August 22, 2022

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BSE Security Code: 500043

NSE Symbol: BATAINDIA

CSE Scrip Code: 10000003

Subject: Post Earnings Call

Dear Sir/Madam,

This is further to our letters dated August 8, August 16 and August 18, 2022, 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 18, 2022.

The same shall also be made available on our website i.e. www.bata.in

This is for your information and records.

Yours faithfully,
For BATA INDIA LIMITED

Nitin Bagaria Digitally signed by Nitin Bagaria

NITIN BAGARIA
Company Secretary & Compliance Officer

"Bata India Limited Q1 FY2023 Earnings Conference Call"

August 18, 2022

ANALYST: MR. MANOJ MENON – HEAD OF RESEARCH – ICICI SECURITIES

MANAGEMENT: MR. GUNJAN SHAH - MANAGING DIRECTOR AND CEO – BATA INDIA LIMITED
MS. VIDHYA SRINIVASAN – DIRECTOR FINANCE & CFO – BATA INDIA LIMITED
MR. NITIN BAGARIA – COMPANY SECRETARY – BATA INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY2023 Earnings Conference Call of Bata India Limited hosted by ICICI 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Menon – Head of Research – ICICI Securities. Thank you and over to you Sir.

Manoj Menon: Hi! A wonderful good morning, good afternoon, good evening depending on the part of the world you are joining this call from. Representing ICICI Securities this is Manoj Menon here I am joined by my colleagues Aniket Sethi and Karan Bhuwania representing ISEC consumption team. It is our absolute pleasure to host the management of Bata India Limited for the 1Q FY2023 Results Conference Call. The company is represented by Mr. Gunjan Shah - Managing Director and CEO; Ms. Vidhya Srinivasan - Director Finance and CFO; and Mr. Nitin Bagaria – Company Secretary. Now over to the management for the initial remarks and after that we will open up the floor for Q&A. Over to you, sir.

Nitin Bagaria: Thank you ICICI team, and welcome everyone. Good afternoon to all of you. We will directly jump into the presentation that we have already shared with the stock exchanges, we assume you have access. We will try to navigate through the slides as well as the numbers so that we stay synchronized.

Slide #2 is a disclaimer, I am sure you must have gone through that. I now request Gunjan to take us through the presentation then we can jump into the Q&A. Thanks and over to you Gunjan.

Gunjan Shah: Thanks Nitin. Hi! everyone, Happy Independence Day, Happy 75th Independence Day, it is a big milestone in India's history, I am sure all of us are proud of it.

I am on slide #3, which is the index basically it is a format that we have talked about in the past, we will talk about the business, we will talk about some key levers and how we have managed to shift on those, what are the highlights, and finally is basically the financials.

Moving on to slide #5, we have reached now nearing almost 1900 point of sale that is a combination of both EBOs and the shop in shops. We started sharing that shop in shop and I will talk about that in detail spread across obviously 800 plus towns. In addition to this obviously we have got the multi-brand outlets through our distribution verticals. Obviously last quarter we did significantly surpass our ever high sales in the quarter one had just concluded, April, May, June. Sneaker studios got expanded in line with our sneaker strategy. I will talk about that a little more. We keep penetrating deeper through both the franchise as well as the multi-brand outlet distribution segment, and we have obviously made significant progress now in terms of our product offering, the refresh, newness, especially important focus area that I have talked about and I will talk again this time.

Moving to slide #7, which is a lever that I have talked about in the past to all of you all, quickly on I could not go through each one, but progress on many of those sneakers it continues to outpace our overall growth, the sneaker strategy is continuing the momentum, and the payoff that we have invested behind it. We continue to invest even more and the next one big part of portfolio evolution, there is another piece on casualization, there is also a piece that we are now working upon which is on basically premium fashion on the ladies side, the Hush Puppies anyway rank as number one.

On expansion, franchise expansion continues, it is another strong quarter, we would like that momentum to continue and maybe even increase further more about it later and similarly our access to potential which is what the WD percentage is, continues to gain momentum and give us dividends in terms of topline growth.

Marketing investments, there were a bunch of campaigns, so the marketing the momentum is, we had done in the December quarter a decent amount of marketing, in the March quarter we had brought it down a little towards the first half because of omicron, but this quarter in the June quarter we have again seen a multiple campaigns actually and one of our strongest marketing investments in bringing youth back to Bata and that is giving us benefits.

E-commerce continuous momentum, significant sequential as well as year-on-year growth, e-commerce was one engine that has continued to grow year-on-year even during the COVID period and over that we have seen some decent growths in this quarter gone by.

