

Bata india

03 June 2026

Operator: Ladies and gentlemen, good day and welcome to the Bata India Ltd. Q4 FY26 earnings conference call, hosted by 360 ONE Capital. 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Angad Dhaliwal from 360 ONE Capital. Thank you and over to you.

Operator: Thank you. Good afternoon, everyone. On behalf of 360 ONE Capital, I would like to welcome you all for the Q4 FY26 earnings call of Bata India Ltd. From the management side, we have Mr. Gunjan Shah, Managing Director and CEO; Mr. Amit Agarwal, Director of Finance and CFO; and Mr. Nitin Bagaria, AVP and Company Secretary. Without taking more time, I would like to hand over the call to Mr. Nitin Bagaria for his opening remarks, after which we will open the floor for the Q&A session. Over to you, sir.

Management: Thank you and good evening, everyone. Welcome to the Q4 FY26 earnings conference of Bata India Ltd. We shared the presentation as a pre-read with the stock exchanges on Monday. I hope you had time to go through it. We have also shared the disclaimer which is part of the presentation. I now request Gunjan to take you through the performance summary. Thanks a lot, Gunjan.

Management: Thank you, thanks Nitin. Welcome to everyone on this call. I will jump in and try to cover the highlights. As Nitin mentioned, we have started ensuring that we have enough time to upload the pre-read, so I will go through slide number 3 and restrict my summary comments to that. The rest of the charts are there, and we are more than happy to cover those or anything else during the Q&A session.

We are pleased to have our second consecutive quarter of accelerating growth, which was volume-backed. It was also accompanied by significant growth in cash flow from operations. We saw growth across channels; it was broad-based across our categories as well.

Coming to slide number 3 regarding retail, we saw volume-led growth. We also saw the expansion of Zero-Based Merchandising (ZBM). I have been talking about this agenda for the last year, and it has now shown scale-up. We reached 552 stores as of last quarter. Our plan is to take it to almost 75-80% of the network by this quarter-end. It did show delta growth, which is the measure we use, and was mid-single digits better than the rest of the network.

We also saw significant double-digit growth coming from our strategic vectors of penetration and expansion, which are franchise and shop-in-shop (SIS). This is a combination of both organic and inorganic growth, coming at significantly higher overall profitability. From a multi-brand distribution perspective, we scaled it up further to almost 1,670 towns. The channel is now showing some signs of growth, so the pressure that was previously on the sub-1,000 category appears to have improved from a momentum perspective, especially in the last quarter.

The e-commerce business continues to be our fastest-growing channel. It continues to grow across its business lines of B2B, B2C, and bata.com. We also now have the largest omni-channel

Report is AI-generated and may contain inaccuracies.

network in place. Within the last 4 months since December, we have had 700-plus stores fulfilling online orders, thereby leveraging the same inventory for a better sales turnover.

What that does is put pressure on ensuring we can replenish stores much faster. This brings me to the next chart highlighting inventory and the customer availability project. Inventory continues to reduce. It is now 28% down over 2 years consecutively year-on-year and 13% down over last year. This is despite the fact that availability has gone up by almost 1,000 basis points. It has also resulted in a significant 30% reduction in complexity. Fresher stock, better availability across sizes, and a better turn are the outcomes of this project, and it is on track for the results we wanted.

On the product and merchandising side, performance was backed by key campaigns. The premium portfolio of HP and Hush Puppies continues to outpace overall growth. We are also seeing benefits from the inventory work that has been in progress for the last 6 quarters. Full-price sales are driving growth for us with commensurately lower markdowns.

Last but not least is brand and marketing. I talked about our marketing investments last quarter; we continue to invest, and brand consideration has shown a good trajectory, moving to 66, which is our highest level. We also saw an exhilarating response to the Ballerinas campaign we launched, which garnered a large part of these marketing investments.

I also want to share that as we speak, we have crossed the 2,000-store EBO network as a brand and a company, comprising the details mentioned in the chart. I will now hand over to Amit for a few minutes to take us through the financials.

