves, while we push the premium part separately that I have talked about.

Gaurav Jogani:

Sure. Thank you. That is all from me.

Moderator:

Thank you. The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta:

Hi, Gunjan, and thanks for taking my question. First question is on the margin front. Now, in the peak Bata, if I just look at a pre Ind AS basis, including the rental as part of other expenses, Bata made a 16% EBITDA margin a few years back. And last year it is finished at around 11%. There is some benefit of that royalty accounting here.

Now, the company is hinting it is focusing more on the value part and that might be margin dilutive for some of the years. Internally, as an organization, is there a guardrail in terms of margin that this is the bottom and we will not allow the margin to go down from here? Is there a thought process around that?

Gunjan Shah:

Okay. Sameer, so a couple of things, right? I am assuming what you are talking is at an EBITDA level, right? But I mean, in a very simple way, there are three large pieces towards this margin, right? One is obviously gross margin. The second one is, let us say, store related fixed costs, right, which are leverage coming from a same store growth. And the third one is corporate fixed costs, right, including manufacturing as well as corporate overheads. Are you with me till now?

Sameer Gupta:

Yes.

Gunjan Shah:

Yes. Okay. So, now, I will try and give you some commentary on it, while we do not give forward-looking guidance on margins, but the way we are approaching for it, and let us see

whether it addresses your question, right? One is in terms of gross margin, I gave a commentary just prior to this question that was asked.

And therefore, we are very hopeful that, that should come through. We will redeploy some part of it, right, of this cleaner inventory, etc., towards price point value. But I do not think that dilutes margins too much, and especially once we start driving scale, because that gives us economies of scale from a cost of product perspective. So, that is on the gross margin piece.

On the piece which is to do with the leverage on same store growth, which is, anyway, super critical, and that comes through, I think our cost structures have been reasonably tightly run. And that is why, if you saw my presentation, the focus is on same store growth, right? We should be able to get that realized and transferred from a leverage perspective from an EBITDA.

The last piece is on corporate. There we have done, obviously, a significant amount of work, both in terms of in-house manufacturing over the last two years, three years, as well as from a productivity perspective of corporate staff, and which I am very hopeful we should be able to see the realization as we see the top line growth.

Sameer Gupta:

Okay. Let me put it in another way. See, I understand that the efforts are towards driving same store sales growth, and that in turn will drive leverage. But those are not entirely in our hands as, if it would have been, we would have had a good history of SSS growth in the past few years also.

So, my question is that then there is a level after which, if margins drop, the business does not make a very good return on investment, it will be sub 10% beyond a point. So, do we have a thought process in the organization that, okay, now it is time to do more cost cutting or we need to get more optimum levels of efficiencies, something on those lines, I am asking.

Gunjan Shah:

Yes. That is what I meant by the third piece, because the second piece and third piece is where you can leverage your fixed costs. So, obviously, I think while on one end is leverage coming from top-line, otherwise you can make sure that you tighten up your fixed costs as much. As you can see, the manpower line has been much tighter even for the last couple of quarters, and that is what we will see going forward. Amit, you want to add in some more?

Amit Aggarwal:

Yes, Gunjan. And thanks for that opportunity. If you look at in terms of beyond gross margin, so there is a gross margin erosion of about 130 bps as a percentage of sale versus last year same quarter. We call the other cost item, if you add up, there is a benefit of losing close to about 45 bps to 50 bps, which has emerged.

Now this is emanating from all the structural initiatives on fixed costs, which Gunjan talked about. So, we are very aware in terms of top-line challenges because of various factors, which Gunjan also captured. Therefore, we are very tightly running the ship in terms of all the structural costs. They are continuing to be hard looked. And wherever we are finding access, we are ruthlessly cutting it out. So, that endeavor continues.

