



8th February, 2023

1. The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street Fort, Mumbai - 400 023
2. The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra- Kurla Complex
Bandra (E), Mumbai - 400 051

Dear Sir/Madam,

Sub: Transcript of Analyst Call for the quarter and nine months ended 31st December, 2022

Ref: Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of analyst call held on 2nd February, 2023 in respect of Unaudited Standalone and Consolidated Financial Results for the quarter and nine months ended 31st December, 2022.

The transcript of the analyst call is also available on the Company's website at <http://britannia.co.in/pdfs/Presentations/Q3%2023%20Analyst%20Call%20Transcript.pdf>

This is for your information and records.

Yours faithfully,
For Britannia Industries Limited

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

Encl: As Above



“Britannia Industries Limited Q3 FY23 Earnings Conference Call”

February 02, 2023



MANAGEMENT: **MR. VARUN BERRY – VICE CHAIRMAN AND MANAGING
DIRECTOR, BRITANNIA INDUSTRIES LIMITED**
**MR. RAJNEET KOHLI - EXECUTIVE DIRECTOR AND CEO,
BRITANNIA INDUSTRIES LIMITED**
**MR. N. VENKATRAMAN - EXECUTIVE DIRECTOR AND CFO,
BRITANNIA INDUSTRIES LIMITED**
**MR. VIPIN KATARIA - CHIEF SALES OFFICER, BRITANNIA
INDUSTRIES LIMITED**
**MR. AMIT DOSHI - CHIEF MARKETING OFFICER,
BRITANNIA INDUSTRIES LIMITED**
**MR. MANOJ BALGI - CHIEF PROCUREMENT OFFICER,
BRITANNIA INDUSTRIES LIMITED**
**MR. SUDHIR NEMA - CHIEF DEVELOPMENT AND QUALITY
OFFICER, BRITANNIA INDUSTRIES LIMITED**
**MR. YASHWARDHAN BAGRI - INVESTOR RELATIONS,
BRITANNIA INDUSTRIES LIMITED**



*Britannia Industries Limited
February 02, 2023*

Moderator: Ladies and gentlemen, good day and welcome to Britannia Industries Limited Q3 FY23 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Yashwardhan Bagri. Thank you and over to you, sir.

Yashwardhan Bagri: Thanks Neerav. Hello, everyone. This is Yash, filling in for my colleague Mayank today. I welcome you all to the Britannia Earnings Call to discuss the Financial Results of Quarter 3 22-23.

Joining us today on the earnings call are our Vice Chairman & Managing Director – Mr. Varun Berry; Executive Director & CEO – Mr. Rajneet Kohli; Executive Director & CFO – Mr. N. Venkatraman; Chief Sales Officer – Mr. Vipin Kataria; Chief Marketing Officer – Mr. Amit Doshi; Chief Procurement Officer – Mr. Manoj Balgi and Chief Development & Quality Officer – Mr. Sudhir Nema.

The Analyst Deck is uploaded in our website. Before I pass on to Mr. Varun Berry, I would like to draw your attention to the safe harbor statement in the presentation.

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

Varun Berry: Good afternoon everyone. Very happy to be here with you. So, without much ado, let me get to the presentation. If you get to page number 3, that will give you the three parameters of our business. Our year-on-year growth is 16% on revenues. On operating profits, we have grown 55% and we continue to gain market share through this quarter as well.

Moving to the next slide, which gives a look at what is happening through the environment as far as inflation is concerned. The food inflation in India, it continues albeit at a slightly lower level. Wheat is one commodity which remains on the boil, so if you were to look at the first quadrant on the left that shows what is happening to the Indian overall consumer food price inflation which is showing at approximately 6% year-on-year in Q3 of 23. US dollar is obviously strengthening versus the Indian rupee. You go to the third quadrant on the left that shows wheat, so if you would look at the red line, the red line shows the Chicago Board of Trade and how the wheat prices have fared in the CBOT. Now, very clearly, the international prices have been dropping. After Q1, we have seen a drop in the wheat prices, however, in India, which is a fairly insulated market, the prices have been only going up and while we are very close to the season, we will know soon enough in the next 2 months, how the crop is and how the commodity prices rule at that time, but right now, it is at the high as far as wheat is concerned. The RPO prices have softened both for the Bursa Malaysian Derivatives Exchange as well as the Indian market prices are almost parallel to each other and that has helped us control inflation on our commodities to an extent.



