9th May, 2024

To,

Corporate Relations Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai - 400 001
Scrip Code: 500825

Listing Department
National Stock Exchange of India Limited,
Exchange Plaza, C/1, G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051
Scrip Code: BRITANNIA

Dear Sir/Madam,

Sub : Transcript of the Analysts Call held on 6th May, 2024 for the quarter and year ended 31st March, 2024

Ref : Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations, 2015')

With reference to the subject cited above and pursuant to Regulation 30 read with Clause 15 of Para A of Part A of Schedule III of the SEBI Listing Regulations, 2015, please find enclosed the transcript of the Analysts Call held on 6th May, 2024 pertaining to the Audited Consolidated and Standalone Financial Results of the Company for the quarter and year ended 31st March, 2024.

The transcript of the Analysts Call is also available on the Company's website at:

https://www.britannia.co.in/Analyst_Call_Transcript/Q42023/24.pdf

Request you to please take the above information on records.

Thanking you,

Yours faithfully,

For Britannia Industries Limited

THULSIDASS VELAYUDHAN THARAYIL

Digitally signed by THULSIDASS VELAYUDHAN THARAYIL
DN: c=IN, o=PERSONAL, pseudonym=bc46a8d0b0464b94a6c75e63921ac624, 2.5.4.20=41a3d22de134005475f6a95210ff791c3587eec76bce4432e699e528b8380240, postalCode=560102, st=KARNATAKA, serialNumber=47a1cc7402e39351d17484fa212acb590f32274f5e215b96de758aa514d670c2, cn=THULSIDASS VELAYUDHAN THARAYIL
Date: 2024.05.09 15:06:24 +05'30'

T. V. Thulsidass
Company Secretary
Membership No. : A20927

Encl.: As above

"Britannia Industries Limited

Q4 and FY '23- '24 Earnings Conference Call"

May 06, 2024

MANAGEMENT: **MR. VARUN BERRY – VICE CHAIRMAN AND MANAGING DIRECTOR -- BRITANNIA INDUSTRIES LIMITED**
MR. RAJNEET SINGH KOHLI – EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER -- BRITANNIA INDUSTRIES LIMITED
MR. N. VENKATARAMAN – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER – BRITANNIA INDUSTRIES LIMITED
MR. VIPIN KATARIA – CHIEF COMMERCIAL OFFICER, SALES AND REPLENISHMENT -- BRITANNIA INDUSTRIES LIMITED
MR. AMIT DOSHI – CHIEF MARKETING OFFICER -- BRITANNIA INDUSTRIES LIMITED
MR. MAYANK MUNDRA - INVESTOR RELATIONS -- BRITANNIA INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Britannia Industries Limited's Earnings Conference Call for Q4 and Financial Year '23-'24. 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 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. Mayank Mundra from Investor Relations team. Thank you, and over to you.

Mayank Mundra: Thanks, Yashashri. Hello, everyone. This is Mayank from the Investor Relations team. I welcome you all to the Britannia Earnings Call to discuss the financial results of Q4 and Financial Year '23-'24. Joining us today on this earnings call is our Vice Chairman and Managing Director, Mr. Varun Berry; Executive Director and CEO, Mr. Rajneet Singh Kohli; Executive Director and CFO, Mr. N. Venkataraman; Chief Commercial Officer - Sales and Replenishment, Mr. Vipin Kataria; and Chief Marketing Officer, Mr. Amit Doshi. The analyst presentation is uploaded on our website. Before I pass it on to Mr. Varun Berry, I would like to draw your attention to the safe harbor statement in the presentation.

Over to Mr. Varun Berry with remarks on the performance.

Varun Berry: Good morning to all of you, and thanks for being on the call. Let me jump into the presentation. So on Page 3. I'm not going to delve much deeper than this. But the point is that India is doing much better than all the other countries from a GDP growth standpoint. However, the only point to be made is that private consumption is down. The GDP numbers are looking good because of the gross fixed capital formation that's happening in the country. However, we are confident that as we go through this year, things will change on the private consumption side as well.

Moving on to Page 5. This is a performance scorecard for the full year '23, '24. So if you look at it, our revenue from operations for this year, INR16,546 crores, which is a 4% growth from a revenue perspective if you look at it from a 1-year perspective and a 19% growth from a 24-month perspective. Operating profit is a very healthy 17.3%, which is growing at 10% on a 1-year perspective and 43% on a 2-year perspective.

