

November 16, 2022

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of India Limited**
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The Secretary
**The Calcutta Stock
Exchange Limited**
7, Lyons Range,
Kolkata - 700001

BSE Security Code: 500043

NSE Symbol: BATAINDIA

CSE Scrip Code: 1000003

Subject: Post Earnings Call

Dear Sir/Madam,

This is further to our letters dated October 28, 2022 and November 14, 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 Monday, November 14, 2022.

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

This is for your information and records.

Thanking you,

Yours faithfully,

For BATA INDIA LIMITED

Nitin Bagaria

Company Secretary & Compliance Officer

BATA INDIA LIMITED

CIN: L19201WB1931PLC007261

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“Bata India Limited
Q2 FY2023 Earnings Conference Call”

November 14, 2022



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

MANAGEMENT: MR. GUNJAN SHAH - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – BATA INDIA LIMITED

MR. SHAIBAL SINHA– DIRECTOR – BATA INDIA LIMITED

MR. NITIN BAGARIA – COMPANY SECRETARY – BATA INDIA LIMITED



Bata India Limited
November 14, 2022

Moderator: Ladies and gentlemen, good day, and welcome to the Bata India Limited's Q2 FY2023 Earnings Conference Call of 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 everyone it is a wonderful good morning, good afternoon or good evening depending on the part of the world you are joining this call from. Representing ICICI it is absolute pleasure to host the senior management of Bata India Limited for the results conference call today India time afternoon. The company is represented by Mr. Gunjan Shah - Managing Director and CEO; Mr. Shaibal Sinha - Director; and Mr. Nitin Bagaria – Company Secretary. Without much ado, over to the management for the opening remarks and post which we will open the floor for Q&A. Over to you Sir!

Nitin Bagaria: Thank you ICICI team and welcome everyone. Good afternoon to all of you. I have with me Mr. Gunjan Shah who is Managing Director & CEO. We also have Mr. Shaibal Sinha who has been with Bata Group for over 18 years now. He was the Director Finance for Bata India from 2004-2010 and he was also Non-Executive Director from 2015 to 2019 and then again from 2021. He is overseeing, as you all know from the stock exchange disclosure, the finance and accounts function for the Company. We will directly jump into the presentation that has already been shared with the stock exchanges. We assume you have gone through the same. We will navigate through the slides as well as the page numbers so that we stay synchronized. Slide #2 is a disclaimer, I am sure you have gone through the same. 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. Welcome to the call for Q2 ended September 2022 of this financial year. I am on slide #4, which is the overview of the quarter. Just before I get into the next slide despite as I mentioned even in the result release that despite a reasonably tough environment in an operating sense both inflation and otherwise I think we have managed to deliver some good growth and obviously in a sustainable manner and we will talk about many of the levers and what are we doing about it in the presentation going forward.

Moving to the next chart I think the piece that I have already shared with many of you all who have attended this call now over several quarters is that these are big thrust levers

strategically that we have been driving, obviously multiple initiatives keep getting populated into this and we will keep updating you on various progresses that we make that are obviously fueling our strategy and footprint going forward. On this I think portfolio we continue to push ahead of sneakers. Sneakers continue to outgrow consistently by a mile or a significant margin and therefore lead our overall growths more than retail and now more so we are trying to work towards even our multibrand for the distribution business as well as the e-commerce business, but there is significant impetus that continues on this and in fact right now we are on the verge of launching our sneakers campaign for this season. Winter is the season for sneakers. Along with that we also have significant outperformance that we saw in various other premium categories of ours and I will talk about that subsequently. On expansion again I think we have spoken about it that we will want to access and make sure that our brand equity is commensurate with basically our expansion and ability or access to consumers. We are following a capital efficient model and therefore while we have seen now since last quarter and even in this quarter net company owned or COCO store additions but a large part of our footprint expansion will be driven through franchise as well as distribution model. This quarter again we saw significantly large number of franchise store additions, we are well on our way of our vision of 500 stores that I had set for myself by about 2024 hopefully we should achieve that earlier than expected. It has been also backed by significant multibrand distribution channel increase that also we will talk subsequently. Marketing investments continue. We will have start of the festive season and some of the recent festives, etc., did get commenced from September or the latter part of the quarter, so various campaigns were run around it and then obviously October onwards we have started our mainline festive campaigns and now the sneaker campaign that you have talked about so that impetus continues and we continuously invest in the brand to build the franchise for the future. NPS net promoter score I have talked about it, this has now got ingrained and institutionalized that is linked to performance measurement, etc., across the length and breadth of the organization and that also continues to strengthen even in this quarter across channels. Digital footprint one of the best quarter in e-commerce that we have seen in terms of revenue terms but also in terms of high yield factors, in terms of reduction of complaint as well as I said now even the sneaker impetus now is spreading across even the growth engines. On agile & efficient supply chain multiple initiatives are put, some of them there have been concrete progress in the quarter gone by, regional sourcing which is bringing the supply closer to the demand clusters. We have made further progress. I talked about our initial initiatives last quarter now even more volumes have been entrusted, a large part of one single category that is sold in the south which is what is getting sourced in the north is now being readied for sourcing in the south that has got operationalized and we should start seeing that coming through in terms of distribution cost benefits going forward. We have also basically stabilized successfully warehousing operations on our 3PL network the first in Bata's history and hopefully not the