- Sameer Gupta:** Got it. This is very helpful. Second question is that, if I just look at the channel, the feedback suggests that Bata stores are significantly understaffed, which technically leads to lower conversion. And this is despite the flexi manpower initiatives. And now, I am sure this is a feedback you would have also received over the course of several concalls. Any initiatives you are doing to tackle this? I know, I asked the first question on margins, but great to get your thoughts here.
- Gunjan Shah:** Yes. So, it will be great, Sameer, if you are able to pass on that feedback, because we do our checks on this front. And it is a template that is run centrally as well as empowered into the regions, which then gives a store the right to manpower, and obviously, correlated to their conversion metrics and stuff on that front. And I think broadly, while it is fine, there will be pockets where fluctuations do happen, for whatever reasons. The system can be far more agile in terms of reacting to it, but should work in that manner. So, if there are specific gaps, more than happy to tackle them. Does that answer your question?
- Moderator:** Sameer, are you there? Sameer?
- Gunjan Shah:** I think we have lost him.
- Moderator:** We will move on to the next question, sir. The next question is from the line of Sandip Sabharwal from Asksandipsabharwal. Please go ahead.
- Sandip Sabharwal:** Hi. I have been attending your calls for the last many quarters. And each call, the outlook seems to be very bullish when you present itself. But when we come to the end of the quarter, the top line virtually is stagnating. And the brand Bata also does not resonate so well with the young generation of today.
- And secondly, there are a lot of B2C brands which have come up, which are doing reasonably well. So, what is aiding the company that despite so many initiatives, there is virtually no growth?
- Gunjan Shah:** Okay, Sandip. So, two, three things, right? Obviously, we also would like to see much better top-line. I think on a couple of fronts I mean, that I would like to respond on a slightly more macro level. One is that I think the consumer, especially in our target consumers, which is the middle class, probably the belly of the population, have obviously seen a certain pinch that is there in terms of the inflation that they have gone through.
- Now, making sure that they see value for money in our products, which we were known for, is something that we want to make sure that we consolidate and strengthen ourselves. And more importantly, also make sure that these are presented to consumers in the right way. And which is why this whole piece of ZBM, etc. is being worked upon. Now, that is one big piece.
- The second piece that is there is that the online piece, you are absolutely right. There is a significant amount of traction that is there online. Obviously, a far stronger traction that was

there, let us say, the immediate period post-COVID, etc. But there is a shift that is structurally there in terms of consumers having moved online. And a lot of the D2C brands are from there. Now, we have reinforced basically on two fronts.

Obviously, our e-commerce business is our fastest growing business for some time. The dot-com business is obviously now getting significant investment. We have just launched our app, let us say, about 10 days back. There is already about 10,000 downloads that have already happened. So, there is going to be significant impetus that will continue to keep plugging there. However, the conscious piece is that we want to make sure that this is consistently a profit accretive kind of a channel. And we do not want to land up buying up sales, which is not going to sustain down the line.

The last piece that is there is on product design itself. And we are now working not only in India but also globally in terms of getting our significant amount of effort going behind product design, and which means the technology as well as making sure that trends in the material are rightly captured.

Now one right example of this is, let us say, for example, the Floatz. Now, very clearly, it is at least the average consumer profile of Floatz is about 8 years to 10 years younger, right? It is a product line that has been started only about 3.5 years back, and it is already hitting a run rate of about Rs. 200 crores annualized. Where you put this together, it does work out. So, that is where the endeavor is, Sandip. But yes, I agree with you, we can do much better top line.

Sandip Sabharwal:

Thank you. And thanks for your detailed answer. The only point being like, as all of us know, footwear is sort of essential. Like you cannot do without it. So, how much you can capture out of the market, that is the whole question. And once a brand loses mindshare, then taking it back becomes difficult. So, wishing you the best, and let us hope things will be better going forward.

Gunjan Shah:

Thank you.

Moderator:

Thank you. The next question is from the line of Tanuj from JM Financials. Please go ahead.

Tanuj:

Hi, sir. Two questions from my side. First one will be, sir, we have slowed down our pace of implementing the Zero Base Merchandising. Like, as much I remember, you guided to implement this in 300 stores by end of this Q1. But we are now at 194 stores. So, any kind of hindrance which we are facing that you want to highlight?

Gunjan Shah:

Okay. And what is your next question, Tanuj?

Tanuj:

Next question will be on margin, sir. As our franchise mix and e-commerce penetration is increasing, so how is this going to impact both the gross and EBITDA margins? How much dilutive both the things will be?

Gunjan Shah: No, at an EBITDA level, it is not dilutive. At a gross margin, it can play a little mix because of the way the business model is structured for it. And I have mentioned this in the past also. In fact, our franchise business actually is exceptionally accretive from an EBITDA business. So, I hope that addresses that, that it should be net accretive from a profitability perspective as they grow.

The ZBM piece, in a way, you are right. I would have expected this to accelerate much better because all performance metrics, from a consumer experience, from a throughput, productivity of the stores, revenue per square foot, as well as from, as I said, ROIC, they are all better. The piece, however, that is making sure that we are a little more consolidated the way we go about, when the stores are made so lean that you have to have the complete system running really smoothly to service those stores.

Now, ideally, once we do that, we want to make sure that we sustain it, and we do not want to have a hiccup. Now, we have had a situation where the team went a little too eagerly, and we actually had to take a toll on turnover for a couple of weeks, and which is why now we want to make sure that we do not have these blackout periods in between because they can be very damaging to the store's performance.