Moving on to the next slide, which is Slide #6, which gives our Q4 performance. Q4 is INR4,014 crores in revenue, 3% up on a 12-month growth and 14% up on a 24-month growth. Operating profit is 17.6%, which is actually higher than the full year number, but down 4% versus last year. Last year this quarter was a very solid quarter that we've had. And however, if you look at a 2-year perspective, we are up 42%.

Moving on to the next slide, which is Slide #7. Share numbers are looking much better after we've made the intervention which were required. We had taken price increases. And as the inflation started to die down, there were some pricing interventions, which were required, which we made. And as a result of that, our pricing competitiveness has increased, and our share is moving in the right direction once again.

Now getting to Slide #8, which is the regular slide that we talk about, our strategic pillars. So as you all know, the strategic pillars are distribution, marketing, leading in innovation, building an adjacent business, cost efficiency and sustainability to drive profitable growth. We consistently have been sticking to this framework. So I'll take you through one by one.

Driving efficiencies in distribution. We've expanded direct distribution from March '23, we were at 26.8 lakh outlets. In March '24, we are at 27.9 lakh outlets. We've strengthened our rural distribution by going from 28,000 rural distributors to 30,000 rural distributors. Our focus states continue to grow faster than our overall growth. So we are building heft in our focus in hindi states.

Moving on to the next slide, which gives an idea of what are we doing to enhance capabilities in organized channels for better extraction. Organized channels are easy to get into. Everyone who gets into the food business first looks at organized channels. And hence, if you give the right margins, etcetera, you'll be available for consumers to buy. So it has been very important for us to really up our game as far as organized channels are concerned.

And if you look at on the right-hand side, which is the building blocks, basically, what we've done is we are building a future-ready organization to compete with all of the startups. We are leveraging modern marketing methods, which is digital, social media, etcetera. We are making sure that our innovation is showcased in all of these channels. We are also promoting our premium products to make sure that they move faster and are more in front of the consumers compared to others.

Agile supply chain is something that we've moved a lot on this year to make sure that we ensure range and real-time replenishment. We've also made our service levels go up pretty dramatically within whatever service level this year versus last year.

Vipin Kataria: So our service levels have gone up by 15%. We are at north of 90%, which is best-in-class, both in modern trade as well as e-commerce. In some of the accounts, we are at service level, which is in excess of 93%. So that has also led to a solid availability on these platforms. And we are focusing majorly on all the adjacent categories and new businesses.

Varun Berry: So that's what we've done in this area. However, I must say that we still have a long way to go because this was one area where we had not put as much focus as we are putting in the last year. Again, you've got to remember that this is very easy to throw discounts and get some heft. So we will have to make sure that we make this into a very sustainable business. But if you look at the left side, we've seen decent growths on biscuits, better growth on the adjacency business and solid growth on the new businesses that we've launched. So that is where we are as far as organized channels are concerned.

Now getting to the most important project that we have for this year, which is our Route to Market 2.0. Now the objective is very clear. It's to unlock growth potential. It's to create bandwidth within the system to make sure that we are able to get more products to flow through our Route to Market. Now it's obviously very critical that we leverage all the data that we have in the system and bring in AI angle to make sure that we do this the right way. But let me talk you through this because to my mind, this is very, very important.

So what did we do in Route to Market 1.0? We split the salesman. This was done in 2014 and '15 in the top outlets, in the top cities, we split salesmen. We got an extra salesman to sell a separate set of brands and SKUs, and that has been giving us pretty good results from then onwards. The objective of Route to Market 2.0, which is starting off. Actually, we've just kicked off the process, is to make sure that we multiply adjacent business revenues, while continuing to grow our core and building it even further.

So the points really are we are trying to rewrite our outlet segmentation to focus on the high-pot outlets. We will align service architecture to service these high-potential outlets, obviously, by increasing the feet on street with a split portfolio. And this time, we are not going to restrict ourselves to 2 salesmen. If there is a requirement in certain outlets for 3 salesmen, 4 salesmen, we will go the way, which will give us the best results.

We are looking at upscaling our salesmen capability as well so that they have it in them to extract the right and more from these outlets. We are building AI-enabled predictive ordering to make sure that we assist the salesman in their sales efforts to sell -- to drive range selling. We are also upgrading the salesforce automation or the handheld that we have to aid quality selling.

So the project has been kicked off. The pilot is planned for H2 of '24-'25. It's going to take time. The total project is about 11, 12 months, Vipin?

Vipin Kataria: Yes.

Varun Berry: So it's a long project, but we want to do it very diligently and in a lot more detail than we did in the past. Okay. Moving on to Slide #12, which is the marketing support. We have been providing tremendous marketing support to all our brands. Good day, the TVC has been very well received. Marigold, we continue to do what we've done in the past, and we've got a TVC to not support just the brand, but also our support on the program, which we have had for 5 years, Amit?