last many more to come. We will wait and watch the entire benefits that we extract from it as well as then expand it across our warehousing footprint.

Next was manpower which you on the sixth point on this chart. Continues we are now 15% of our retail manpower is flexi which is either weekenders or part time and that gives us much better benefit on cost on one side but more importantly on making sure that intense heavy footfall in time zones whether it is weekends or evenings we have got much higher manpower available at the right time.

The last piece we are proud to share with you all that we have in this quarter signed off and are going ahead with significant technology initiatives. There is a inventory software that we use which is getting upgraded, but simultaneously along with that we have also kicked off the entire year the transformation exercise which will have multiyear benefit as we go through it not only in terms of digitizing the entire value chain but more importantly also making sure that we get much better control and efficiency measures in place as data analytics ticks over once we stabilize this, this programme of ERP rollout should stabilize. It is a multiyear programme as I said but the largest and the most important module of that will kick in the next 12 months or so. We have also along with it for this large network we have also rolled out pretty large technology transformation on the merchandising side. Just to give you an implication of what this means is basically it is not only automates but it also standardizes the entire thing of 7000 styles on one end and 2000 plus point of sale on the other end from a retail point of view and expanding and how do I make sure that the right price points are available to the right consumers in the cohorts that these stores and points of sales are whether it is the COCO stores, whether it is the franchise stores and whether it is the shop-in-shops.

With that I will move into some more details on some of the highlights that I have talked about. On retail and portfolio expansion as I said last quarter we saw the first net additions on COCO stores that continues while we shave off the non-profitable stores and that is now even more aggressive task that we have taken going forward but simultaneously we also keep adding in the right places so the net additions we saw about 10 stores, we also saw net additions in franchise of about 30 stores and shop-in-shops about close to 30. This was also backed by renovations in existing stores which are now cumulatively standing at about 54 and about 20 odd renovations in this quarter also. What you see in the bar graph is how the contribution of that is, so as you can see that while the red bar which is the COCO stores have come down from a contribution to network of about 66%, despite net additions from a 68% the previous quarter it is compensated by obviously significant additions that we have now progressively seen franchise network is now almost close to 20% in fact by next quarter we expect this to touch 20%. In this also we have also expanded significantly our weaker studio stores. Now we stand at 250 plus and that is a big driver of the sneaker

outgrowth that I have talked about and has been (inaudible). Besides that the premium categories some example here hush puppies, the sneaker category is led by North Star and Floatz are all that have significantly outpaced and that also tells us that there is a certain kind of traction or a significant amount of traction that we see on the premium side and we will continue to participate. In fact I will speak about a new concept that we have tried on the premium side in a few charts down the line.