And that is the reason why it is getting a little modulated. As I mentioned in my presentation, while we see are comfortable with the 50 stores getting transformed into this network progressively every quarter, hopefully, I think with the various other initiatives falling in place, we should be able to accelerate it to about 65 stores, 70 stores.

Tanuj: Okay. Sure, sir.

Gunjan Shah: Thank you.

Moderator: Thank you. The next question is from the line of Avinash from Motilal Oswal Financial Services. Please go ahead.

Avinash: Good evening, sir. So, my question is relating to the sneakers. So, at one point, we have introduced something like a Sneaker Studio. There was a lot of focus on that. So, what happened to that? I mean, for the last few quarters, we are not seeing any kind of growth there. So, what exactly is happening there?

Gunjan Shah: Okay. Avinash, so Sneaker Studio continues. I think we are now, at last count, close to almost about 800 stores out of the network with a Sneaker Studio now. The endeavor at that point in time, just to give you a context, was to make sure that the sneaker proposition from within the store is brought out, and which is why we put up the panel, and then for the Sneakers Studio concept was brought in.

Now, the point is that now we see that we need to take this to the next level, and which is why the initiative is now on the portfolio that we are displaying under Sneaker Studio, and which is

what now I have been focusing a lot more and that is what the organization is working on also. But that does not mean that the Sneaker Studio initiative has stopped. That still continues.

And any store that undergoes a renovation or a new store opening does have a distinct Sneaker Studio concept, but the driver is now going to be portfolio going forward for the next level of growth that we need from this category. And that is why I focused on what I talked about both from a Power perspective as well as value proposition.

Avinash: Okay. Got it. I mean, I do not need an exact number, but what would be the ASP of the speakers that we are doing? What is the kind of growth rate in the last couple of quarters that we are seeing in this category? Because they account for like a substantial 20% of the top line, right, if I am not wrong?

Gunjan Shah: Sorry, can you just repeat the last point?

Avinash: I mean, sneakers account for like 20% of the top line last time when we spoke of.

Gunjan Shah: Yes. Right. So, it is about a 20% contribution to top line of the stores. It is an ASP which is about 1.2x of our store ASP, overall sneakers. Power is much higher. We do sell sneakers under Bata also and we do sell sneakers under North Star.

Avinash: Any view on like how has the growth been there in the last couple of quarters? Because we are seeing everything was done within, other players are putting, like their inventory position are getting better in the sneaker portfolio.

Gunjan Shah: Can you just repeat that?

Avinash: I am trying to say there is a --

Gunjan Shah: It has been slightly better, I would say. Not dramatically different, but it is been slightly better than the overall growth rate over the last, say, about last six months or so.

Avinash: Okay. That is it. Thank you.

Gunjan Shah: Thank you.

Moderator: Thank you. The next question is from the line of Nirav Savai from Abakkus Investment Managers. Please go ahead.

Nirav Savai: Hi. My question is on the COCO format now. It is been more than two years and expansion is extremely very slow. And I understand there has been a lot of store closures. So, how do we see this year as far as COCO format expansion is concerned? And what kind of store closures are we looking at?

Gunjan Shah: Right. So, I mean, it is a continuous process, Nirav, that happens in the retail world. And obviously, modulating based on basically same store growth in the environment that we see, then the net additions are an outcome of that in a way. But we still go on doing about roughly, in my view, about 70 to 80 gross additions that happen every year in COCO, gross, right?

Now, depending on some of the consolidation initiatives that we are on, let us say, for example, in the last two, three quarters, there has been accelerated effort towards that. That will result in a net number that we are talking about.

But we have still been largely, I would say, flattish, maybe a few store additions year-on-year. And that should only accelerate as we see the environment improving, hopefully. So, there has been, obviously, a lot of expansion that has happened through the franchise format, especially in the smaller towns, where, obviously, the benefit comes through in terms of new town additions, which are obviously grabbing new consumers.

Simultaneously, a lot of effort has been towards not only Zero Base Merchandising expansion, but also towards better Bata Red 2.0, which is renovating the stores. And that reaches at I think about 60% of the network now.

Nirav Savai: Right. So, basically, at net level, we should look at a minimal 10% -15% kind of store expansion.

Gunjan Shah: As of now, in the short term, yes.

Nirav Savai: And I understand the stores which we are shutting down are not very profitable stores, and maybe some of them might be loss making stores. So, what can be the incremental addition in margins which we can look at post closure of the stores? Because we have been doing this exercise for more than three years now.