Management: Good evening, everyone. As Gunjan mentioned, we had the second consecutive quarter of about 5% value growth.

Operator: I am sorry, you sound muffled. Can you repeat the last part?

Management: Is it better now?

Operator: Yes.

Management: Okay. Good evening, everyone. We had a second consecutive quarter of 5% plus growth. From a reported PBT perspective, while the reported number shows a decline of about 94%, this was impacted by a couple of exceptional items which we had clarified.

The first was the Voluntary Retirement Scheme (VRS), which was about 230 million. This was towards the closure of one of our manufacturing facilities. Historically, we have been trying to improve the structural cost by closing plant operations. From a quarterly perspective, our employee cost is lower by about 10%, and this benefit is flowing to the employee cost line item on a structural basis.

The second large exceptional item for the quarter was the foreign exchange impact on one of our licensing agreements in line with IndAS. The closing liability must be translated at the closing exchange rate, which led to an impact of about 220 million, as mentioned in our notes.

Bata india

03 June 2026

A third item is the lower gains on account of lease closures. In the same quarter last year, we had a gain of about 84 million, which forms part of other income, while in the current quarter, that gain on account of store closures was only 36 million. That is a non-cash delta of about 48 million.

Also, in the same quarter of the previous year, we had a one-off exceptional reversal amounting to about 60 million. If I were to account for these four exceptional items I just mentioned, the like-for-like PBT growth stands at about 11%, which is also reflected in the cash flow from operations metrics we mentioned, which is about 18%.

Management: Thank you, Amit. Gunjan, we now open the floor for Q&A. The moderator will help us, please. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. We will wait for a moment while the question queue assembles. We will take our first question from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta – India Infoline: Thanks. Good evening, sir, and thanks for taking my question. My first question is on inventory. It has reduced steadily. Is it now at a level which is desirable, or is it a continuous process where you will keep cutting it down?

And second question on this is that as you are reducing inventory, it also means fresher merchandise and lower discounting, but somehow this is not reflecting in our gross margin. Are we using a strategy where after a certain point, if it doesn't sell, we will just discount it and liquidate it? Is this something that is likely to continue or how is it playing out?

Management: Thanks, Sameer. Regarding inventory, while I would say 70% or 75% of the job is done, we want to reach turns in the range of about 3. The last I remember, our turns were about 2.7 or so, which is very comparable to our peers. However, there is still some amount of improvement left in our view. This does not come at the cost of availability, as I mentioned in my opening remarks. It is a critical part of that project that availability should actually improve further. We are doing many things such as upstreaming inventory and ensuring we replenish the stores much faster, besides complexity reduction.

On the second part of your question regarding full-price sales, they have shown accretive growth. If the overall growth is X, then the full-price sale growth is actually almost 2x or perhaps a little higher. This will reflect in the numbers. While Amit mentioned there were some one-offs impacting the results, our sense is that the underlying full-price sale mix and our markdown control will reflect in gross margins. We are reasonably hopeful about the trajectory of gross margins going forward, which will be visible. I hope that answers your question.

Sameer Gupta – India Infoline: It does, sir, but historically this is not playing out even though logically it should. If you could just elude to the reasons why that is not happening.

Management: I will hand over to Amit to address that.

Report is AI-generated and may contain inaccuracies.

Management: Thanks, Sameer. From a gross margin perspective, there are two impacts we spoke about. One is the change in the channel mix. Each channel has a different gross margin play. As you have witnessed, we are expanding more in the franchise channel. This comes at a lower gross margin percentage, while it is accretive to the overall bottom line. Therefore, there will be a gross margin dilution from an optical perspective, while in reality, the dilution does not happen.