Our some change in initiatives on the supply chain side, the customer returns are reducing, signifying obviously a whole bunch of initiatives towards better product quality process-wise as well as in terms of making sure that defects are identified well in advance. Also we made our first big step towards regional sourcing which is getting sourcing closer to demand does give us multiple benefits in terms of how do you take cost benefit as well as in terms of faster nimbleness in terms of the reactivity of demand fluctuations.

Variability on costs, flexi manpower is something that I have talked about, we made strong strides more than doubled the flexible manpower in our stores. There is one large initiative, multiple others that are in the works in terms of variabilizing our cost structures, and last but not least on current processing technology, some big shifts, now our entire retail distribution centers have gone live with the new technology package, and that will give us ensuing benefits over a period of the next quarters and years. We are looking at the comprehensive technology implementation enterprise wise and that is under very lean stages of discussion and hopefully we will talk a little more about it next quarter, and last but not the least even the manufacturing system has undergone an upgrade in terms of the software systems.

With that moving to slide #9, in terms of point of sale, that is what you see in the graph below, which is the bar chart. It is spread into three, which is the COCO, which is great, franchise outlets which are the ones that is the bar that is marked in black, shop in shops improve and the total obviously is total. As you can see we are nearing almost 1900 points of sale, it is a significant trip up from the previous quarter, which was also an increase, what is also of note is that the increase has happened across the various elements of our network. As I had mentioned to many of you all, in the previous quarter is that our rationalization on the COCO has come to a reasonable closure I would say, and now we have seen the next editions on the COCO also, while we have significantly added franchise as well as shop in shop stores. As I mentioned I see a lot of potential on franchise and these I think there is a chart next. We have also invested in renovations and free slips across our store network. This year will be our largest ever investments on renovation and facelift, some of it is optical in the sense that it is also clearance of backlog of the work that we could not do for an 18 months COVID period, but also it has the large amount of work done by the team and obviously anyone's great benefits in terms of response from consumers.

Moving to also, I would say that 125 Sneaker Studios, we were 100 plus last quarter. So we keep adding it obviously leads our overall growth Sneakers as I said that significantly kept on pace in fact further the gap and therefore driving our growth. Sneaker Studios are going even faster, we plan to invest in this even further, and we also hope to see a store of Sneaker Studios down the line. Also we see basically men's dress especially Hush Puppies doing extremely well last quarter, and that is on the premium side of kids.

Slide #10, moving to the next chart. The franchise, 20 editions as you can see in the chart the last year we saw largest ever net addition of stores at 75. This first half we have already added roughly around 40. We have got a very strong pipeline, I have mentioned this the kind of demand that we see from potential franchise partners is enormous, it is more a question of our bandwidth, which we are obviously increasing, and I am getting optimistic of keeping the vision of 500 sooner rather than later, and we should hopefully see a record year, this year on addition from franchise stores.

Moving to slide #11, which is on the multiband outlet side, the town coverage as you can see is a consistent graph of additions. We are closing towards 1100 towns which are mapped directly by us. Our access to potential in terms of the kind of size of distributors, which is a big strive that we have taken in terms of large distributor additions. So there has been some consolidation, but a large amount of net addition in terms of large distributors, and that gives us an access to almost 40% of the market potential in our estimates. It is led by a concerted strategy in terms of a customized portfolio, which has been something that has, I think been the key to a sustainable and a competitive growth on this channel, and we hope to continue doing that along with opening a few more fronts on this front, which is basically on men's as well as on the sports category.

Next chart which is #12. On e-commerce, I think it stays at about 10%, it has been almost 3x in terms of contribution on our entire multi-channel e-commerce omni channel business. Let me remind you e-commerce for us is a combination of three revenue lines, it is obviously the market places, it is our home delivery, as well as basically our bata.in, which is our key store and all three of them had done a strong big even as you can see that even sequentially the channel has grown almost 70% and obviously significantly over the previous years as I mentioned this was one channel that has grown every year. One more key metric for us especially on our key store has been basically in terms of our ability to scale up sustainably is to manage the country and as you can see has continuously kept a declining path despite higher volumes and this goes on to show and gives us confidence that we can scale up this channel. The bata.in is by far our largest store in our store network, if you can consider that e-store as a store. We have also added 3PL facilities to scale up the digital business and that is in line with our thoughts on nimbleness in our supply chain and cost structures.

Marketing investments on slide #13, as I mentioned it has been one of our strongest quarters on marketing investments we see this as not only our own confidence, but the payback that we are seeing in terms of the investment payback back to us from a shopper point of view. We saw multiple campaigns the start of the quarter had the Hush Puppies, NEO Leader campaigns that was the first ever campaign that we had on Hush Puppies ever in our history, and it has given us great feedback, casual contributions within hush puppies has gone up, it has grown much faster and it tells us that we are on the right track. We also had towards the start of the quarter the sag end of the unlimited sneakers campaign and that I had spoken about last quarter also. We brought about our first campaign with Disha Patani with the 24/7 casual collection, and that has given us good feedback, one indicator is obviously that the average age of women consumers has shown a significant drop within a short period of a quarter and we look forward to that obviously getting accentuated as time goes by, and I mentioned the category that have done was sneakers, woman's, as well as Hush Puppies have done have led our growth significantly. Some of the examples of stores that we have renovated across our network and as you can see many of them are littered with the speaker studio concept of us also within these stores.