Amit Doshi: Yes. We are getting into the fifth year now.

Varun Berry: So just talk about that quickly?

Amit Doshi: So we started this journey 5 years back, and we saw a big change in how women are -- big changes in the society as far as women and homemakers are concerned. And there was a clear direction that they were wanting to step out of their homes and start their own ventures and make an economic activity outside of just managing their homes, and this tired up very well with our brand's purpose, which is to enable women to do more and be more.

We started off with Britannia Marie Gold My Startup challenge. And for the last 4 editions, we've had almost 1 million plus entries every year. And over the last 4 years, we've funded 40 businesses -- business ideas, out of which 28 have become a reality. And as Varun will touch up on in the next slide, we now build on top of this, to build a comprehensive digital ecosystem to support these women entrepreneurs through the year and through their journey.

Varun Berry: Thanks, Amit. NutriChoice, we are today the only digestive brand, which uses atta for our products, and there's no maida in any of the NutriChoice products today. And that's a powerhouse, which is doing extremely well.

Milk Bikis, we have Ashwin and his own entire family in the TVC and that's doing very well in the South. And the Northern effort is also going well. We have atta Milk Bikis, which is doing extremely well in the Hindi belt as well. Rusk, its core communication. And for Winkin' Cow, we had a very interesting intervention on associating Winkin' Cow with the cow corner in cricket. And our milkshakes are doing extremely well. It's the second summer with our PET, and we are seeing some very good volume numbers.

Moving on to the next slide, which is Slide #13. Amit, do you want to talk us through this?

Amit Doshi: Yes, sure. We've got the privilege to have real powerhouse of brands, which have gained trusts of consumers over decades. And with food, with every generation, one has to stay relevant, and that's really the intent of our modern marketing charter, which is to recruit consumers of the future, build engagement around our products and further deepen the brand purpose that we stood for, for so many years.

Now Good Day is a brand, which in its name itself, and it stands for small moments of joy and happiness in the day. And we're building a deep program on social media to build relatable content for the Gen-Z to be a part of culture and to be a part of their everyday. We also have a very popular activation in this quarter called The Bank of Small Wins', which received a lot of attention on social media.

I retouch upon how Marigold is engaging with the growing desire of women to startup. And we announced on Women's Day, India's first exclusive online ecosystem for the women-run businesses, where women entrepreneurs can come and lift their businesses for free and without commission. They can access mentors and also train up to build their businesses in the future.

On World Health Day, NutriChoice announced the launch of NutriPlus, which is a comprehensive health monitoring app with an artificial intelligence led algorithm at its heart, which simplifies multiple health metrics for Indian consumer into one simplified health score and therefore, democratizing health measurement.

We also have products that are much loved, and we realized that consumers anyway use our products, whether they are biscuits, cakes or cheese in making recipes. And very happy to share that we've announced two destinations, one called Britannia Snack.Inc and the second one is Cheese It Up, which is in partnership with the Times of India, which will connect consumers with recipes and therefore, a bit more engagement around them a lot.

Varun Berry: Thank you, Amit. Also on Page 14, you will see that -- as I said in the beginning, we've taken measured pricing actions to make sure that we stay competitive with our brands. And these are some of the brands where we've taken those actions. The next slide is about innovation. We've had some consistent performance with some of the innovation products that we put in the last year. So we did Jim Jam Pops, Treat. Treat is an interesting story. We were always need to, so to say, the largest cream brand. So we decided that we need to have archetype which is unique.

We had it in the fruit creams side of the business, with a hole in the biscuit, and we did the same for our Choco Vanilla and our Choco creams as well. And we've seen that with a distinct look and feel, this is giving us very good results.

Similarly, 50-50 Golmaal continues to do very well. We launched some new products as well. We've got the Fruit & Nut Good Day, which is for modern trade. We've got the Cake Rusk, and we've got the Bourbon Milk Shake. All of these are at a revenue contribution of about INR275 crores on an annualized basis.

Our adjacent businesses, which is the next slide, have been doing well. The cake, the base formats did well in the traditional trade. The specialty products, we've leveraged e-com with very good sequential growth. Rusk has been a double-digit volume growth. We struggled for a bit after COVID, but we are back with a bang.