Franchise 30 additions I have spoken all about this. We crossed 350 stores till not too far back we were less than half of it. The vision in the next 18 months or so is about 500. We hope to exceed that by a mile as we progress. This year looks like we will set the highest ever addition on franchise and it is on the back of 2021, which was FY2022 which was also highest ever at about 70 stores. Now we seem to have made a steady run rate of 30 stores a quarter and hopefully expanding even faster. There is a lot of client, etc., that is being worked behind the franchise stores to make sure that we are escalating the opportunities, there is a very wide opportunity that we see and I think that apace will continue. On the multibrand outlet the town coverage crosses 1100 towns for the first time, there is a steady attrition that we see on that and that keeps adding to basically growths in the distribution business. Even last quarter we have grown healthily over all reference points whether it is last year or pre-COVID levels and we hope that to continue while there is some sluggishness that we see because of the kind of inflation and price increase that we have seen and that is something that we are working aggressively towards basically minimizing. As we see raw material prices turning around that should basically help us not only in terms of margin from this front but also in terms of bringing back price points and opening price points at mass categories across all channels even in the retail outlets, etc. There is a strong work that is on this.

Moving further digital enabled sales hits a record contribution of highest ever of about 11% this quarter and on a normative base of full retail recovery and we are obviously seeing significant growths over last year of almost 50% but double of what we have seen in COVID. As I said it is backed by significant sustainable initiatives. We see complaint rate coming down, we see obviously new categories that we are participating in, sneaker sales has now started driving growth also and participating in it besides the core strength areas and we are also now focusing significantly in terms of now leveraging the scale that we are getting in the e-commerce business. This was all obviously backed with significant marketing initiatives and as you can see some samples of various initiatives that we have driven. This is not only above the line but also lot of below the line initiatives, localized and even multibrand outlets we are getting into making sure that we are activating in the brands even at outlet level in the distribution channel and that is leading to obviously traction for us.

Other key highlights I mentioned the one that was on IT these are large two solutions that have been taken in. We will need to move the chart. NTS this was in the 60s we had moved it successfully to 70 plus last quarter and this quarter we have moved it to even 73, also this is backed by significant improvement that we see across concepts so even the franchise network which is expanding fast but simultaneously also giving us great consumer experience is also improving extremely high and the gap between the two is very narrowing and hopefully it will get eliminated sooner or later. One of our factories received obviously quality certification as well as the last point that I was mentioning earlier which is that we are also experimenting in terms of the kind of traction that we see on the premium side and that we are trying to see how best we can leverage while we see categories as well as the Hush Puppies portfolio is significantly outpacing growths but we have also opened up the entire Red Label concept with a store last quarter and that is giving us promising results in terms of higher ASPs almost 2.5x of our normative ASPs in our network as well as attracting us more fashionable trendy in terms of consumers.

With that getting into the financials these numbers are visible to you all even earlier in our release last quarter we clocked 830 Crores that is 35% over the previous year in Q2 and obviously 15% higher than pre-COVID so significantly moved ahead of pre-COVID. Margins were at about 19% slightly muted compared to what we have seen even in the recovery and we hope to see with the various initiatives that we have rolled out as well as the raw material prices turning around we want to see that obviously bouncing back going forward as time goes by. With that, that comes to my end. Thank you so much for listening into the presentation and we will be happy to take your questions.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Girish Pai from Nirmal Bang Equities Private Limited. Please go ahead.

Girish Pai: The other expenses were about 17% of sales in 2Q FY2023 pandemic it has gone up to about 22 point something in 2Q FY2023 so what were the incremental changes that have happened in the other expenses side and will it remain so elevated going forward or are they going to come off?

Gunjan Shah: Basically there are three, four elements that are there and some of them require a structural correction, some of them as I said with scale we should be starting to get a lot more benefits coming through, some of them are to do in the mix of the channel. So some of the channels that we are obviously expanding and therefore not necessarily comparable which is basically let us say the franchise model that I have spoken in the past as well as the e-commerce channel, etc., the gross margin is where some of those expense lines are taken and therefore coming a little lower but basically they do bring in a lot more efficiencies on

some of the other line items. The other piece that is there is that as we see some of these channels gaining scale we also see that those will start giving us basically benefits as we structurally attach those cost, there are multiple initiatives that we have rolled out which is to basically try and attract those scale related benefits one of them is basically consolidating our warehousing footprint as we gain scale and therefore are able to supply from larger freight providers as well as warehouse locations, etc., some of them were required initially to be a little more flexible where we were not sure of what is the response that we will get e-commerce being an example but with now scale and stability in that channel and a bit of foresight forward looking outlook we should be able to therefore now start amortizing those. Rent and occupancy is one more big area that I think we will work upon and try and make sure that is coming back through which is where I mentioned that some of the non-profitable stores that is a continuous activity now with stability and trend lines and therefore uptake reports we are now able to analyze stores much better post COVID therefore we may take appropriate calls wherever required to eliminate the nonproductive expenses. Shaibal you want to add something.