Going to the next slide that shows inflation versus Q3 of 2021. Basically, what has happened is that in the last 2 years, we have seen very high inflation and even on a year-to-date basis, we have seen an inflation of approximately 12%. In this quarter, because of RPO softening as well as us consuming cheaper wheat covers which we had bought in the beginning of the year during the season, it has softened a bit internally from our consumption standpoint, but it still remains reasonably high, the inflation for all commodity baskets.

Going to the next slide, which is on our cost and profitability front, if you look at it, we have taken the necessary pricing actions and these were action to cover for all of the inflation in the first half of the year. We have stepped up our cost efficiency program and we are looking extremely good and I will cover that in a few more slides. There have been some corrections in RPO and we have been consuming wheat which was at the right price and hence Q3 results have shown improved operating margin. So, as a result of that we have seen operating margin improvement of 330 basis points quarter-on-quarter, however, as market leaders we always need to lead the price increases and we have done that and despite leading that we have been able to gain share, however, there are pockets where we have seen a comparative reaction, so there will be some modifications that we will have to make from where we are at today and we will do so in the coming quarter. We obviously want to make sure that in every possible segment, we surge forward and we gain share through all of the strategies that we deploy which I will come to in a bit.

So, next slide which are the strategic pillars which we have been talking about for quite a few quarters now which drive our profitable growth; Distribution which is very key to our strategy and marketing of our key brands; Heighted Innovation, after COVID we have been going pretty heavy on innovation launches; Adjacent Businesses and I will come to that in a bit, have been doing reasonably well I would say; Cost Efficiency programs, I already spoke about and I will speak about them in a little more detail as we go through the presentation and finally Sustainability.

So, let me go through these one by one, so the first one is on driving Efficiency and Distribution. As you see from the slide, we have now 28,000 rural distributors versus 26,000 in March of 22 and we have gained one-and-a-half times the share that we have gained on an all-India basis in rural. So, that strategy of going heavy on rural has been working for us and as a result of that while some companies have been announcing some kind of slowdown, we have not seen any slowdown in our rural revenues and our volume growths in the rural areas. The second part of that slide is on direct reach. We have also been focusing on getting this after the COVID relapse so to say, we have been focusing on getting wider direct reach and we have added 1.5 lakh outlets during this year. So, from 24.9 lakh outlets, we have gone to 26.4 lakh outlets with our direct reach program.

Moving to the next slide, which is about the marketing activities during the quarter, there are multiple marketing activities and some of you must have seen them on air, so we have some new creators that we brought this quarter, 50-50 was one of them. Some of the others listed on this



*Britannia Industries Limited
February 02, 2023*

slide also, some of the campaigns that we have done during this quarter. We have also won some industry awards which are also there on the slide.

Amit, would you like to comment on this?

Amit Doshi:

Yes, I think as Varun said, we have continued to make investments in our core brands to ensure that we continue to drive penetration for these brands and each of them is top of mind in their respective categories. As Varun said, it is also heartening to get the industry recognition because we believe that we want to do worth that wins in the market and it is always good to get peer recognition. For both, there is Campaign India there and the Storyboard18 there and three of our pieces, the first one being for Good Day, then 50-50 and then NutriChoice were among the top 50 ads in the country and top 25 ads in the country, respectively. For Milk Bikis Classic, we have won awards for Best Regional Marketing in Tamil Nadu at the FE Awards, they are the best when it comes to effectiveness and one of our NutriChoice digital pieces was actually voted at the Viewer's Choice ad of 2022 by the Outlook Magazine.

Varun Berry:

Sorry, I just want to go back to the previous slide, not shift to it, but while advertising wins awards, there are no awards for sales, but I will be remiss in not mentioning Vipin Kataria and the sales team making some superlative efforts in getting the results that I was talking about on the previous slide.

Moving onto the next slide, which is about Innovation, so we have had some very good launches, Biscafe which is a very unique product, has moved almost five times in terms of revenue since we launched it, similarly NutriChoice Seeds, Herbs & Protein which was launched in Q1 again has moved 4 times since launch. We also had focused scaleup drives on 50-50 Golmaal, which is a very interesting product. It wasn't national till some time ago, it was only East and even today, it remains predominantly East while we are trying to spread it across the country, great product, it has moved two times its revenues during this year; Milk Bikis Classic, very nostalgic and a great product doing very well in its co-territory of Tamil Nadu and Kerala. In the Adjacent Categories, we have launched the Festive Plum Cake in East and South which is doing quite well just before the festive season. We have also launched a new product in our Snacking which is called Tic Tac Toe. Snacking is again, it is in test market, but in these test markets, we have launched this product and it is doing quite well. It is actually yet to go into the West market, but it is currently only in the South market and it is doing quite well.