The second is the one-off item I talked about of approximately 60 million. There were certain provisions created in the past in line with accounting standards that were no longer required. Those were reversed in Q4 FY25 in line with company practice. Therefore, the base Q4 FY25 margins were slightly higher than they should have been. These are the two reasons why you do not see the impact of higher fresh-price sales in the gross margin. On the PBT, if I exclude the four exceptional items—VRS, FX impact on lease liability, and lower gains on lease closure, all three being non-cash items—we have a like-for-like PBT growth of about 11% and cash generation from operations at about 18%.

Sameer Gupta – India Infoline: Got it, sir. And this provision reversal occurred in the COGS line item and not other expenses?

Management: Yes. This was pertaining to certain suppliers. There is a periodic process of doing vendor reconciliations. As Bata is a listed entity, we always follow a prudent and conservative approach. Once the reconciliation is done, any provision carried for disputed claims is reversed.

Sameer Gupta – India Infoline: This is very clear. Thanks. My second question is on the current situation regarding the raw material basket and the minimum wage hikes announced by certain states. These are of large magnitudes. Could you tell us about the expected impact in the foreseeable future?

Management: We are waiting and watching. The larger issue we have commented on in the past is related to raw materials, which can have a material impact. We have considered the current status of inputs. As of now, we do not see a direct impact, but we have applied judicious price elasticity for the future. It depends on how long this disruption lasts. My sense is that as of now it would be neutral, but we will be dynamic on this front as things pan out regarding crude oil prices and our raw material costs.

Sameer Gupta – India Infoline: Is there a number you can share regarding the current raw material inflation at the spot rate? I understand you have inventory covered, but what inflation are you facing on the current spot?

Management: This is a very dynamic situation, but the last quoted number I saw in the review was in the range of about 5-6% blended across all materials.

Sameer Gupta – India Infoline: Five to six percent inflation? EVA, Polyurethane, and all those?

Management: That is blended together because there are other materials as well. Leather has not gone through as much of an increase.

Sameer Gupta – India Infoline: And what about the minimum wage hikes? Haryana, UP, and Karnataka have all seen high magnitudes of minimum wage hikes. These might not reverse even as

Report is AI-generated and may contain inaccuracies.

RM or war pressures go away. What are your thoughts on that?

Management: That is very true. Those are more structural and will be perennial. In many places, we were already paying more than the minimum wage, so those are already covered and somewhat insulated, but there will be some impact. The bigger focus for us has been raw materials, but we will have to see the cumulative impact as we are spread across 30 states. Currently, this involves only 3 or 4 states.

Sameer Gupta – India Infoline: I have a few more questions, but I will let others speak and come back. Thanks.

Management: Sure, thanks Sameer.

Operator: Thank you. The next question is from the line of Kanishk Gupta from SS Family Office. Please go ahead.

Kanishk Gupta – SS Family Office: Hello, sir. Good afternoon. With competition increasing from both domestic and global footwear brands, what do you see as the company's key structural advantage in sustaining market share and margins over the next 3–5 years?

Management: Hi, Kanishk. We are focused on three or four pivots. The single largest piece is the investment in product. Only about 10% of that has become consumer-facing so far. Over the next 12 months, there will be a massive uplift in products from our central product design perspective. We have pivoted around three areas: Technology, Comfort, and Style. We want to be the everyday footwear essential for the family in India.

The second piece is expansion. I believe we still have a huge scope for penetration both offline and online. Brand awareness is extremely high and continues to climb. We want to ensure our availability matches that awareness. We are expanding through the franchise route, which has now crossed 700 stores. Our goal in the next 12 months is to get very close to 1,000 stores. We are also expanding through SIS. Last but not least is digital commerce expansion, leveraging our full network to service customers faster.

The third pivot is marketing investments to ensure the brand becomes more relevant for the consumers of the future. There are other hygiene factors like simplifying the backend, consolidating large suppliers, and removing legacy factories, but those three are the primary consumer-facing pivots.

Kanishk Gupta – SS Family Office: Bata's brand recall is very strong, but over the last 4 years, revenue growth has remained largely stagnant despite strategic initiatives. Looking back, where do you believe assumptions about the business or the market were incorrect, and what gives you confidence that you can reaccelerate growth over the next 3–5 years?