Shaibal Sinha: Also in 2021 and earlier we had some benefits in terms of rent negotiations in some of the other expenses which have normalized this year and a little bit of change in the mix in which our business is actually moving where the freight cost is slightly higher than with e-commerce business moving at a much faster pace, but I think we have complete control over these and we have initiatives setup so that we will be able to kind of control these kind of cost going forward.

Girish Pai: The volume last quarter it was about 90% of what the volumes were in 1Q of FY2020 because of the pandemic 1Q and volume picture look today compared to 2Q FY2020, what is the ASP growth if you can just throw some light on the ASP volume picture?

Gunjan Shah: Basically I think it has been an equal split if you compare to pre-COVID level Girish right so if it is 15% I would say about 6 to 7% came from volume so that is very healthy that is what I had commented also last time so it has been equal split between price increase and volumes. There is also the price increase while we were not able to necessarily pass on the entire piece that we wanted especially in the mass categories where also we had seen entire GST fees that I talked about last time but now with obviously some of the inflationary pressures hopefully turning around we should be able to continue and push on this volume front as we see this inflation tapering.

Girish Pai: Just one last question this is regarding advertising spending and percentage of revenue has that gone up substantially compared to 2.5% levels that you were clocking pre-pandemic is that one of the reasons why other expenses are also there?

Gunjan Shah: That is one of the expenses but I would say it is not an expense in my mind it is an investment and there will be a quarter-on-quarter movement but we will basically want to ensure that we keep investing behind the brand.

Girish Pai: Okay thank you very much. I will go back into the queue.

Moderator: Thank you. The next question is from the line of Hrishit Sitwala from Matsya Capital. Please go ahead.

Hrishit Sitwala: So I just have the same question over other expenses so on a normalized basis what should we expect given all the puts and takes that you have given us?

Gunjan Shah: It will be very difficult for us to extrapolate the entire piece but I think the broad commentary that is going to be there is that there are two, three angles to it right as I mentioned that there is certain pieces which are to do with inflation even fuel, etc., related which are linked to freight which we are very hopeful with the kind of initiative that we have done in terms of freight optimization as well as the regional sourcing that I talked about as well as some of the negotiation, reverse auction, etc., that we have initiated that they should start getting optimized but some of the other angles that are not related to channel mix will sustain. The other piece is obviously the occupancy piece which there will be an action plan that we talked about.

Shaibal Sinha: I think that the objective is that going forward we would like to make sure that at channel levels we would like to keep improving our margins as we go along but there is a mix which is changing so that is something which obviously impacts the overall at a company level but our objective is that we are absolutely on top of channel level and ensuring that we are not really increasing the cost at channel level and improving the margins basically.

Hrishit Sitwala: So if we look at it let us say in the next three, four quarters aside if you look at it from the medium to long term perspective would you expect to get back to your previous EBITDA margins or let us say FY2020 or are you aiming for the same?

Gunjan Shah: It will be very difficult and we do not give forward looking forecast but endeavor is to not only reach there but obviously exceeded in the long run.

Hrishit Sitwala: Got it. Thanks a lot.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead. Mr Jogani may we request that you return to the question queue because we are able to unable to hear you clearly. The next question is from the line of Akshen Thakkar from FIL. Please go ahead.

Akshen Thakkar: Hi guys just one question around the margin which is building on to the other question. Firstly you did mention that margins are different across channels maybe not the exact number but could you just radiate for us which are the high margin channels for you, which are the low margin channels for you and we are looking at the numbers we have got into 16% on annualized basis, 17 to 18% sort of good quarter before COVID starts, if we are looking at going back to that sort of levels from here in your view is it gross margins that drives it here or you think it is going to be operating leverage that gets us over there? Those two questions from my side thank you.