Bread, the growth has been led by the healthy part of the portfolio with improved profitability. Cheese, we've had a good growth. We've got some very exciting products today. We've got the Laughing Cow portion, which is the round box that you must have seen. I think the potential for that product is a lot more than what we've been able to achieve. So we are hoping that this year, we will see dramatic results. We've also commercialized our cheese factory in Ranjangaon, and we've started to now make the products and supply to the market as well. Are they in the market yet?

Vipin Kataria: Just moving into the trade.

Varun Berry: It's just moving into the trade. And I must say that the quality of products is fantastic because the quality of milk that we are collecting from our farmers is just very, very good. Drinks, we are leveraging the ongoing summer with a very focused distribution drive, and we are capitalizing on established brands and bourbon to enhance brand awareness and encourage trials.

Lassi, we've improved our product. We've also improved our value proposition. We are selling our Lassi at INR20 now. And we've got one new contract packer in the East, and things seem to be moving in the right direction as far as our drinks are concerned. The international business has performed well this quarter as well as this year, and this is led by the GCC as well as Americas.

Nepal has been a very consistent performance, albeit at a very small base. But the fact is that this is an experiment, which we feel very proud of. We started the business with exports from India. We established ourselves, then we built a factory there, and we've been able to build a very strong business in Nepal, and we are hoping that we'll be able to replicate this in more countries as we go forward.

On the cost efficiency side, we've had a very good year. So '23-'24 has been 7x of what it was when we started off in 2013. So it's very good to see that this -- the management team has been taking this program really, really very strongly forward. And the components of this, you are aware of. It's about the big components. There are many more smaller components with the big ones are truck utilization, distance travelled by our product, market damages, renewable energy, which is a very big one, fuel consumption and the line throughputs that we have in our plants. And we are making good progress in all of these.

ESG, just to remind you, ESG, our construct, which is on the right-hand side. Four strategic pillars: growth, governance, resource and people. These 4 pillars are supported by 8 levers. These 8 levers are split into 26 programs. And these programs have very strong KPIs and targets for each one of us. We have a 3-year strategic plan in place for all of these KPIs, and the performance of KPIs is a part of the public disclosure and individual performance ratings for all our managers.

Now some of the achievements this year have been we are in the top quartile as far as FMCG India is concerned. We have 2.3 lakh beneficiaries through our Britannia Nutrition Foundation versus 1.98 lakhs in '21-'22. We've been awarded the best employer for the fifth consecutive year in the Kincentric Employer Study India, which was done in the last year. That's the first section.

Second is we've been identified as 1 of the 1,000 leading listed ESG firms by Dun & Bradstreet, and we feel very proud of that. We've had a 33% reduction in water intensity compared to base year, which is 2019-'20. And this is more relevant today because of the situation that exists in some of the states where water is becoming a real issue. We have completed ESG assessment for 453 of our suppliers. We've launched a marketing campaign, which is Har Pocket Dustbin on preventing littering in public spaces, and we've got a lot of love for that campaign. We've been awarded 3 accolades, 2 gold and 1 silver in the ESG category during the SKOCH Awards in 2023.

So with that, moving to the results, the cost and profitability results, which is on Page 20, which gives the commodity situation. So flour and sugar have seen an inflation, but have been balanced by palm, laminates and corrugated boxes. So the commodity situation has been softish this quarter.

On Page 21, cost and profitability front, we continue to invest behind our brands and innovation. We've actioned measured pricing actions in specific channels, as I've already told you, and we've delivered very solid cost efficiencies across our functions. Outlook, we are closely monitoring the commodity situation and assessing what are the actions that we need to take as we go forward. We remain vigilant on the competitive pricing front, and our strategy will be to remain focused on driving market share while sustaining profits.

Frankly, we are going to drive top line hard this year. It's tough. The year what -- how the last year ended will sort of continue for a few months. But we are hoping that as the monsoons start to come and the election results come, etcetera, things will look much better. So we are going to make it a mission to make sure that we get the top line to grow much faster.

On the financial results front, Page 23 -- Slide #23. On a 12-month basis, if you look at our revenue trends, we have grown 4%, right, on a 12-month basis. The same number on a 24-month basis is how much?

Amit Doshi: 19%.

Varun Berry: So on a full year basis, we've grown 4%. If you look at the 24-month growth on a quarter-to-quarter basis, it's 14% for Q4 and the average is 19% for the full year. Operating profit trends, we've grown on an operating profit number by 17.3%, right. And if you look at our operating profits, also, they are pretty good on all the quarters. We've been at a very healthy operating profit number. And the 24-month growth are looking very solid for all of the 4 quarters, 22%, 58%, 52%. And even for the fourth quarter, it's at 42%.