Management: Those levers are giving us the recent momentum. The process that is helping this is inventory simplification. That took some time as it had deteriorated, and it is taking time to get back. The progress is now very tangible. That, combined with these levers, should help us translate efforts into growth, which we are currently experiencing. We intend for that to accelerate further going forward.

Report is AI-generated and may contain inaccuracies.

Kanishk Gupta – SS Family Office: Many younger consumers prefer global and digitally-driven brands perceived as aspirational and trend-focused. How do you plan to strengthen your relevance among younger consumers, and what metrics are translating into improved customer acquisition?

Management: That relates to the marketing piece I mentioned. The single largest piece specifically regarding younger consumers is our proposition from a sneakers perspective. That work is currently in progress. We are working on how to bring that to life for consumers and the kind of product portfolio we need, as there is a big overlap between younger consumers and the sneaker world. That will be a big part of the answer, and it is an active project.

Kanishk Gupta – SS Family Office: So that is currently in the works right now?

Management: Yes, absolutely, in addition to the levers I already mentioned. Our marketing investments are currently elevated, but specifically for younger consumers, the sneaker world is a big overlap. A specific answer to that will be a large part of the solution for us and for consumers.

Kanishk Gupta – SS Family Office: People still consider Bata a legacy brand, and younger consumers often prefer "cool" brands. How do you plan to shift that mindset?

Management: That is the answer we will come out with. That is what I was trying to tell you.

Kanishk Gupta – SS Family Office: Okay, no problem. Lastly, beyond revenue growth, what other internal metrics do you track to evaluate customer relevance and brand strength? How do you plan to increase same-store sales growth, and what gives you confidence that there is still room for improvement?

Management: There are three or four things I shared in my pre-read. Google and NPS ratings are big measures of consumer sentiment. Brand consideration is another measure. The third is expanding zero-based merchandising, which helps us achieve much better same-store growth. All of these contribute to delivering and measuring better consumer satisfaction. Besides that, we track online repeat consumer sales from bata.com, which is expanding fast and almost doubled last quarter.

Kanishk Gupta – SS Family Office: That is all from my side. All the best for the future.

Management: Thank you, Kanishk.

Operator: Thank you. Next question is from the line of Malishka Balani from Sunrise Gift & Securities. Please go ahead.

Malishka Balani – Sunrise Gift & Securities: Hi. Good afternoon. Thank you for the opportunity. The vendor revamp and store revamps Bata is doing are helping the top line. How long could it take for these revamps to show an effect on the bottom line too?

Management: As you heard Amit comment, we see underlying leverage coming through. It is not just the store revamp, but also the inventory pipeline decluttering and a combination of these initiatives. We see underlying benefits coming through, and you will see that in the ensuing periods as we push for better top line with efficiency and leverage.

Report is AI-generated and may contain inaccuracies.

Malishka Balani – Sunrise Gift & Securities: Understood. My next question is that while the 20% reduction in inventory is great, trade receivables have surged nearly 65% year-on-year. Is this due to the rapid expansion of MBO channels, which now reaches 1,600 towns? When do you expect these receivables to normalize?

Management: I do not think anything unnatural has happened. It is related to the expansion of accounts. When we measure it from a number of days perspective, I do not see a major deterioration. I will let Amit comment further.

Management: This is because of the different contributions of various channels. Credit exists in the wholesale business, some parts of the franchise business, and largely in the e-commerce business, which is the entire B2B piece. In terms of days outstanding beyond permissible credit terms, there is no risk. In the financials, there is hardly any movement in the provision for doubtful debtors, where we have a strict policy. While receivables have grown by 65% in absolute terms, the quality of those numbers is fine. It is largely driven by those specific businesses because those channels have grown faster.

Management: It is more of a base effect.

Malishka Balani – Sunrise Gift & Securities: bata.com grew 81% year-on-year and continues to contribute 14% of your D2C business. How much growth can we expect this financial year from the D2C business?