Gunjan Shah: Right. So, normally a store, we do not allow it to be significantly negative. So, as soon as it turns marginally negative from a four wall margin basis, it gets into a scanner. And then I think in another about three months to four months is then the decision is precipitated, in case all other levers have been basically fructified. So, that is where the benefit arrives, but I will let Amit answer in case of, he is got a better number to answer you on this.

Amit Aggarwal: So, typically, the closures what we have done, they should help us increase our operating costs or facilitate reduction of the operating costs because the stores were loss-making, right? So, typically, we have seen on an average is about let us say, 40 basis point to 50 basis point improvement coming in the overall operating margin from the store closures.

Nirav Savai: Okay. So, that is something which we can foresee for the rest of the year.

Amit Aggarwal: Yes. But also, what happens is that when you open a new store, which Gunjan also mentioned, it takes time to become profitable. So, the year one, generally, the new stores are not profitable on year one. So, therefore, there is that compounding, or let us say, impact which happens. So,

net-net, on account of store opening and closure, at best you see a 10 basis point to 20 basis point improvement only, which is largely coming from the store closure, but gets offset because of the store opening. But year two, year three onwards, that delta of 40 basis point to 50 basis point, which I mentioned, that continues to be.

Nirav Savai: So, we have been adding 70 stores, 80 stores, I understand, for the last three years. And the closures have been maybe, let us say, 50 stores. So, now the years, let us say, FY '23 - '24, those stores would have turned profitable. Now, is there any time frame, let us say, a new store for, let us say, two years does not function or operate as per our expectations, we shut it down. So, what is the criteria of store closure? Are these old legacy stores which have been burning cash for a long time?

Amit Aggarwal: See, internally, we have a stringent framework in terms of performance evaluation for any store. Like Gunjan mentioned, we look at stores which are closer to breakeven from that evaluation perspective. So, one is the criteria on the bottom line. Second criteria is also the brand presence within that geographical space also.

So, there could be a couple of stores which are marginally loss-making, let us say, from an operating cost perspective of that store, they are operating at a minus 2% - minus 3% of a loss, but we do not have either our own store or present through franchise, given that the quantum of loss, it is negligible, we may continue to operate.

But any store which is significant, again, that gets addressed, irrespective of the duration. Minimum criteria what we apply is two years from a store opening.

Nirav Savai: All right. And how many such stores would be still there, which we are looking to close? Or do we see FY '26 as a conclusive year for cutting down loss-making stores? Or this is an ongoing process which will keep on continuing?

Amit Aggarwal: It is an ongoing process, right? So, every six months, we refresh the store performance. While the data is available on a monthly basis, but given that there are various factors which impact the store performance, the first intent is to fix those other levers, which helps us driving either in terms of the merchandise refresh, or the margin profile change, or renegotiation with the landlord, right?

But when everything also does not figure out, and as I said, based on the criteria which we follow, still it does not meet, then only we proceed for the closure.

Nirav Savai: Right, right. So, basically these closures of 50 stores - 60 stores will continue for FY '26 and beyond that also we see that happening --

Moderator: Sorry to interrupt, Mr. Nirav.

Nirav Savai: -- it is impacting growth. Yes, this was just the last question.

- Amit Aggarwal:** In terms of--
- Nirav Savai:** So, I am saying that the closures also has been impacting the top-line growth. So, is this a final conclusive year or this will 50 - 50 stores will continue to close every year?
- Gunjan Shah:** See, it is an ongoing process, this is always going to be there, and any diligent retailer will have it. However, the quantum of stores will be very difficult to project. We as of now see a significant reduction in the pipeline that we see, right? I mean, let us say the red list that Amit was talking about, which is refreshed every six months, that is significantly lower versus, let us say, one year back, right?
- Now, will that expand going forward or will that reduce, will also depend upon basically the store's performance. So, our objective is to make sure it becomes smaller and smaller because there is some amount of write off that you do of fixed costs, right? So, you have built an equity. You have invested in a certain locality. So, you do not want to do too many of them.
- It also predicates on the fact that how good you are at opening new stores. What is the right location? Have you got the right commercials going, etc., etc. And there is obviously a bunch of things that people have done in terms of getting the right triangulation of various inputs into the potential of a store and therefore the commercials.
- So, you have tied up with third-party agencies that get some kind of a consumption pattern and therefore potential demand. Therefore, we hope that this pipeline will keep reducing going forward. If that is the narrow question.
- Nirav Savai:** Got it. That is it from my side. Thank you.
- Moderator:** Thank you. We have our next question from the line of Prerna Jhunjunwala from Elara Securities. Please go ahead.
- Prerna Jhunjunwala:** Thank you for the opportunity, sir. I wanted to understand the volume growth in this quarter and the ASP performance given all the initiatives taken and the hurdles faced.
- Gunjan Shah:** Yes. Just a second. Yes. Okay. Broadly, I think both of them have been flattish, Prerna, right? Largely driven by basically the fact that we had a disproportionate amount of impact in the first half of the quarter, especially in the IND business because of the conflict, etc., that we talked about. So, it is been broadly flattish on that front, allowing for the mix change, etc.
- Prerna Jhunjunwala:** Okay. So, sir, with all the initiatives taken, whether it is Zero Base for EBOs as well as focus on Power and Floatz and stuff, when do we see volume growth and revenue growth picking up? And how do we see internally on the growth that can be achieved at an overall level in the company?