Now going to the P&L, basically. So if you look at it on a Q4 basis, a 3% growth on net sales and a 14% on 24 months. On a full year basis, 4% and 19%. Operating profit for the quarter, minus 4%, but 24 months is 42%, full year 10% and 43% on 24 months. PBT, again, pretty similar, and PAT is also similar on Q4 as well as for the full year as well, right.

And if you were to look at profit from operations as a percentage of revenue, it's one of the highest that we've ever achieved. So it's at 17.3% this year. Profit before tax is at 17.6%, and PAT is at 12.9%. So healthy numbers, I would say, a pretty good performance in the situation that the top line growth were not happening. However, I would say the task for us is to make sure that the top line grows much faster as we go forward, and that's what we are going to focus on in this year.

With that, we'll open the house for questions. Over to you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We'll take our first question from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy: My first question is on your key raw material, wheat, and how you see pricing this year at the customer level. So currently, wheat crop collection is happening. I understand it seems better than last year, but wanted to get your sense on the full season. How do you see that? Second related question is you said top line driving it hard will be a key focus.

Last 1 year, what I'm seeing is your volume growth is picking up every quarter, but the -- and the sales growth is limited because of the overall negative pricing at the effective level, if your commodity remains soft, how do you see overall pricing for the full year? Because if that doesn't pick up the volume growth remains strong, but if the pricing isn't much, then the overall top line momentum will not change meaningfully. So wanted to understand that.

Varun Berry: Thanks, Abneesh. So Abneesh, when I say top line, I would say that our focus is going to be to make sure that we grow volumes. We have been growing volumes, and I think our outlook on this year is not deflationary. Our outlook on this year is slightly inflationary, which is a healthy inflation of 3% or thereabouts. The commodity situation, see while the crop seems to be fine as far as wheat is concerned, the government holding has been reasonably low. So there is going to be a government buying because of their programs. So I would think that the wheat outlook is slightly inflationary during the year, while until the elections, things will not move. But beyond the elections, I think it will be slightly inflationary.

Similarly, sugar crop has not been a great crop. It's not bad, but it's not as good as the last year crop. So sugar is also going to be slightly inflationary. So I would say it's going to be a manageable inflation here. And we are making sure that we take whatever interventions that are required to get to our plan numbers as far as commodity is concerned. So we've started to buy. We've also made sure that we have a full program in place to get the best prices for the commodities that we buy. Does that answer your question?

Abneesh Roy: Yes, quite helpful. One related question will be on your RTM 2.0. So you have mentioned that this will be a pilot project in H2 of FY '25, which means FY '26 will be the real year in terms of benefit and going ahead after that. So I wanted to understand when you are saying a hard focus on growth coming back, FY '26, could you talk about in terms of at least some benefits, what could be there? I understood the process. But in terms of KRA for this project for FY '26, what could it be?

Varun Berry: So I had put everything on that slide. If there's more detail required, we can chat about that separately, Abneesh. But frankly, the pilot is to make sure that, see, we are doing this with Bain, as you know. And the process has already started. We just want to make sure that we put all ducks in a row, then we test it out in a pilot market and then we roll it out. So you're right about the fact that the full impact will be towards the end of this year.

Now obviously, all of those items that I had listed on that slide are going to be ticked. And with that, obviously, the benefits are going to be that the adjacency businesses will get their time in the sun. We will make sure that our quality of salesmen is right up there, and they are doing range selling and selling more SKUs and we have a better presence in all of these high-potential outlets. So I think it's all reasonably clear, but if there's anything more that you need, we're very happy to chat with you separately.

Moderator: Thank you. We'll take our next question from the line of Avi Mehta from Macquarie.

Avi Mehta: Sir, I just wanted to ask the adjacencies that you highlighted, the non-biscuits portfolio. What is the current share of sales? And how -- more importantly, how does the margins contrast in this portfolio versus the biscuits business? Would you be able to give us a qualitative sense? Yes. I just wanted to check, sir, that in the non-biscuits portfolio, what is the revenue salience right now? And could you give us a sense on how do the margins stack up versus the biscuits portfolio, would this be possible?

Varun Berry: So adjacencies -- are you talking about adjacencies?

Avi Mehta: Yes, the non-biscuits, basically, the adjacencies, yes.

Varun Berry: It's about 25%.

Avi Mehta: And sir, would you give us some qualitative sense on how the margins would be for this segment? Is this better than biscuits, similar, slightly lower? Any sense over here, sir?

Varun Berry: Average would be maybe slightly better, the gross margins. The net margins will not be, but the gross margins will be slightly better.