We have also got a Fresh portfolio, again we are experimenting with Fresh Paneer through our Fresh Distribution channel. I won't say it is a blockbuster, but this is giving us great readings on what we should be doing with our Fresh channel as we go forward. And on Adjacent categories also, we have had some focused scaleup drives. Croissant which was launched across the country in Q2 is growing very handsomely and doing quite well and the Marble Cake which we also launched in Q2 has been scaled up and it is doing very well. Both of these products are at about 150% which is two-and-a-half times what they were during launch and 130% which is 2.3 times what they were at launch, so good progress on innovation as well as adjacency products.



Britannia Industries Limited
February 02, 2023

Now, moving onto the next slide which is about our joint venture with Bel of France on Cheese, so just to give you an update, you know that we had signed the strategic partnership to disrupt this very nascent, but fast-growing Cheese category in India. Obviously, we bring brand with trust and the distribution strength and Bel brings the product know-how as well as the technical expertise. We are looking at differentiated portfolio of very innovative Cheese products and these will be produced in our new state-of-the-art facility at Ranjangaon. You guys are welcome to visit us and have a look at the facility whenever you happened to be in that part of the country and you know that we hold the majority stake at 51% and Bel holds 49% stake.

Now, to give you an update on where we stand on this, Cheese Lines and Cheddar Cheese Lines will be commercialized in Q1 of 23-24. So, Cheddar Cheese has to be produced, for that to be used to produce various formats of processed cheese, so the processed cheese lines will take a little more time. They will be ready in the second half of 23-24 and on these processed cheese lines, we will produce Slices, Cubes, Blocks and Spreads. So, that will be ready in the second half of the next financial year. What are we doing, in the meantime, we are working on the joint branding how the products and the packaging designs are going to look. We are working on the organization structure. We are training the personnel, we are finalizing our portfolio, not just for immediate launch, but the portfolio as it will look in the next 2 years, 3 years, 5 years. There will be some products which will be imported to start with, namely the Rs. 10 sachet of cheese which Bel currently sells which is imported from Bel Vietnam that will continue to be imported but will be put through our distribution system and hence will be accessible to a lot more consumers as we put it into a lot more outlets across the country. The second product which will be imported will be the Triangular Portions, great products which will continue to be imported from Vietnam. As you all know, there is a treaty that Vietnam and India have, so there are no import duties on products which are imported from Vietnam, so we will take advantage of that. What we have done for ourselves, we have set clear benchmarks on where these products have to reach in terms of revenues before we trigger line in Ranjangaon, so we are planning line of the sachets as well as the portions in Ranjangaon, but the timing of that would be in the next year to the next 2 years depending on how we scale up these products in the market. So, that is an update for you on our joint venture. Hope that is detailed enough for you.

Going to the next slide which is the Ranjangaon factory commercialization as far as the other dairy products are concerned. Now, just to give you the products that we are looking at, one is of course, Aseptic PET which are the Drinks we are going to produce in PET bottles. Currently, we are selling our drinks in Tetra and we will be moving a part of the portfolio to PET. Second is Fresh Dairy which is Dahi and other fresh innovative products which can be produced. So, this Fresh Dairy line can produce Greek Yogurts, it can produce Drinking Yogurts in a fresh format with the limited shelf life of 21 days, so we will be looking at that as we start to commercialize the line. We have a line for powders which can do Dairy Whitener for retail and also for captive consumption within our bakery which is SMP, Skimmed Milk Powder; SCM, Sweetened Condensed Milk and Whey Powder. So, as we speak I will come to where we are at



*Britannia Industries Limited
February 02, 2023*

on all of these lines and the last is Fat which is Ghee. So, these are the other lines that we have in our Dairy facility.