On the slide #16, some of the other highlights, I mentioned about the retail distribution system, it has gone live, we started this journey about nine months back, and now the full network on the retail distribution centers has gone live. Net promoter score as spoken about this, this is a key focus area for us, and that has shown significant improvement at 70 there is a gain of almost 700 basis points versus 2021, and it is not only now in our COCO stores, but also our net promoter scores in our franchise network is also now very close to this mark and that is an encouraging sign. It also tells us that we know how to manage scale on the franchise network or we are learning how to do it well. Franchise engagement in line of that has also gone up to make sure that we understand what our partners are telling us and therefore we get better at serving consumers and increasing revenues for both them as well as us. We did make an effort, significant effort led by the leadership on corporate social responsibility, there is a concerted volunteering, employee volunteering program, which we started beginning this quarter as well as we were awarded by CII for our quality on zero defeat.

Moving forward to slide #17 which is the financial metrics, as you can see obviously the growth is significantly does not fit in the bubble, but it is basically about 253% over last year, which was impacted by the second wave, and about 7% higher than the pre COVID quarter one. On the right side you see the profitability metric both of them show the trajectory which is what we have tried to work towards which is making sure that we sustainable profitable growth on a consistent trajectory, and in recent times that has been our highest profitability both EBITDA as well as PAT.

With that I come to the end of this small presentation of mine. over to you all for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. We have our first question from the line of Akshen from Fidelity. Please go ahead.

Akshen: Hi! Team. Three questions from my side. If I look at your presentation. The contribution for franchise and store in store is 32% this quarter in terms of number of store count. Could you help us understand what is the contribution to revenue, is it directionally similar, lower or higher, that is question one. Question two is you have highlighted that online salience has gone up. Could you help us understand as online salience grows up and it is a journey should it keep going up for the next two, three years. How does that impact P&L in terms of gross margins and EBITDA margins and third is specific to this quarter could you just speak about margins, sequentially revenues are up healthy, but other overheads are up to a similar extent. Just wanted to understand if there were some one-time cost or some resumption of normal cost that happened this quarter, which so I would have assumed that there would be some more operating leverage this quarter from other overheads, that was not to be seen. Those three questions from my side. Thank you.

Gunjan Shah: The first one on contribution of point of sale, this is pertaining to the retail business line and the ratio of contribution of revenue is not in line with the number of point of sales naturally so. Shop in shops are significantly smaller obviously it is like one panel or now we are looking at multiple panels within some of these departmental stores etc. While we expand the number of stores we are also looking at multiple panels, but also we had done significantly lower from a revenue per panel or a per store perspective. A franchise from a revenue perspective is lower largely because there is also a part of the revenue line that gets passed on to our channel partner from a margin perspective. From a profitability perspective as I said it is significantly accretive. So that contributions will be much in line with the store contributions. The second piece on e-commerce, we do see this scaling up, e-commerce is a scale business along with I am sure a year in terms of learning curve. So while there might be gross margin impact depending on the channel because within that there is a B2B business and when there is a market place B2C business, B2C margins are largely in line with our retail margins , the point is that on but however things like let us say registration and fixed cost are significantly lower so our endeavor is to make sure that over a period of time which channel also equally contributes on the profitability at a EBIT line, depreciation being another benefit that this channel will have this COCO. On the last piece I will hand over to Vidhya to talk on the sequential margin side.

Vidhya Srinivasan: Margin is approximately down about 1% from March 2022 quarter. So that is essentially about 0.3% is on account of essentially a change in mix where retail share is a little bit lower in June quarter versus March quarter. Second piece is we had absolutely gained in March quarter of about 0.3% and obviously that is not there this quarter and therefore that is kind of counting that impact and finally this is also fairly consistent, there is also a product in price impact of about 0.4% that is a consistent trend for example if you look at the March to June quarter of 2019 you would see actually a much larger margin. So it is essentially a function of the products that make up our business in June quarter versus March quarter.

Akshen: Specifically on the overhead cost line item it is sort of grown exactly in line with topline is it just how we should think about seasonality from Q4 to Q1 or maybe because of Omicron you spend a little naturally lower on A&P etc., and that has caught up I am just trying to understand that line item.