Gunjan Shah: We do not comment on the margins specifically and also a quarter is a very short period to evaluate a channel from margin because some of the elements that are to do with let us say inflation, etc., impacts a certain portfolio, etc., very differently so like the mass category as you are aware of have gone through a lot more impact due to material related inflation as well as taxation change right which was there do to with GST of below 1000, but structurally we want to make sure that all channels has the gain scale. E-commerce as I mentioned is a bit lower but rest of them are ballpark in the same zone some maybe plus or minus. Structurally in the long run that is how we want to maintain the channel operating margin that is how we look at it.

Akshen Thakkar: Would you say that even gross margins in online channels are lower?

Gunjan Shah: The line to be seen is not only gross margin while obviously the influence is across lines but there are various cost lines that shift depending on the channels so retail the cost line sits below the gross margin whereas in some of the others like even a franchise or even the e-commerce the cost lines are already absorbed into the margin that we pass on to the partner and therefore all the lines are important for these channels and therefore that is how we work on. Even in e-commerce we see a great opportunity going forward both in terms of cost lines below the margin as well as in terms of the gross margins that we see directly whether in terms of basically getting the right kind of portfolio done. Now as we gain scale and better partnership with some of the market place, etc., how do we get curated portfolio form directly with these partners and therefore create a pool of gross margin that can flow into the bottomline.

Akshen Thakkar: Then just on to the second question that if you have to get through wherever the margins land up right and on that basis they were at 16, 18% let us say directionally going over there you think the heavy lifting has to be done by operating leverage or you think gross margins are sort of being under run rate the stage and gross margins also need to move up from these levels?

- Gunjan Shah:** It will be a combination of both Akshen and that is what I was trying to say and it is not just to one channel it will be across channels and simultaneously as I mentioned we want to see volume base growth and that is something that also we will always keep in mind and that has been also a factor in the quarter gone by.
- Akshen Thakkar:** Thank you guys.
- Moderator:** Thank you. The next question is from the line of Vikas from Equirus. Please go ahead.
- Vikas:** Thank you Sir. Sir my first question is with respect to our advertisement spends can you quantify what was the amount spent on advertisement this quarter?
- Gunjan Shah:** I think it was about 2.5% or so this quarter but directionally we want to be gradually increasing this over a period of time so while let us say the June quarter might have been a little higher this quarter a little lower, etc., so it is a quarter-on-quarter change but broadly we want to be in the ballpark of about 3% in the long run.
- Vikas:** Understood and Sir one more question we did mention that we also went through renovation of around 27 stores during the quarter so can you give a ballpark number what was the amount spent on the renovation of the stores because that would add to your other expense component?
- Gunjan Shah:** We spent on capex about on renovation of a store we spent roughly in the range of about 3 to 5 million depending on the size of the store and the extent of renovation in fact 2 to 5 million right and our endeavor is towards making sure that these stores undergo renovation give us the delta seems to have grown in the range of about 7 to 8% and that more than makes up for the payback that we would like for the capital allocation.
- Vikas:** Got it and Sir one last question was there any sort of one off into our gross margins or probably any of the expenses that would have shot up and that was like one-off kind in nature for this quarter?
- Shaibal Sinha:** Yes so we had taken certain prudent expenses provisions in this quarter that is how the expense is looking little bloated on overall basis but those one offs would not be there going forward.
- Vikas:** I am so sorry Sir I did not get it what was the expense?
- Gunjan Shah:** We had to take some prudent provisions for certain litigations that are underway while we are contesting it, etc., etc., so that had to be taken for cases that were related to the last several years.