Just to give you an update on where we stand, so as far as Milk collection is concerned, for producing all of these products, we are currently collecting 70,000 liters per day of milk from 2,850 farmers. Our objective is to take up to 150,000 liters per day from 4,000 plus farmers. Currently, we have 65 bulk milk collection centers which are run by our partners in the rural areas around Ranjangaon. We are looking at scaling these DMCs as we call them 225 by the year end. We are providing extension services to all of our farmer partners which are being strengthened to make sure that we genuinely add value to all of our farmer partners. As far as the commercialization of the lines is concerned, the SMP which is the Skimmed Milk Powder and Dairy Whitener lines have been commercialized, we are already producing product and this product is being used internally by our bakery division to produce biscuits and another products. We have also started to produce Sweetened Condensed Milk which is also being used by our bakery division. We have also commercialized our PET line and we have launched Milk Shakes in PET only in the South currently, they have gone into the market only in the month of January, so you wouldn't have seen them, but they are great products, looking really good, tasting awesome. Fresh Dairy is also to be commissioned in the next couple of months before the end of this financial quarter. So, that is where we are at. We are doing extensive training of our operators in the Dairy facility; the quality parameters are being very clearly set to very high standards and we are setting up all the systems to make sure that we run this facility to the highest standard possible.

Moving onto the next slide, we have made reasonable shifts in our Adjacency business and these will definitely fuel the next phase of profitable growth for Britannia as we go through time. So, on Bakery Adjacency, Cake we have had quite a few innovations as well as our base cakes are doing well, and we have registered healthy growths in this category. We have also improved profitability across Cake, Rusk as well as Bread as far as this year is concerned. New businesses, Croissant continues to gain traction, I have already spoken about the kind of growth that we are seeing post the national launch. Yes, there are pockets where we are doing better than the others, there is focus required in certain markets and we are making sure that we provide that as we go through the months with this new launch. Wafers, we have launched low density wafers, cheese flavor, etc., and Wafers overall continue to gain market share. I won't say blockbuster, but the makings of a blockbuster for sure.

As far as International is concerned, we have seen healthy profitable growth across key geographies. Nepal continues to do extremely well. If you remember, we have invested Rs. 55 crores in Nepal and that has given us very good return. Commercialization of our own operations in Kenya is happening as we speak and we will be scaling that business up as we go through the next financial year.

Moving onto the next slide, which is our Cost Efficiency programs, we have been driving ecosystem of efficiencies. Now, if you look at it, the themes are the same. From supply chain



standpoint, it is all about process automation, distance to market, optimal power resources, renewable energy. From a material standpoint, it is again the themes are exactly the same, sourcing strategy, vendor development, making sure that you get the right people into the right category, packaging initiatives, vendor's cost optimization, etc., and on the others we have got market returns which we made very good progress on, commitment charges that we pay to our manufacturing partners, fiscal incentives and there I would like to just talk about that in a bit. I will come back to that and Media Effectiveness, there is some very good work which is happening on media effectiveness as well. So, on fiscal incentives, we made a lot of investments in production line, in the R&D center, in innovation lines, dairy etc. Now, these lines have all been secured with incentives which have been provided by the state and the central governments and this has been giving us payback for all of the money that we have been putting in manufacturing. So, at one end, we are getting all the efficiencies and on the other end, we are getting the incentives, so it is working out quite well on our overall investments.

Moving to the last slide from the business standpoint, we are clearly on track as far as ESG is concerned. We are on track for all the targets that we have committed to be it energy efficiency, plastic reduction, sustainable packaging, working with communities around our plants including improving the lives of farmers around Ranjangaon, etc., so we are making great progress there. I will hand over to Manoj. Manoj is the architect of this and between Manoj and Deepti there is a drive in this, so over to Manoj to take you through some of the details here. Manoj?

Manoj Balgi:

Yes, so we are working on four pillars as far as the ESG agenda goes; People, Resources, Growth and Governance and we have taken targets which are good for the community and good for the business and if we were to go through the people quadrant where our focus is on targeting farmers who Varun talked about 2,800 odd farmers that we collect milk directly from. We do a lot of CSR work in and around our factories partnering with the Wadia Foundation and we have reached about 14,500 odd beneficiaries. The work is more on sanitation and water management and hygiene around those communities and again on the nutrition side, we have reached more than 2 lakh beneficiaries till December 2022.