Vidhya Srinivasan: So, I think there are two functions to it, I mean, of course there is a little bit of a seasonal thing, but two big functions is that obviously we spent more in marketing this quarter compared to the previous quarter which is like Gunjan mentioned in the presentation we were kind of being link has got it as far as marketing is concerned in the March quarter. The second piece is that obviously from a rent concession standpoint given the increase in sales we have not had rental sessions and the third piece is also given the increase in sales some of the expenses which are related directly to sales obviously kicked in, so it is a function of that.

Akshen: All right, thank you.

Moderator: Thank you. We have our next question from the line of Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta: Thanks for the opportunity. I just had one question, would it be possible to share the contribution from sneakers and shoes and including power here as well. In this quarter and what would that be in the pre COVID 1Q FY2020 quarter.

Gunjan Shah: I lost you towards the end, but my sense was what is the contribution of the sneaker category and how has it progressed over let us say pre COVID or something is that right.

Umang Mehta: Correct, that is correct.

Gunjan Shah: So sneaker contributes roughly around about 19% to our turnover it has been a gain of almost 4% points. Basically 400 basis points versus what it was pre COVID. During the COVID there is a lot of distortion in the mix etc. So I will not take care as a reference, but we see that contribution is largely being driven, I mean, you can also know the bank calculation but it is because of our significant delta growth, the delta growth that we had in sneakers in December quarter where we started seeing the first returns of this concerted effort was about 10% it went up to about 20% in the March quarter and the delta growth in the quarter was about 28%, 29%, and we feel very robust about this trajectory going forward also.

Umang Mehta: Understand, and just if I can squeeze one more, what was the contribution of school shoes in this quarter.

Gunjan Shah: So school business contribution would have been roughly around 9% in this quarter. So school has been a little pin point for us while the school business has sequentially gone up significantly between March to June, from our 2019 perspective there has been a little more difference in the behavior from a consumer perspective there were two elements that were basically manifesting itself, one was that there was spacing out that happened rather than normally it gets punched very accurately between May and June this time there was a little more pacing that happened and I can felt a spillover that has happened of a school business into the subsequent quarter of July, September. The second piece that I think will give us hopefully much better legs going forward on this business is that we anticipated a certain amount of we have a traditional and a Fortier classification of the school business we anticipated a certain contribution and therefore the inventory profile of this mix and the demand that came in was far offsetting there so we could not basically catch up to that Fortier angle of that mix and that is something that while we have now basically made corrections but I am sure from the next season onwards we will have a much better decent place to capture the demand.

Umang Mehta: Understood, thank you so much and good luck for the rest of the year.

Moderator: Thank you. We have our next question from the line of Aniket Sethi from ICICI Securities. Please go ahead.

Aniket Sethi: Hi! Gunjan, thanks for the opportunity. The first question I had was on the ASP growth number of 19%. So can you kind of split it up in terms of the mix benefit which you would have seen from casualization and some like for like price increases and the follow-up to that is in terms of the inflation that you would have been seeing are you covered for that inflation now.

Gunjan Shah: So there are two questions but both of them are interrelated. The ASP growth has been I would say sequentially flat, but the year-on-year growth is obviously significant in the range of that at an overall level at 20%, there is a mix play that is there in it. I would say that right now from whatever we see as inflation we have taken action as I had mentioned last time we have also seen obviously 50% of our portfolio that gets impacted because of GST increase and that also is a factor in our ASP increases obviously that effect we have traded from a sequential perspective as time goes by. We are basically as of now hoping that the inflation stabilizes it is not decline, but we will have to wait and watch on it.

Aniket Sethi: Understood, got it. Second I just wanted to understand are there any segments at the bottom end which you are kind of open to consolidate given the increasing focus on young consumers and casualization. So just want to understand this comes from the perspective of that maybe the benefits of casualization in the headline numbers could be much bigger quantum in a few quarters.

Gunjan Shah: There are two parts to this. The way I see this market is that in the medium to long-term all things in the market will grow pretty well or should grow pretty well and things are trying of brand the possibility that we have led by Bata we do feel that we have got a right to play in both the sides. On the premium side we have been experiment with, on the super premium side we have been experimented a few concepts deeper especially on the spotier as well as on the women fashion as I had mentioned earlier. So one is that both the segments will grow, in terms of the way it manufacture itself is that we have seen our ASP price point basically getting impacted because of the price increase that has happened and that is the one that we have now made a large effort we have started seeing some initial signs of it in terms of helping us recoup volumes back and we will see how that progressively impacts beneficially to us, but I see potential on both sides.

Aniket Sethi: Got it that is really clear. Lastly one small clarification which I wanted to check. Do all your newer stores have a sneaker studio this is again more of a market specific strategy you are using right now.

Gunjan Shah: Mostly the newer stores would had especially in the tier one to tier two towns metro tier one towns. The franchise need not have it we are looking at what is the right way to scale this because 125 stores is about less than 10% of our network so there is an ample way to go before we go down, but all new stores that we renovate in most cases that metros and tier one has sneaker studios and that is all we keep adding every quarter.