- Gunjan Shah:** Yes. So, I answered that question earlier. Our endeavor is towards making sure that, despite demand conditions remaining soft, some of these initiatives help us drive the growth. And we are hopeful that this comes sooner rather than later, that we can get the full bang of all these efforts coming together at the storefront.
- Prerna Jhunjunwala:** Okay. Understood, sir. And any color on how much stores can be added at a net level in this year?
- Gunjan Shah:** We should be looking at broadly while the longer-term guidance has been to basically add about 130 stores to 150 stores a year, with a ratio of about 80 - 20 franchise to COCO, so we should be in that ballpark, maybe a little lower because of, I think, a slower last couple of quarters. But we should see acceleration going forward, primarily driven through franchise, as I mentioned in my presentation earlier also.
- Prerna Jhunjunwala:** Okay, sir. Sir, thank you for the answers. All the best.
- Gunjan Shah:** Thank you, Prerna.
- Prerna Jhunjunwala:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rajiv Bharati from Nuvama Wealth. Please go ahead.
- Rajiv Bharati:** Yes. Good afternoon, sir. Thanks for the opportunity. Sir, with regard to your franchising network, which used to be close to 150 odd stores around COVID period and now 650 stores, what is, let us say, the throughput number, how has it moved over the years? And has there been a repeat in terms of the franchise has come back, or what proportion of these franchises have come back to open, let us say, another store with you, just to you success here?
- And the related question is, in terms of your Hush Puppies arrangement, is not there a mandate, let us say, get to a certain milestone number of stores in, let us say, two years, three years out? Yes. These are two questions.
- Gunjan Shah:** Okay. All right. Thanks, Rajiv. Quickly on the franchise piece, franchise contributes to roughly around about 12% of turnover on a retail sales price level, right? Realization turnover, obviously, is a little lower because of the way we realize whole price on the DOS side, right, on the COCO side.
- The piece on repeat franchisees, we see more and more of it. Right now, if I last recollect, I think on an average, partner of ours has about 1.7 stores or 1.6 stores with us. But let us say, the additions that we are doing, about 60% of our additions are coming from existing partners. And we want to propagate that further.

So, we are encouraging franchises to open more, and we are seeing that happening much easier, much faster. Because, obviously, they understand our systems and portfolio much better and vice versa also.

On the Hush Puppies front, basically, the point is that we do have some kind of an arrangement on the brand. We have long since crossed that from a relationship perspective because it is been well established, it is been there for a long time. But however, we are ahead of plan on that front. So, we do not see a constraint from that perspective. Does that answer your question, Rajiv?

Rajiv Bharati: Yes, sir. Just a follow-up on the first part, the 12% contribution you mentioned. Let us say pre COVID, what was the contribution? Because you mentioned that this is margin accretive as compared to the remaining business, right, on the EBITDA side. But overall EBITDA has not moved. So, something else is eating into, let us say, if this channel is growing better.

Gunjan Shah: Yes. So, what is the question, Rajiv?

Rajiv Bharati: No. So, has the contribution changed materially? This 12% number was in the same ballpark earlier also, is it, in terms of contribution?

Gunjan Shah: No, no. Franchise contribution was much lower earlier. I mean, that is the whole reason that this expanded, right? I mean, I cannot recollect immediately, but my sense is it was less than 3%.

Rajiv Bharati: Sure. That is all from my side. Thanks a lot, sir.

Gunjan Shah: Okay. Thank you. Thank you, Rajiv.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Nitin Bagaria: So, thank you, everyone, for joining. It was lovely interacting. Over to you, moderator and JM Financial.

Moderator: Thank you, sir. On behalf of Bata India Limited and JM Financials, that concludes the conference. Thank you for joining us. And you may now disconnect your lines.

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