In terms of Resources, we have increased our share of renewable electricity source for our operations from 33% to 38%. The share of renewable energy is about 18% from 14% last year, 3% reduction in emission and additional 61,000 kilos of plastic has been discarded in this period till December. We are on track for our EPR program. We have been plastic neutral last year and we will be plastic neutral this year and 72% of our Laminates Multilayer packaging that we source are now recyclable. Water consumption has been reduced by 33% through recycling and reuse. In terms of the commitment towards reducing the sodium and the sugar content, we are on track. About 2.5% of reduction in sugar versus 2018-19 when we started the program and about 13% reduction in sodium and in terms of governance we are extending our sustainability program to 100 of our key suppliers. Assessment is on and we will co-op them into our ESG program. Thank you.



Varun Berry:

Thanks Manoj. Now, moving to the financials, so actually there is nothing much to say here. The results speak for themselves, so full year 22-23, we have grown 16%. Q3 is also incidentally 16% for the year and if you look at the 24 month's growth it is at 32%, so both very healthy, good growths that we have registered from a topline revenue perspective.

Next slide is about operating profits. Again, operating profits have grown this year at 15.5%. This quarter, it is at 55%, 24-month growth is at 35% because last year Q3 there was a decline of 13%, but a very healthy 35% even on a 24-month basis with margins being at 18.5% of revenue.

Now, getting to the next slide which gives the key financial ratios, so net sales of 16%, operating profit of 55%, profit before tax is at 127%, but this includes Rs. 376 crores of exceptional gain which is on account of the 49% stake sale pursuant to the joint venture with Bel on our Cheese business. So, this is the exceptional number and a result of that profit after tax is at 151% standing at Rs. 932 crores. Now, even the numbers below only 1, 2 really look at is profit from operations which has gone up to ever high at 18.5%. The profit before tax is obviously at 28% and profit after tax at 23% includes the exceptional item, so I am not going to belabor those numbers. So, those are the results. Over to you for questions, please.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy:

Congrats on good numbers. My first question is on the Dairy business, so in Cheese when I see currently there is obviously one or two mass-end pricing from Amul and Mother Dairy kind of players and also there are some regional brands and Indian consumption also if you see mostly of mass and cheese. So, when you say that you want to disrupt the market and you have already discussed sharp scaleup in the next 3-5 years, that is coming because of LUP strategy of INR 10 and say the innovations like Triangular or is it coming because you want to make India consume the other variants which say the developed countries consume, the issue there is most Indians will not be knowing those, you will have to have huge education for those, so which is the one you are betting from a 3-year, 5-year strategy becomes the LUP and aggressive pricing because of sourcing of milk or because of new variants coming to India?

Varun Berry:

Both Abneesh, see when we want to scale up the formats that we already exist in, coming together of Britannia and The Laughing Cow, I think the magic of brand will really play up, both very strong brands, that magic will definitely play out and obviously the technical know-how of Bel on how to create differentiated offerings which are much better than the market which are obviously catered to the Indian taste albeit at a premium to what the cooperatives are providing, I think that is going to be one strategy and the second is the LUP at Rs. 10 is a big one if you think about it. It is a habit creating initiative. Whenever a category has to go to a lot more consumers, you got to have carrier SKU which gets to consumers across the country and if you think about it, the fast food, the QSRs have helped us create cheese in the tip of the iceberg as far as the Indian population is concerned. How do you create that same kind of habit across the



board and get to the bottom of the pyramid and that is really the strategy which is the second strategy that we are betting one and obviously all these products and a lot more products which we can sort of create as habit warning will be produced in the long run in India, in the country, so that varies the strategy as far as Cheese is concerned.

Abneesh Roy:

I had a follow-up on Dairy business, so in Paneer, the new launch looks interesting, when I see the pricing your pricing is at 110 versus 80 to 85 for Mother Dairy and Amul, your pricing is much more closer to Punjab Sind and ID Foods, for example, so here, once your sourcing is in place, once your factory is fully in place, your prices then, will it converge more to the value players or here you would want to be in the Punjab Sind and ID Foods kind of a premium paneer kind of a place?

Varun Berry:

No, we are not looking at becoming the value players in any category. If we have a right to succeed, these are all experiments Abneesh. We are looking at what we can do, how can we add value, etc. If we can create a premium offering which gives us revenues as well as profit, we are in it. We don't have line for paneer for instance, it is all third party. Even in our Ranjangaon facility, we haven't invested for a paneer line, so these are experiments which are without real investment. If they work out, then we have the milk, we have the factory, we have everything else, we can always put up a line and move forward with it. If it doesn't work and if it is still the bottom of the pyramid pricing which is working, then we will move forward and walk away from initiatives like this.