Aniket Sethi: Got it. Thank you so much, thanks and wish you all the best.

Moderator: Thank you. We have our next question from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Thank you for the opportunity sir. My first question is with regards to if you can highlight you know what has been the average selling price both in the retail and the wholesale channel for us and also if you can highlight why the online ASPs are declining for us consistently over the last four, five years.

Gunjan Shah: So one is I do not know where you got to hear but e-commerce, ASPs are actually going up and even last quarter we had gone up the big leaver in fact there one of the big leaver has been in scale is to make customized curetted collection which is online saree and obviously drives ASPs for us. In fact the highest ASP that we have is in our e-store even compared to our metro store network and that is sorting that we have made actually very strong progress consciously obviously to our benefit on economic etc. The second piece, the first question I think was the ASPs versus retail etc. So I will give you a little more clear and things were retained in the top I would say the top curtailed end of our store which would be metro, and tier one cities the top 30 metros in the country would be in the range of about 1000 plus the balance would be in the range of about 800 odd ASPs and the distribution business would be e-commerce as I said is a combination of the channel but our endeavor is towards getting and making sure it in end customer ASP and in the line with retail and the distribution business the ASPs are significantly lower we are at a range of about 300 ASPs.

Gaurav Jogani: The reason why I was saying about the online the ASPs declining was just I was referring to the annual report data that has been shared by you. So if you divide the number of pairs sold by the online sales the ASPs actually come at a lower level of around 572 which was actually around Rs.700 in FY2020. So hence I was mentioning to that, that the ASPs or the realization per pair in online coming down.

Gunjan Shah: So that only function of that is basically because you run it through a market place itself so if you have a partner, your realized ASP might be lower but the consumer ASP is keep going up so it is now based on channels basically.

Gaurav Jogani: And my next question is with regards to if you see overall in terms of there has been a sharp price increases both in the wholesale channel and the retail channel as well over the past couple of years, but at the same time if you see on a CAGR basis our revenues have just grown by a 2% CAGR versus the pre-COVID or the Q1 FY2020 levels. So my question so with regards to have we seen volume decline both in the wholesale and the retail channel and if so what would be the key reasons for this.

Gunjan Shah: So there are a couple of questions that are embedded in this. One is that we have had a significant conscious strategy towards rationalizing unprofitable stores over the two-year period and that shows up in the draft that I have shown you and that as I said that exercise has been largely completed and we will keep on having a ongoing collection but I think structural one is turning and that is why I think this quarter we have had net additions for the first time in the last eight quarters and hopefully that momentum continues that is one, the second piece that is there is in terms of volumes as I mentioned earlier to someone else's question we have seen a volume pressure which is largely in the entry price point of which are in the range of 500 plus or minus and those are the ones that we are now working towards making sure that we re-engineer make sure that we introduce and the impact of consumers it is very critical that we want volume led growth and as I said we are seeing early signs of some of the action that we have taken we will keep your operated as period goes by and our initiative start fructifying in the market place.

Gaurav Jogani: Sure, thank you and that is all from me.

Moderator: Thank you. We have our next question from the line of Kapil Jagasia from Edelweiss Financial Services. Please go ahead.

Kapil Jagasia: Sir my question is regarding the franchise stores like we have around 300 plus franchise stores in the smaller towns, but you see if we see in smaller towns the market is very organized. So how successful we have been in these towns with respect to market share again.

Gunjan Shah: Sorry the market is very organized you said in the smaller towns.

Kapil Jagasia: Market is very unorganized so would we have gained market share over a period of time.

Gunjan Shah: Ye, so I mean there is no syndicated data that tells us in a more concrete way, but yes for sure there are many towns where we are the first entering players from an organized detail but not necessarily so by the way so we have got a basket of benchmark companies that we consider as pear that we would like to make sure that the benchmark on franchise expansion that shows us enormous potential in terms of where we can go in term of the franchise therefore let me also clarify that while primarily the franchise expansion is towards the down pops data there are also the larger metros that are expanding in the hinterland and there either so where we could not make economic spends for sustainable economic sense in opening COCO stores the franchise model certainly allows us to alert pockets of opportunity and capping the market and eventually hopefully getting market share does that answer hopefully your question.

Kapil Jagasia: Yes, sure I guess that was the quality question. Thank you so much.

Moderator: Thank you. We have our next question from the line of Aliasgar Shakir from Motilal Oswal. Please go ahead.

Aliasgar Shakir: Thanks for the opportunity. Based on the channel checks that we do I get a feedback that on the ground in the stores Bata sales is not really as aggressive in terms of pushing business to the customer. So just want to hear your feedback about what we are doing to probably optimize sales at the store level when we compare yourselves with other retailers.