Management: To give you some context, overall e-commerce contributes about 12–13% to our business. Within that, the B2C business is about half, roughly 5–6%. Within that 5–6%, roughly 14% is the contribution of bata.com. So that is where the context lies. It is an important channel not only for revenue, which is performing well and is now accretive following investments over the last 4–5 years, but also for our ability to test concepts, new products, and promotions directly with consumers online. We can instantly try things out literally overnight.

Regarding your question about growth, I expect the underlying daily growth to continue. We are expanding because consumers want fast gratification, which is why quick commerce is taking off. Our ability to leverage our 2,000-store network is a unique differentiator. We now have almost 1,000 stores online servicing these demands. Because they are closer to consumers, we can service them faster and get orders much faster. We hope this will continue.

Malishka Balani – Sunrise Gift & Securities: I am looking for clarity on how much growth we can expect this year, perhaps an estimate or a number?

Management: I do not give forward-looking numbers, but it is the underlying growth we have seen in overall e-commerce and bata.com. I do not see a major aberration in that.

Malishka Balani – Sunrise Gift & Securities: Is the current marketing spend of 1.5x primarily focused on digital channels or both?

Management: It is digital marketing. Some of it goes into performance marketing, which is channel-oriented, but overall it is digital marketing. We do some localized offline marketing as well, but the lion's share—almost 80–85%—is digital marketing.

Report is AI-generated and may contain inaccuracies.

Malishka Balani – Sunrise Gift & Securities: Thank you so much.

Management: Thanks, Malishka. Bye-bye.

Operator: Thank you. Next question is from the line of Prerna Jhunjunwala from Elara Securities. Please go ahead.

Prerna Jhunjunwala – Elara Securities: Thank you for the opportunity. My first question is on profitability. On a pre-IndAS basis, the margin compression over the last 2–3 years is 200 bps plus, and the decline is sharper on a pre-IndAS basis. How do you see the operating leverage playing out after opening the franchise stores, and how do you view the efficiency of franchise stores? What levers are there to improve profitability?

Management: From a quarter-on-quarter perspective, at a PBT level, we were at about 11%. If I were to look at pre-IndAS, which we monitor internally, our profit growth for the quarter was near 16%. Because of certain non-cash items, that number tapered down to the reported PBT growth. Structurally, from a channel perspective, franchise is an accretive channel for Bata. It is not a dilutive channel; it is more accretive. On a per-pair basis, I make more money from an EBIT perspective if I sell that pair through a franchise versus any other channel. Franchise is not dilutive; however, from a gross margin perspective, that dilution will appear because of the base effect.

Prerna Jhunjunwala – Elara Securities: In how many franchise stores is the lease being paid by you as opposed to the franchise owner?

Management: In franchise stores, the arrangement is a bought-out arrangement; the franchise buys outright. Bata does not pay any lease rent on those stores. The lease rent you see is on the COCO side, which is company-owned-company-operated. We do not have another model. Our model is either COCO or FOFO (franchise-owned-franchise-operated).

Prerna Jhunjunwala – Elara Securities: Understood. How is the consumer sentiment right now, and are you witnessing similar trends today? How is volume growth likely to pan out going forward?

Management: I cannot give forward-looking statements, but as I mentioned in my press release, March was better than January, so we saw an acceleration of momentum within the quarter. We are conscious of potential unpredictability due to inflation and the necessary balancing of cost efficiencies and price modulation. I do not see a tangible change in consumer sentiment as of now.

Prerna Jhunjunwala – Elara Securities: What price hike have you taken to date?

Management: We have not rolled it out yet. As I mentioned, the inflation cost we have seen, which we monitor closely, is in the range of about 5–6% blended across materials.

Prerna Jhunjunwala – Elara Securities: One last question is on brand strategy. You mentioned looking at value segment growth for volume and premium segment upscaling for profitability. Where are we on that strategy and how are we balancing both?