Avi Mehta: Got it, sir. And sir, just a bookkeeping question. I wanted to just understand, A, are there any one-off costs in the other expenses seen in this quarter? And what the volume growth was for the quarter? That's all from my side.

Varun Berry: They are very small. There's nothing worth mentioning as far as this quarter is concerned. There was -- the advertising and sales expenses have been higher this month because we've not been supporting our brands as well as we should because of the inflationary environment that we went through. So I think overall situation is that we are now getting back to a normal way of doing business. It's not like what we've seen in the last 2 years.

Moderator: We have our next question from the line of Latika Chopra from JPMorgan.

Latika Chopra: Varun, let me just begin from what you said, you're looking towards normalized way of running business. For FY '24, you had revenue growth of 4%. Could you split what was the volume growth and the size growth or deflation during FY '24? Extending that a bit, you talked about 3%-odd of inflation that you anticipate in FY '25. What is the normalized volume growth expectations, given all the interventions that you're doing in the business? That's the first question.

Varun Berry: So the situation on volume and revenue for the last year has been, they are almost at par, right? So volume and revenue are the same. However, if you look at it by quarter, it's a very different story. So the last quarter, the volume growth is 2x the revenue growth, right? So I think the volume growth this year, we expect them to be quite solid. Obviously, barring the entry into the year, which is pretty similar to the year that's gone by. And post-election, post-monsoon, I would think that post-election, post-monsoon, we would be aiming towards a double-digit volume growth, for sure.

Latika Chopra: Understood. The second question was on margins. Your gross margins have continued to surprise despite price cuts. Wanted to understand what is the optimal margin expectations that we should build into next year? You ended FY '24 with almost a gross margin of 42%, EBITDA margin of 19% of the domestic business. So do you think there is further upside on these -- from these levels considering commodity prices are a bit benign?

You talked about a bit of inflation coming back post-elections. And you also kind of alluded to need for more AMT and plus investments in all the initiatives we are doing. So I know -- so how should we think about margin outlook, given there's a big focus on top line momentum? Would you give away the margins or you think these are sustainable margins?

Varun Berry: So the objective is not to give away margins, but to make sure that we spend the right amount in terms of innovation, in terms of brand building, in terms of all the projects that we are doing. So we have this RTM project, which we spoke about. We also have a replenishment project coming up to make sure that we make that more efficient. So I would say not a major change from what we've seen. Upside, I would not expect upsides on this, but not a major change from where we are today.

Moderator: We'll take our next question from the line of Sheela Rathi from Morgan Stanley.

Sheela Rathi: Just a follow-on the margins question. Would it be fair to say that near term, there could be some negative impact coming on margins, given the RTM 2.0, which we would be initiating, which could have some upfront cost versus the cost savings, which we could have in future years?

Second part of this is, the NPD sales number, is that correct that INR275 crores is the NPD number, which is about 2% of the overall sales. This, I would believe, is much lower than where we want it to be. And third is the focus around the adjacent portfolio. So how should we think of margins on that aspect, especially over the next 12 months or so?

Varun Berry: So our target for the entire set of NPDs is north of 3.5%. So this, we've spoken about the NPDs that we put on that slide. So we will continue with that target of 3.5% of overall revenue as far as the NPDs are concerned. As far as margins are concerned, see, the way we look at it is that this year is a year of top line growth. And if it means taking a short-term hit on margins because of all the projects, because of all that we are doing, we will be willing to do that, but it's not going to be dramatically different from where we are at. So that's the objective, really, to make sure that we are future-ready, we have a very solid business model as we move ahead from here, and this benefits us in the future.

And similarly, on brands, we will make sure that we spend the requisite amounts on our existing powerhouse brands as well as some of the new products that we are launching. So that's how we planned it. It's not going to be a dramatic change, but might be a slight change from where we are at, which obviously will come back in due course.

Sheela Rathi: Understood. And just a bookkeeping question. When you talked about the adjacent portfolio at 25%, where would dairy be right now? And where do you expect that to be, say, in the next 2 to 3 years?

Varun Berry: So dairy is we have -- as you know, we've taken a big punt on dairy. We've invested fairly large sums of money in creating a back end. And we've also got a very strong partnership, which is the joint venture with Bel for cheese. So our expectations on dairy are big, right? We -- I wouldn't say that we've achieved what we had planned for ourselves. We are short of that. But I'm confident that with now our plant going onstream, we are producing really good quality products, plus Bel bringing in their expertise, their products.