Gunjan Shah: I think there is and your feedback would not be completely misplaced by the way. So thanks for re-emphasizing it, it is something that we have worked upon and we will continue to work upon, there are two, three things better of note that I can talk to you there are multiple things that we have worked, one is the piece that I have mentioned with is a question of the imperious structures of basically the store staff now a large part of it is linked to basically the remuneration is linked to the outcome at the store a combination of both hygiene as well as how do you see customer satisfaction as well as revenue parameters the second piece is that whether we need to make sure that we comply with other companies. The second piece that is there is with fixable manpower there is a certain amount of how do you say a sign wave that is there in terms of a kind of footfall and the businesses in the stores has happened between various times of the day and as various days of the week and therefore that piece has gained significant traction it is more than double the flexible manpower in our stores and that gets the ability to cater to consumers. Last but not I would say the most important piece is that we have institutionalized and therefore now reaching incentives to it, it is with entire piece of independent led promotes force survey as we get across our entire store we work directly from a third party agency and that is linked to the incentives of the stores etc., and that has given you an update in my presentation as progressed well. So yes, they are always hope to improve but there is effort in the direction.

Aliasgar Shakir: This is very helpful. Just quick follow-up here so what percentage of the front-end staffs remuneration would be variable.

Gunjan Shah: In the range of about 25% to 30%.

Aliasgar Shakir: Second question is on the footprint addition so the number of store that you indicated have seen quite a strong growth if I say in terms of area would you be able to share what kind of area addition we would have seen I am just coming from the point of view that you mentioned that the franchise and SIS are smaller stores whereas we have seen shutdown of the large COCO. So would the area addition be very different from the base of store addition that we have seen.

Gunjan Shah: I do not have an answer handy right now but we try and get back to you, but your premise is not strong it obviously the SIS getting panels are not a store hit but it is a very registered way of getting consumers and making sure that these people available at a time where the consumer might want the structure the franchise stores are reasonably large if I think on the town side and the hit on that potential but I do not say that it is the premise want to be we will not had change the area dramatically.

Aliasgar Shakir: Got it, thank you very much.

Moderator: Thank you. We have our next question from the line of Trilok from Dymon Asia. Please go ahead.

Trilok: Hi! Thanks for the opportunity. Just wanted to understand in the previous conversation and post the Q1 results we are highlighted that you are running a double digit sort of growth rates and we ended up the quarter at 7%. So was there any impact that it faced in the June month or is there a natural phenomena that you guys faced in this quarter.

Gunjan Shah: Yes, as I mentioned basically while we are absolutely on track however versus 2019 we did have basically the school business which I did talked about which did have a competition impact otherwise no other big reasons.

Trilok: So essentially a school business would have itself kind of had the full implications on the lower growth than expected is that correct understanding.

Gunjan Shah: I would say that the expectation might be yours but that is how I would look at it from the reference data point that you mentioned.

Vidhya Srinivasan: I think it is also spread out a little bit more like if you look at the June 2019 or whatever trajectory that we are looking at school business like Gunjan mentioned earlier was between April, May, June predominantly May and June and I think we saw the traction of that but I think a lot of the schools which opened up had also kind of relaxed super requirements at least to start with and then over a period of time children were told to wear formals. So I think we are actually seeing foot spreading into July also which was not the case in 2019.

Gunjan Shah: And we slightly saw a certain segment a large segment of that getting the demand par opportunity even what we thought was estimate and therefore our ability to get the somehow impacting for the demand that we saw.

Trilok: And with regards to there was again the comparison prior to COVID in this quarter when we look at the Opex it seems to be sort of I think is it margin was quite high compared to click over quarters is there any sort of cost which has been built in now or is this the normal run rate we should think about going forward because the profitability seems to be lower than pre-COVID.

Vidhya Srinivasan: I think as far as cost is concerned I think some of this is also because a little bit of our cost structure is variable. So we are seeing the impact of parameters in cost structure which are totally linked to sales whether it be in terms of selling commission for e-commerce whether it be some of the freight expenses our ends have become a lot more variable because we are moving towards the minimum guarantee plus percentage share of sales. So some of that is happening. So that is what I would largely say. In terms of profitability versus the marketing expenses with write offs.

Trilok: So essentially there is no meaningful sort of cost bunched up in this quarter is that fair understanding versus pre COVID.

Vidhya Srinivasan: I think apart from the fact that pre-COVID we are talking about two, three years of increases etc. Nothing majorly different as far as cost is concern apart from the variabilization of cost.

Trilok: And would you like to share the percentage of variabilization now was pre COVID if the cost is 170 is variabilized now versus between I am pretty sure.