Abneesh Roy:

Sir, my second and last question is on your Biscuit market share, in biscuit your market share improvement has been quite good, so in inflationary time, the market leader, number one player, the premium player always gains market share in most FMCG, now we are obviously coming into deflation gradually, palm oil first, packaging second, and wheat obviously India will see 112 million tons production this year, government forecast last year it did not go right, but if that happens and say milk also deflat say next year, how are you going to tackle the competition from regional players and may be the second player against whom you have gained market share, would you be worried on that front in a gradual manner, I know currently it is not relevant, I am asking from next 2-4 quarter perspective?

Varun Berry:

Well, Abneesh, you have seen us in deflationary times as well, so we have been through quite a few years of deflation and we managed that quite well, so we will deploy the same strategies as we go forward and I am hoping that we get to deflationary times. It doesn't seem so right now, but I am hoping that you are right.

Moderator:

Thank you. The next question is from the line of Avi Mehta from Macquarie Group. Please go ahead.

Avi Mehta:

This is Avi here from Macquarie. Sir, I just wanted to understand the competitive intensity a little better, so over the last two quarters, not just two quarters, actually even before that we have been able to drive very strong market share gains despite taking and I remember last few calls,



you have been seeing we have taken the industry leading price hikes, now what should we read from an competitive intensity as of now, is there moderation or is there a change in behavior if you could help us understand that please?

Varun Berry:

We have been working very clearly on an agenda. Our agenda has been driving distribution, we know where our strengths are, we know where our weaknesses are, we have been working towards fulfilling our weaknesses. We have been heightening our strengths, so I think that has been working really well for us. We have been nourishing our brands, we know again where our strengths are, where our weaknesses are within the brands. We have been heightening our strengths and we have been making sure that we fulfill some of the weaknesses. We know we have weaknesses. The value portfolio is one weakness which we did not try to fulfill. Within the premium portfolio, there are certain weaknesses we are trying to fulfill and I think there is a lot to do within our system to make sure that we strengthen our geographical footprints, we strengthen our brand portfolio, we strengthen our innovation footprint to make sure that we continue to gain a march over competition. It is not about, I am going to cut prices or I am going to give discounts or if these guys because I mean this segment and hence how I can look at being from a pricing standpoint or from a promotion standpoint hurt them or anything like that, no, it is very internal to us, the strategy and it is working very well for us and I think that is what we will continue to do. Yes, we watch others, it is not that we are not watching what others are doing, we are learning from them, there are certain players within the biscuit competition who have been doing quite well and we learn from them, for example, Patanjali is doing very well in milk and our Milk Bikis was predominantly a Tamil Nadu brand, so we have now expanded Milk Bikis across the country, we come up with very innovative positioning of Doodh Roti Ki Shakti using only Atta to produce our product, etc., so we move forward, in certain geographies etc., and that is what we will continue to do as we move forward.

Avi Mehta:

Sir, would it be fair, if I understood it correctly, it has not got to do while the competition may not have probably put in the same investments we have done, it probably has not got to do with difference in growth rates between this value versus the mid or the premium end, there is no other reason which is more specific from a category perspective that we should read, it is more about us doing the right things and probably the competition has not necessary or may not have invested in those specific alternatives, that is the right way to look at it, right sir?

Varun Berry:

Yes, that is the right way to look at it. So, it is about making sure that you stick with your strategy, you develop the right strategies within segments and you move forward.

Avi Mehta:

Sir, the second bit was more of a bookkeeping in the buildup that would we be able to give us some sense on what are the one-off gains from these forward contracts which may not continue going forward and also sense on where the ad spend intensities versus the normalized or pre-COVID level, just to get a sense on where margins can probably spread?

Varun Berry:

No, clearly, let us start with the advertising part, we have normalized the advertising spend this quarter, so we have gone back to the pre-COVID levels. From one-off gains, I have spoken about



the one-off gains from the joint venture, but besides that we have been consuming covers of wheat which have been at a much lower price, so that is certainly going to go away. As we move to the next quarter because you never cover wheat till the next season, so our wheat covers will now end and hence we will start to consume wheat which will come from the market from the season, so that will be one change. There always are some changes that come through during the season and I think those are the two changes, frankly. There are no other exceptional items.