I don't know if you know, but these portions that we have selling in the market are currently coming from Vietnam, from the Bel factory in Vietnam. Similarly, the sachets are also made in Vietnam. So at some stage, once we get to the threshold on these products, we will start to produce them in the country that will give us a lot more competitiveness. We are looking at a lot of innovations beyond that.

See, until now, what's happened is that everyone has been doing the same thing. Everyone has been doing a block cube and slices. We are the first ones to buck the trend on that and bring in products which are very different, right? So we will continue to do that. And the milkshakes have been doing well. As a company, we are not a soft drink company. So initially, we struggled to make sure that we understood how to deal with a product like this. So I think we are getting there.

And despite that, despite our inadequacies as far as soft drinks are concerned or milkshakes are concerned, we've done extremely well. Now we are building that expertise within the system. We are also making sure that in this RTM 2.0, we bring that to life as well. So I think the outlook on dairy to me is fairly positive. And we will make sure that we do all that's necessary to make ourselves very different from all of the others in the marketplace.

Moderator: We have our next question from the line of Arnab Mitra for Goldman Sachs.

Arnab Mitra: Varun, my first question was, Varun, your focus on growth this year. Do you think it will be driven more by the biscuits portfolio or a big scale up in the adjacencies? And if adjacencies is a big scale up, do you think the existing portfolio is good enough? Or do you have plans to add more sub-segments to some of these adjacencies that you operate in?

Varun Berry: It's a good question. See, our focus from biscuits can never go away because that's a bulk of our business, and growth on biscuits will always be a very important focus for us. However, the objective really will be that the adjacency business grows at 1.5x what our biscuit portfolio grows at. And this year, we are not going to do too much more as far as new categories are concerned. If you think about it, we entered a lot of new categories, and we would want to consolidate our position in those categories and make sure that we build heft in those categories this year.

We've got a lot more on our plate as we go forward. We've got a lot more in our funnel, but we will resist from doing that to make sure that we get a very strong sense of growth and also until our RTM 2.0 is ready, we don't want to create too much confusion in the sales system. So that's our plan for this year. But if you think about it, we've got a lot more categories to build, which we launched last year.

Arnab Mitra: And my last question is on pricing. Varun, you mentioned this quarter pricing is probably like minus 3%, if I assume volume is double of your revenue. So your comment on a 3% inflation next year, would it be fair to assume it's more back ended? You would expect first half to still be a deflation and significant pricing in the second half to get to that inflationary outlook for the top line?

Varun Berry: See, it's not about first half. I think the first quarter is flattish. But as we go forward post-elections, we will start to see inflation is my forecast. And I'll be very happy if I'm proven to be wrong. But it seems that post-elections, we will start to see 4% kind of inflation.

Moderator: We'll take our next question from the line of Mihir Shah from Nomura.

Mihir Shah: My question is on market share. Anecdotally, the small and major player seems to be doing well. However, we see that you are also gaining share. Are you also seeing any trend about small and regional players doing better and they have like stopped -- you're doing better now? Or how should one triangulate this thesis about both small doing better and you also gaining share?

Varun Berry: Okay. That's a very interesting question. Now let me give you my point of view on that. See, what happens is that once there is a very large margin that is seen in our category, especially with the market leader, there are a lot more players which come into the country and which start to do that business, right? So frankly, the point is that that's what happened, right? Post the inflationary environment, when we took a lot of pricing, everyone saw our profits because we declare our profits every quarter and a lot more competition started to come in.

And we started to see them move up in terms of shares. However, on delving more into it, we figured out that their share situation was because of their spreading their wings from their core market because these local players usually come into one state, and they are regional players, then some of them were spreading their wings into other markets and gaining share.

However, it's not easy to do that. Now you can do that in organized trade because organized trade, you can throw money and certainly get facings, but doing it in traditional trade has its own pitfalls. And then you start to get product back, etcetera, etcetera. So what we've seen of late is that while people spread their wings, they started to feel the pressure in new markets. And we've seen these shares stabilize of late. And I think that the trick really is that you've got to keep the profit to a certain level. If you go way over the top, then even a new player can come in and start to eat at -- bite at your ankles in some way or form.

And we've learned it. We're going to make sure that we apply this, not just in biscuits business, but in some of our other businesses like cake and rusk as well. And I think we've done it quite well in bread. The other categories, we'll make sure that we understand how to contain these local players without really taking a cut on our profits, overall profit.

Mihir Shah: Sir, that clarifies. My second question, actually, I just wanted to borrow your confidence on the volumes were double. I believe you said double-digit volume growth is what you're gunning for in FY '25. And also, there will be some inflation of overall 3% to 4-odd-percent. So how should one really again think about this dichotomy, again, when inflation will also be there, but will also lead to double-digit volume growth?