Vidhya Srinivasan: We do not mention it that way what we do mention is 18 year as the certain line items that we are working towards, one is obviously as I mentioned the retail manpower the other piece is third party sourcing in various parts of our operation a large part of it being obviously warehousing logistics and the other piece is obviously the manufacturing packing etc., where we can get a lot more value. So these are various initiative and each of them obviously has milestones that will open into benefits as these progress in terms of percentage of sales targeted.

Trilok: Sure, I will get back in the queue. Thank you.

Moderator: Thank you. We have our next question from the line of Ankit Kedia from Phillip Capital. Please go ahead.

Ankit Kedia: Sir three questions for my side I just wanted to know are you thinking of exporting Bata footwear to other geographies of Bata where they are present and is that a big opportunity for you. My second question is regarding the SSG can you start to share the retail SSG and mix between volume and pricing over pre-forward and my third question is regarding online which one of the participants asked, so if I look at online revenue versus last year versus pre-COVID the CAGR is less than 12% and the growth versus last is year would be 5% in absolute online revenue for marketplace and bata.com compared to what you are saying that it is 10% contribution but that is more from home delivery so are you losing market share in online marketplaces for our products.

Gunjan Shah: Okay lost track of your questions I think the first one was exports the second piece was SSG and other metrics and the third piece was on online. I will take them in reverse so basically online is actually going pretty fast so I do not know where you are getting this 12% and 10% in fact I mentioned this so despite the overall growth now being much larger than the business pre COVID our contributions are almost three years we can estimate the kind of growth I have given you the growth that we have seen over even the previous year that we are seeing at almost something like 2.7x but that is okay every quarter but even sequentially it has gone up by 70% so it is significantly fast for our stripping on overall growth and from whatever we hear I think we are while we are on a very miniscule base I would say relatively compared to our offline market share so there is a big headroom there but we are going faster and what we get to hear at least from our key accounts and market places. On the piece on exports I would say it is a work in progress their provisions for sure a lot of our businesses of Bata worldwide and either a large part of their sourcing happened from China and we are looking at a structural strategy of diversification and a big part of it is because India is so large and are sourcing base that our manufacturing days are pretty large so we are looking at it, it requires a lot of structural thinking including making sure the right technology the capability as well as the right how do you see the tools and the effects are all available including materials but I do not think that is such a big constraint but we need to work on it structurally there is a concerted team that is working on it and we will obviously update all of you as we progress in a concrete manner we should see hopefully our progress in the over the next few quarters on that front. on the last piece sorry what was that question on the SSG business while we do not share metrics on that but as what is evident to you in terms of COCO stores we have significantly reduce COCO store at least what is pre COVID and therefore SSG is higher than basically our overall growth from a COCO network. The franchise SSG is significantly higher even on a like to like basis besides the inorganic expansion.

Ankit Kedia: Just on the volume growth in SSG, by when do you think you can be back to pre COVID levels in volume terms.

Gunjan Shah: I am hoping for as early as possible but we will share with you but we are very hopeful with the kind of initiative that I have mentioned on price points and product reengineering that e have rolled out that we should be able to get our volumes growing also as I said our endeavor is over the medium-term to make sure that it is the volume that growth for better.

Ankit Kedia: Sure that is helpful Sir thank you.

Moderator: Thank you. We have our next question from the line of Girish Pai from Nirmal Bang Equities Private Limited. Please go ahead.

Girish Pai: Thank you for the opportunity. Gunjan you mentioned that you dedicated certain entry level price points and you would want to get back to them. Where are we in that journey that is question number one. Second is you mentioned that you want to kind of do something on the premium fashion side for ladies and again when do you think you could kind of start on that particular aspect and thirdly on the distribution side you said from a product perspective you would want to look at more of sports and more of men's again when do you think you can it in probably embark on that these three questions.

Gunjan Shah: I will forget your questions again, so remind me, but on the entry price points I think we are well progressing on that journey I think it obviously required from fundamental work the in terms of making sure that product reengineering is not seeking away from the consumer while we get sure and we are able to get profitably the price points back I would say that we would be about depending on bunch of article and etc., but the shoe line of roughly around 75 to 80 articles they would be 70% of the journey done so we will wait and see as and when we complete the journey and it impacts the market stores how does it give us response back we are very hopeful as I mentioned a couple of times in this call. On the piece that you mentioned on, sorry, what are the other two questions, if you can tell me.

Girish Pai: Yes, the ladies part of premium fashion and on the description side men's and sports categories.