Management: The sub-1,000 rupee category is one cut I mention consistently. While that was a challenge for the last 3–4 years and impacted our overall top line, we have seen signs of revival in

Report is AI-generated and may contain inaccuracies.

the last few months. It is no longer declining and has kept pace with our overall 5% top line growth.

On premiumization, that is a conscious strategy. You will see much more action from us backed by better products. We are bringing better value to consumers through our reimagined product funnel over the next 12 months. Where we have implemented this, we have seen significant gains. Our growth lever from the expansion of brands like Hush Puppies will continue at a significant acceleration. It is our fastest-growing brand. We will disproportionately expand Hush Puppies stores through the franchise and SIS routes.

Prerna Jhunjunwala – Elara Securities: Could you share the revenue share between sub-1,000 and above-1,000 products?

Management: I had a commentary on that some time ago, but I do not have it handy. We can provide it to you offline.

Prerna Jhunjunwala – Elara Securities: Thank you.

Management: Thanks, Prerna.

Operator: Thank you. The next question is from the line of Kunal Bhatia from Dalal & Broacha Stock Broking. Please go ahead.

Kunal Bhatia – Dalal & Broacha: Thanks for the opportunity. In addition to the contribution from the above and below 1,000 segments, could you give us a sense of the current full-year growth for Hush Puppies and its contribution?

Management: While I will get the accurate number to Prerna offline, the sub-1,000 category had been declining for almost 3 years since the GST increase and raw material costs impacted consumers. We have now seen stabilization. It is no longer declining and is in the ballpark of the overall 5% top line growth. It contributes roughly 35-40%, and that decline appears to have been staved off. Regarding Hush Puppies, its contribution is in the ballpark of about 18-20% of our turnover.

Kunal Bhatia – Dalal & Broacha: And for the full year FY25 and FY26, what was our volume growth?

Management: I do not have that handy right now; let me come back to you on it.

Kunal Bhatia – Dalal & Broacha: No worries. Thank you.

Operator: Thank you. Next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta – India Infoline: Thanks for the follow-up. On the press release, you mentioned that zero-based merchandising, which is at 550 stores, accounts for 70% of store sales. To clarify, out of the 1,150 COCO stores, 550 stores with ZBM are contributing 70% of those store sales?

Management: A small clarification: that 70% contribution is coming from the 700 stores mentioned in the investor deck. As of the end of May 2026, we have rolled out ZBM across 700 stores. Those 700 stores contribute to the 70% figure. When we were at 550 stores, the contribution was about

Report is AI-generated and may contain inaccuracies.

50-55%.

Sameer Gupta – India Infoline: So 70% of stores contributing 70% of sales? The turnover delta is not very high then?

Management: The 550 stores out of 1,150 account for 70% of the total turnover of the 1,150-store universe. That is the denominator. We are only talking about the COCO network.

Sameer Gupta – India Infoline: Is it 550 on 1,150 or 700 on 1,150?

Management: 550 on 1,150 accounts for 70% of the total turnover of those 1,150 stores.

Management: These are the larger stores, hence 50% or less of the stores account for 70% of the turnover. We have completed 700 stores as of May, and we want to reach 800-850 stores by this quarter.

Sameer Gupta – India Infoline: Got it. Regarding revenue mix by channel for the year, you mentioned e-commerce is 12-13%. What about COCO, FOFO, and MBO?

Management: Franchise is close to double digits, e-com is about 8-10%, and distribution is about 10-12%. Overall, about 35% is non-COCO and COCO is 65%.

Sameer Gupta – India Infoline: That is all from me. Thank you.

Management: Thanks, Sameer.

Operator: Thank you. As there are no further questions from participants, I now hand the conference over to Mr. Nitin Bagaria for closing remarks. Over to you, sir.

Management: Thank you everyone for joining. It was lovely interacting. Good day to all of you. Thanks.

Operator: Thank you. On behalf of 360 ONE Capital, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.