- Vikas:** Would you quantify that what was the amount?
- Gunjan Shah:** 11 Crores.
- Vikas:** Okay Sir. Thank you so much Sir. I will return back to the question queue.
- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.
- Bhargav Buddhadev:** Yes good afternoon team and thank you for the opportunity. My first question is on our formal category so just wanted to know what is the percentage of recovery over the pre-COVID levels in the formal category that we have seen so far?
- Gunjan Shah:** Sorry in the formal category what has been the percentage of recovery pre-COVID?
- Bhargav Buddhadev:** Yes if pre COVID is Rs.100 what is it now?
- Gunjan Shah:** Understood so the formal category I would say we were at 115 for the quarter then we would be at about 108 or so in the formal categories both men and ladies.
- Bhargav Buddhadev:** Okay so still we have not recovered right back to pre-COVID?
- Gunjan Shah:** No it is more I said 108 versus 100 so it has recovered but obviously some of the other categories have driven it even further so sneakers for example you say casual foot wear, the Floatz, etc., on the premium side so all of them have delivered and some of the fashion stuff that we had rolled out under Red Label as well as Marie Claire, etc., that has driven it even faster.
- Bhargav Buddhadev:** Is it possible to share what have been the volumes registered by us in the first half of this year?
- Gunjan Shah:** Not the absolute but as I mentioned out of 115% growth we saw about 7% coming from volume.
- Bhargav Buddhadev:** Historically if you look at Bata the focus was primarily on realization increase and volume growth was flattish for almost a decade going forward over the next three to five years are we also focusing on volume growth or the strategy still continues to focus on realization that increased?
- Gunjan Shah:** Two parts to that answer and I mentioned this even earlier right it is a longer term piece right obviously there will be modulation based on inflation at some periods but the quarter

gone by as well as going forward our endeavor is to make sure that we got volume based growth, but simultaneously several categories we see a lot of potential in terms of premiumization, in fact currently the traction on the premium side is extremely high so that will obviously also continue so it will be a combination of both. Right now a lot of the energy of the organization, etc., is to ensure that the kind of price points that we have vacated because of price increases we try and get those aggressively back as and when we can afford or as we get an efficiency as well as some of the raw material prices turning around, so it will be a combination of both let us put it that way shortly.

Bhargav Buddhadev: Lastly Sir we have seen a lot of merchandise change on the casual portfolio, how about the formal portfolio or there also we modernize the merchandise?

Gunjan Shah: Absolutely.

Bhargav Buddhadev: Correct Sir. Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Anand Shah from Axis Capital. Please go ahead.

Gaurav: Hi Sir this is Gaurav from Axis Capital so Sir my question is in regards to you mentioned that the advertising cost you are reinvesting towards portfolio casualization and evolution so would that mean that structurally we will grow above the levels of 2.5% seen in the past given the fact that we require more investments in these lines?

Gunjan Shah: I have just answered that question. We will obviously see variations by quarter but broadly on the ballpark we would like to keep on inching it forward so 2.5% was your baseline that you referred to we would like to ensure that it keeps inching towards 3% and further but let us say equated annual basis we will not significant spikes we will keep gradually taking it up.

Gaurav: Sure Sir. Thank you Sir and the next question is with regard to the rentals that you mentioned the stores are getting opened on the franchise basis and the proportion of COCO is also coming down so should not the impact of the rental be a bit lower versus what we are seeing right now because most of these franchise stores again I am assuming would be paying the rent by themselves?

Gunjan Shah: That is a natural mathematical conclusion for sure. Our franchise model the rental is not on our head and which is what I had responded to someone else on the gross margin front so many of the cost price gets absorbed there.

Moderator: Thank you. The next question is from the line of Tejas from Spark Capital. Please go ahead.

Tejas: Hi thanks for the opportunity. Sir my question pertains to couple of points that you made in the presentation so two points in particular the fifth point which is on agile & efficient supply chain you spoke about 3PL pilot implementation and speed to market point as well and sixth on flexi manpower so if you can elaborate both the points and how should we see the benefit of the same, would it be absorbed totally in P&L or would it largely reflect in better capital efficiency?

Shaibal Sinha: I think it has impact at various levels basically because of the inflation also going up in certain areas we would like to initiate all these cost saving initiatives and try and absorb instead of passing of complete to the consumers all the increases, so ASP we have not been able to kind of increase that kind of level on low price items because where the volume actually comes from we are initiating all kinds of cost saving initiatives which will have an impact. The second thing is on operating expenses also we are working on certain initiatives which will help us in actually protecting our operating margin so overall if you see this is just not something which is going to impact our margins yet we will be kind of not increase that at a proportionate level, gross margins would be kind of protected and then we will try and improve our operating margins on overall basis.

Gunjan Shah: To add there are a few more initiatives which are in the pipeline while I did not put them here because we will want to see concrete output but hopefully next quarter we will be able to talk about them which are to do with sourcing, consolidation, getting economies of scale because we do procure from our contractors and manufacturers large volumes and therefore getting that optimization going besides obviously extracting whatever we get in terms of raw material inflation reverses.