Gunjan Shah: So on the ladies fashion so basically when I am so proud we will be hopefully I think quite October or so we could have it starting rolling out in stores we are significantly acting especially in the top 200 stores for leading fashion range and two privates led by a brand of reliable, one is on basically occasions the other one is on western office wear so that getting add up with higher ASPs and therefore the premiumization journey on their front. the second come on that same thing is to tie out new banner itself and that is something that is work in progress we will update you but we feel that there is conscious gap and opportunity there that we should be able to leverage on that front so that is on that front. The other piece was on the distribution results. Sorry if I got it wrong but men's is a second area of ours led by our esteemed brand it is I mean court and court almost a legal in its main stress segment in that entire multi-brand outlet business and that is doing really well it is charging our growth it is also getting us a significant competitive advantage in terms of profitability. So that is something that will keep driving growth for us build that was in terms of what we have already started basically in terms of making some kind of imitative towards open footwear on sports as well as close footwear on sports and we will update you on concrete progress as and when we link on it, but that is something that we are starting on the men's clothes is something we have already done extremely well in fact it is a large chunk of our business currently also.

Girish Pai: Okay thank you very much.

Moderator: Thank you. We have our next question from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Thank you Sir again. My question is with regards to the wholesale business of yours so just going by the again the annual report numbers. So if you see these revenues for your wholesale business is now in FY2022 come back to the pre-COVID levels of around 3.5 billion odd whereas if you see the number of distributors has also increased significantly to 500 plus. So meaning that your revenue per distributor is not back to the pre-COVID levels as yet. So anything that you would like to highlight on that front.

Gunjan Shah: Yes, so that number was basically for the full year of 2021-2022 that was as you all know it was a story of basically two halves in a way. So the exit run rate was far higher and that is what we have seen even this quarter. So that is now significantly growing despite the kind of pricing and GST pressure that have been in that segment and that is growing pretty well so I would say the per distributor throughputs would have only gone up on a run rate basis.

Gaurav Jogani: So it would be right to assume that did we now higher versus the pre COVID level on the exit basis.

Gunjan Shah: Yes.

Gaurav Jogani: Thank you. That is all from me.

Moderator: Thank you. We have our next question from the line of Girish Pai from Nirmal Bang Equities Private Limited. Please go ahead.

Girish Pai: Thanks for the opportunity. I just want to get back to the discussion on margins you mentioned that other expenses they were higher at 20% in 1Q FY2023 versus 15%in 1Q FY2020. So this 20% as of sales is something that you see continuing into the rest of the year and beyond that or you think that will kind of crunch going forward.

Vidhya Srinivasan: I think I did not have properly but basically you are asking me to kind of project what the increase in expenses would be going forward I think it will be difficult for me to comment on that in terms of making a forward looking statement I think what I can is that I do anticipate that a certain part of my expenses will be linked to the growth in sales which I talked about earlier.

Girish Pai: My other two questions one is to do with the level of discounting this year versus pre COVID FY2020 would it be very similar or do you see that kind of coming off materially because the demand is fairly robust and secondly then if you can give some kind of outlook on growth because we have seen just about 7% growth versus pre-pandemic 1Q is that the growth one should be expecting or should the growth be in the double-digit territory going forward versus pre pandemic levels.

Gunjan Shah: So the markdowns have been slightly on the lower side largely for the reasons that you yourself mentioned and we do not see that dramatically changing as a trajectory in a medium-term and on the growth we maintain a policy of not giving a forward outlook but we remain optimistic in terms of demand capture and the momentum that we see in the market.

Girish Pai: And if I can squeeze one more in terms of percentage of spend on advertising what would that number have been for 1Q FY2023.

Gunjan Shah: FY2023.

Girish Pai: 1Q FY2023 advertising as percentage of sales how much would that number be.

Gunjan Shah: Would be about 2.7% or so for the quarter was about 5% so for the previous year I think we were maintaining pre COVID use to be in the range of about 2.5 to 3 and that has got we should normalize to as I said we will have an impetus towards investments so we will keep marginally greeting it up as we payback for a various campaign that I had spoken about last quarter store compensation for the previous quarter.

Girish Pai: And in terms of the economics of SIS and the franchisee stores we could get the retail stores on an average basis. So what would that be as a revenue per store wise and profitability metrics wise what would that be SIS and the franchise stores versus the normal retail stores.

Gunjan Shah: So franchise is something that I have mentioned has significantly upgraded from a net EBIT perspective and we want that to be so it also obviously both franchise and SIS also have long-term strategy implications in terms of the flexibility in the model our ability to scale up much faster etc., and as I said access to the hinterlands which otherwise we could not do with the COCO business model. The SIS is something that is something also has a similar kind of a flavor I would say that it is not just significantly different from profitability but it is dramatically improve once we start seeing scale coming through on it.

Girish Pai: Okay thank you very much.

Moderator: Thank you. I would now like to hand the conference over to the management team for closing comments. Over to you Sir.

Nitin Bagaria: Thank you everyone for joining looking forward to interacting with you again in case there are any further queries you can direct them to us happy to entertain. Thank you.

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

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