Avi Mehta: Sir, I was trying to just understand the quantification roughly how much could it have benefited margins because that would help us understand, so this quarter we have almost done one 18.5, 19.5 kind of margin, as we go into the next year, how much would be kind of remove out of this, so is it 100 basis points and that is the level that we look at as the steady state, that is broadly where I was trying to hit?

Varun Berry: Yes, I had mentioned that as well. As market leaders, we have to take price increases before everyone else does and we did so. Now, with the inflation not being at the level that it was few quarters ago, there have been certain categories where competition has laid a little bit of hard ball, it has not been widespread phenomena, but there will be a few segments, few SKUs, few brands where we will have to adjust pricing back to lower levels, so that will be small number. It might not be a very large number, but that would be the only thing. Besides that I think we are pretty much in a good place.

Avi Mehta: Sir, any guidance or any range you can help us understand because we went to 19 in COVID, you said that was not the level we should assume correctly, but now we are again back to 19, so I am just trying to appreciate what would you be comfortable as the last two quarters as a better range to look at because there are covers, but clearly those covers would continue?

Varun Berry: I would think so between Q2 and Q3 would be the right range to look at.

Moderator: Thank you. The next question is from the line of Jaykumar Doshi from Kotak. Please go ahead.

Jaykumar Doshi: Ideally, about a year ago, you had indicated that the potential for Dairy business is about Rs. 2,000 crores in the medium term, you had not given any indicators in terms of timeline, do you still believe that number is doable or do you think you can do better than Rs. 2,000 crores and is it possible at this point of time to give us some color in terms of how that portfolio can shape up in terms of revenues over the next 3 years?

Varun Berry: I would still stick with that number. We are in the process of launching our new products. Cheese is still not even in the market, so let us watch this space for a bit and we will come back to you. That is what we have set for ourselves, so we will stick with that.

Jaykumar Doshi: And current scale is about Rs. 500-Rs. 600 crores, is that understanding correct?

Varun Berry: Just over that, yes.



Jaykumar Doshi: And one more follow-up around the same thing, I think prior to pandemic, industry was growing at a very low single digit levels in terms of volume and you are able to grow faster based on new product launches in market share gain and couple of time you had called out industry growth versus the gap between the growth driven by new product, could you give us an indication in terms of what do you think that gap is and whether that gap is widening given that you are seeing good success in new product launches and now Dairy will scale up?

Varun Berry: No, as you can see from the market share, we have been continuously gaining share, so the gap remains pretty much the same, but I must admit that around COVID times and beyond we have seen the market growth to be much faster than what we had seen from 2013 to let us say 2018-19, so the market growth have suddenly picked up and which is the great trend from our industry standpoint.

Moderator: Thank you. The next question is from the line of Latika Chopra from JP Morgan Chase. Please go ahead.

Latika Chopra: Thank you Varun for you detailed comment on Adjacencies, but what I am looking for now is a little bit quantitative flavor, so it would be helpful if you could share what is the salient of non-biscuit portfolio in your business today and if you could share a little flavor on what is the kind of annualized revenues today that you are seeing for key segments like Cake, Rusk, may be Croissants and Wafers and if one looks at the growth algorithm over the next 5 years or 3 years for Britannia, what that salience or revenue size of these adjacencies could be in your view?

Varun Berry: Currently, the biscuit and the non-biscuit portfolio are approximately 77:23 which has gone up from what it used to be. If you think about it, it used to be almost 85% on our biscuits till about 7-8 years ago and so it has been continuously obviously the non-biscuit portfolio has been growing faster. You also want to remember that biscuit is so large that for the other categories to become substantial part and to contribute substantially to it. It requires a little bit of time and it has taken time, but I think we are moving in the right direction.

Latika Chopra: And here in one of the interviews, you said that probably this 23% probably becomes 35% over the next 5 years, is that how we should read?

Varun Berry: Yes.

Latika Chopra: And within this 23% today, could you tell us how much would be Cakes and Breads and Rusk which are the more milky parts of this portfolio?

Varun Berry: So, Cake and Rusk would be almost 50% of this and the rest would be approximately 50% of the 23%.

Latika Chopra: And the second bit I had was on biscuits itself, you have talked about market share gains, could you help us with the volume growth and the value growth for the biscuit's overall category and



some flavor on how the different subsegments are looking at and within the growth rate that you have posted for the last two quarters are, what is the kind of mix contribution to this besides volumes?