Tejas: Sure and between distribution expansion and improving quality of distribution where do you see more low hanging fruits between the two drivers?

Gunjan Shah: Actually our distribution expansion is with the quality of distribution so that is why we are talking about WD and not just ND in normative terms if that is the question that you were looking at right for me even the franchise is a significant amount of distribution expansion because I am enhancing access in markets and consumer cords where obviously there is a lot of brand equity as well as requirement but whatever results are not available so they go hand in hand in my mind.

Tejas: Sure and Sir last one if I may. What was the mix of open footwear and close footwear as on first half?

Gunjan Shah: It is basically in the range of about 50:50 broadly. It varies a little by the quarter but broadly 50:50 December quarter will be higher on closed but summer is a little higher on open.

- Tejas:** Okay that is all from my side. Thanks Sir.
- Moderator:** Thank you. The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.
- Ankit Kedia:** Sir my first question is regarding the RM inflation so currently if you index it to pre-COVID where would be the basket of RM products today and do you think the price increase in the system is sufficient or you need to take further price increases in the coming quarters?
- Gunjan Shah:** I cannot give an outlook just because I do not have a confirmed outlook on how the prices will change but early signs we do see some reversals of it but we will wait for proof of the pudding and obviously it (inaudible) into the pipeline of inventory so there is a certain lag effect that does happen but we do see early signs of it. As I mentioned basically turning the curve and there is as I said a concerted action plan across in terms of trying to make sure that we extracted and not only material prices but also in terms of other components like fuel, etc., and various third party vendors that we outsource some of our activities, etc. Index to pre-COVID I would still say it stands elevated. I think in many categories we would have taken commensurate prices increases. As Shaibal mentioned for mass categories is where we are seeing some amount of demand implication of it also because of taxation so I think it will stabilize but there is some amount of stress right now in that front.
- Ankit Kedia:** Sir my second question is regarding the (inaudible) business, there are three components one is the coverage, second is the depth at the retail counter and third is the product so, from this perspective you have already reached 1100 towns but from the depth and from the product perspective where are you currently placed you think there is scope to improve 30 to 40% more or you are broadly there and it is not to do with product now?
- Gunjan Shah:** While I mentioned some kind of category so basically this entire multibrand outlet initiative and thrust which is being gradually and now this year has given us significant dividend is being fueled on both right, 1100 towns in a market like India, etc., is nothing so there is a long scope there itself right. There is a huge scope on that front however it is very required that it is done with a certain conscious product strategy otherwise you can go haywire both in terms of complexity as well your USP on why do you feel that we should be the preferred participant ever at an outlet level or a consumer level for that category. We are right now focused on what we call as competitive hedge category primarily historically it has been basically the formal which is the men's dress that we call it has been school and it has been a plastic material or PVC material that is called basically sandak. Going forward we see this now is kind of success that we have seen we have seen growth happening year-on-year on this category, etc., even in this tough period we have seen growths on it. We are now

spreading that to some more categories now in a conscious manner couple of them one is on the sports side especially the open sandals but even the closed shoes or sports and simultaneously in terms of ladies dress which is ballerina, etc. Now they had to be catered to that segment and the target consumer clientele is different therefore the kind of portfolio that you design for them has to be distinctively different and that cannot be a replica of what we sell in retail and which is where there is a conscious work that is happening so we select categories step-by-step and keep expanding while we keep making sure that we develop a certain kind of USP/competitive edge in whatever we participate.

Ankit Kedia:

And Sir my last question is government is talking of PLI in footwear and in last call also you spoke of China plus one and you wanted to manufacture in India for the other geographies if it is earlier than expected given the PLI scheme what would be the capital outlay you look at from a manufacturing perspective where do we stand today because only 40% is in house manufactured for Bata India also, the rest is outsourced so if you can throw some light on that?