Varun Berry: Sorry, I missed that question completely.

Management: If there is going to be an inflation, how do you expect to grow double-digit volumes.

Varun Berry: See, if you look at our base volume numbers, they are not great numbers. And I do think that the market is ready for getting back to the growth. See, if you think about it, the last decade or so for most businesses, volume growth have not been where they should have been, right? If you look at the previous decade, that was the decade where volumes, revenues, everything was booming. I think it's time that most consumer businesses now start to see the positives coming out of the economic growth in the country. I think it's been a little bit of push and pull. But hopefully, this year, we will start to see that come back, is my forecast.

Moderator: We'll take the next question from the line of Harit Kapoor from Investec.

Harit Kapoor: My first question is on the distribution side. So while you did mention about the RTM 2.0 that you're looking at, how do you kind of think of it for the next, say, 12 to 18 months? Would that project take precedence over expanding the directory and strengthening rural distribution? Or do you believe that this -- both will go hand and hand? Just wanted to get your sense on that.

Varun Berry: No, these will both go hand in hand. See, this project, RTM 2.0, that we are talking about is more at the top end, right? And it's about the high potential outlets, getting the right amount of service, the right kind of salesmen, the right bouquet of brands and SKUs. And the distribution expansion project is more about the bottom end of the pyramid, which the project -- which is about rural distribution. And even today, our rural presence and our rural share is still lower than our urban presence and urban share. So we cannot take our eye off our rural agenda. And hence, both will go hand in hand.

Vipin: So just to tie it into 3 segments for you. So the top end really is the organized trade, and we have seen pretty good growth in modern trade, e-commerce as well as the market share increase. The next one are the high-pot outlets, which Varun is talking about. And today, the entire service architecture is obsolete, which we are planning to upgrade, which means that these high-potential outlets will be able to send more diverse categories, will be able to give them more service.

The third part really is the urban, where there is a massive growth, which is happening both from a consumption point of view and also outlet addition point of view. So therefore, that's the area where this entire distribution expansion has to really accelerate. And the fourth is rural. So rural were underleveraged, both from market share point of view, the managed distribution point of view. And the intent there is to keep adding more number of villages, resilient villages, so there we can extract more and more from rural as well.

Harit Kapoor: Got it. And just one last question on the organized channel part. What is the share of this organized channel piece for you now? You have shown that all 3 businesses have done very well in FY '24, new, adjacent and biscuit. So what's the share of the overall mix now for you?

Varun Berry: So overall mix, as in you're talking about the contribution of the product or are you talking about biscuit market share?

Harit Kapoor: No, the contribution of modern trade and e-commerce, the overall revenue.

Varun Berry: Contribution of modern trade and e-com to our overall business is about 15%. And it's -- the e-com part is, what, about 3.5%.

N. Venkataraman: Yes.

Varun Berry: 3.5 and 12.5% or 12% approximately is the number for this, but we see this to grow but not dramatically. This will go from 15% to 16%, maybe 17% as we go forward. And just to remind you, our share in this channel is about the same as our share in overall market. And our potential in these channels is a lot more because from an innovation standpoint, from the quality of products and the salience of brand, etcetera, we are much stronger in this channel. So the objective will be to get some traction and move our shares up in this channel.

Moderator: We'll take a next question from the line of Kunal Vora from BNP Paribas.

Kunal Vora: I just needed some data points. So if you can give us a broad split of the adjacent categories in FY '24, you mentioned that contributes about 25%, which is about INR40 billion. Can you talk about how large is the individual products, cake, Rusk, dairy, bread, croissant, if you can give us a broad breakup?

Varun Berry: So Cake, Rusk, dairy, bread - All four businesses are about the same size. And then we have the fledgling businesses, which is croissant, which is about -- what would that be as a percentage? About 0.7%. And we've got some other small businesses, which are negligible really because we've just started off the bars business, the Makhana, etcetera, all of those are very, very small. So that's not worth mentioning. But the four businesses are about the same size. So you can just take, yes. And international...

Kunal Vora: So it will all be INR9 billion, INR10 billion, like it will be around INR8 billion?

Varun Berry: You're talking in dollar terms?

Kunal Vora: No, no. I mean, like rupee terms. Cake, Rusk, etcetera, will be what, like INR10 billion?

Varun Berry: You are talking billions, okay? Yes, about that much, yes. You're right.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Mayank Mundra for closing comments. Over to you.

Mayank Mundra: Thanks, everyone, for spending time with us on this call today. We look forward to interacting with you again.

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