Gunjan Shah:

So there are two distinct questions actually so one is that the PLI we will still wait for formal notification as and when it comes while we have been party to some of the proposals that are in the works right now and I am sure once it comes out we can comment a little more because we will have also gone through it in detail. The other piece which is to do with Bata India becoming a sourcing base for the world or globally Bata, there are concrete initiatives that are afoot, it is not necessarily only constrained to our in-house manufacturing so that is why I said there are two distinct questions. We can also synergize for sure right but the point is they are too distinct in my mind and that is parallelly afoot irrespective what happens on the PLI front and that we will see progress over the next about six months. So there are two ways in which we are trying to tackle it one is that there are whole bunch of market that Bata operates globally where products that we successfully scale, sell and buy in large volumes in India those categories are not necessarily the same product but those categories and those type of products and therefore those capabilities can be easily exportable. The second piece is designing for products which are right now let us say from China plus one perspective so to diversify the pace because we are also impacted. We do have a large sourcing base in China and these ups and downs of China is slightly a hiccup to impact is slow so both of them are in work but that is independent in my mind from the PLI. At some point they might converge so that will be great.

Ankit Kedia:

That is really helpful Sir. Thank you and all the best.

Moderator:

Devanshu your line is in the talk mode. Please go ahead.

Devanshu Bansal: Thanks for the opportunity. Sir I just wanted to check so for 15% growth versus pre-COVID I guess our mix of B2B business through franchises, wholesale as well as online channels must have increased versus pre-COVID and revenues for B2B channels in my view are lesser than X of commission so has that also sort of impacted some of our growth to some extent?

Gunjan Shah: Sorry I did not get your question you are saying that the growth got impacted because of?

Devanshu Bansal: I am saying the B2B mix in the business which is wholesale, franchise, online must have definitely increased versus pre-COVID and B2B revenue in my view if I understood correctly it represented X of commission so has that also had some impact on the 15% growth that we have seen versus pre-COVID?

Gunjan Shah: Okay so you are saying that it is not an apple-to-apple realizations from a per se is that the question that you are asking?

Devanshu Bansal: Yes, so if you can sort of tell us the number which you have seen in terms of growth for only the company owned stores that would be helpful?

Gunjan Shah: We do not give segment wise but we have seen growths all across channels and that is what it is raised and it has been across retail, franchise, e-commerce and I&D for sure obviously some of these growth engines that I have talked about because of the inorganic addition as well as same store growth we have driven it a little faster.

Devanshu Bansal: Got it. Sir one small request if you could consider things on these channels have different sort of revenue recognition in terms of gross margins, EBITDA margins as well as revenue recognition if you could provide the channel wise sales going ahead it would be really helpful.

Gunjan Shah: We will evaluate that.

Devanshu Bansal: Lastly you have indicated from margins perspective for all these channels so how are the B2B channels like wholesale, franchise as well as online in terms of working capital versus the direct retailing channel?

Gunjan Shah: So are they much more efficient from a working capital perspective, is that the question?

Devanshu Bansal: Yes that is the question.

Gunjan Shah: For sure for the last part of the inventory base working capital is that the stores in the COCO network, e-commerce and I&D for sure anyways they are to the partners. On the

franchise also our model involves basically outright sale and therefore the inventory is with the franchise partner.

Devanshu Bansal: Got it so they must be operating at much, much leaner sort of working capital?

Gunjan Shah: Not them necessarily but we for sure because our working capital blockage gets released significantly. We obviously want to make sure the tax enables us to have inventory turns that are much better as we stabilize these channels going forward.

Devanshu Bansal: Sure and what would be the receivable days for say franchise, online and wholesale?

Gunjan Shah: What would be the?

Devanshu Bansal: Receivable days.

Gunjan Shah: It is largely on cash and carry basis. Some selective places we do have receivables but we do not see a big shift in that red line going backwards or going forwards. Whatever we have is all the within the credit limits backed by bank guarantees. We have not had a bad debt kind of an issue is that what you are hinting towards.

Devanshu Bansal: Okay got it Sir. Thank you. That is it from me.

Moderator: Ladies and gentlemen that was the last question. I now hand the conference over to the management for the closing comments.

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. We would be happy to answer them. Thanks a lot. Thank you everyone.

Moderator: Thank you. Ladies and gentlemen with that we conclude today's conference. We thank you for joining us. You may now disconnect your lines.

Disclaimer: While we have made our best attempt to prepare a verbatim transcript of the proceedings of the Earnings' Call, however, this may not be a word-to-word reproduction