Varun Berry:

See, there is not always a complete matchup between our numbers and the Nielsen numbers in the overall total market, but we have been seeing very good growths and you have seen our growths. Our transaction growths are almost at 16-17% which means that the number of packages that we sell is growing almost 17% in this quarter and if you were to look at a year-to-date number also it is almost at about 14%. So, the transaction growths are very good and that is what matters to us. Volumes obviously have been low. Volumes are very low single digit and the reason for that is the kind of price increases that we have taken during the last 2 years. So, that is where it is, but from a revenue growth standpoint, it clearly is indicative that even the entire industry is growing at double digit revenue.

Moderator:

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

Percy Panthaki:

On Dairy, can you give some idea on what is the CAPEX that you will do over the next 2 to 3 years? And secondly, do you fear any risk of EBITDA margin dilution if Dairy is becoming a large part of your business and the EBITDA margins there might be lower than the biscuits margin, correct me if I am wrong in that assumption first of all?

Varun Berry:

First, your question on investments, investments are about Rs. 600 crores for starters in all of the line that I spoke about during my presentation, will there be more investments, yes, probably for innovations, but that will be very clearly, once we read our results of the imported products that I was talking about, only after that we will put in more investments as far as cheese is concerned and even on the other areas, we will put in investments after we have proven that some of the products that we are launching are doing well. The other question, what was the other question that you had?

Percy Panthaki:

EBITDA margin whether it will be dilutive?

Varun Berry:

No, EBITDA margin, we will have to see as we go Percy. For Cheese we have already had a very solid EBITDA margin. Now, with our own factory and with the joint venture hopefully that should move in the right direction. Yes, for a period of time, there will be depreciation hit that we will have to take which is fine, but I think over a period of time, we should be fine on that and the other thing is that even at Rs. 2,000 crores, even if Dairy was to move to Rs. 2,000 crores in the next few years, by that time, our overall business would have moved much beyond where it is today. So, it will not be more than 8-9%, 10% of our total business. So, the impact of this is not as high as you and I assume it to be.

Percy Panthaki:

And just checking on data point which you just said, did you say that number of packs sold grew at about 16-17% in this quarter?



- Varun Berry:** Yes.
- Percy Panthaki:** And finally, can you give some guidance on the overall CAPEX at a consolidated level, FY23, 24, 25?
- Varun Berry:** So, just to highlight what are the investments that we are making, we have got three new lines, we have got a new factory in UP, we have got a new factory in Tirunelveli in Tamil Nadu and one new factory in Bihar which is going to come up. There are some lines which are coming up in Ranjangaon plus the Dairy facility and in Orissa we are putting up an additional line. So, basically all put together, the current year is going to be approximately Rs. 750 crores and thereafter I think for the next 2 or 3 years, it is not going to be very large, let us say the next 2 or 3 years, our total investment will be Rs. 250 crores odd.
- Moderator:** Thank you. The next question is from the line of Sheela Rathi from Morgan Stanley. Please go ahead.
- Sheela Rathi:** Two questions from my side, first is the clarification, this is to do with the sustainability slide, where you have mentioned 12.84% reduction in sodium versus 18-19, but if I remember correctly from the annual report, we had mentioned that we aspire to have a 6% reduction in sodium by 24, so just wanted to get that clarification here?
- Varun Berry:** That is one area where we have had more reduction than what we had stated for ourselves, so that has been working well. Manoj, Sudhir, do you want to comment on that?
- Manoj Balgi:** Yes, you are right, Varun. We had a target of 6% for the sodium on per serving basis, but we did basically rule out the sodium plant in various products to get to this number.
- Sheela Rathi:** And my second question Varun was on the distribution strategy, I think that has worked out very well for us, so just wanted to get an idea from you as to what is the aspiration on the distribution front both on rural side as well as direct distribution where we have reached a certain level now where we could be in the next two years there?
- Varun Berry:** That is a very important question and people continue to feel that how long will this last. I think this is everlasting, while we made great progress, there are still territories and states and areas which we still continue to be very poorly distributed. Rural still lags by almost 11 distribution points, so we have a long way to go and we will continue to work on it because it is such an important strategy for us. Very important part of our strategy has been our distribution gain and that is the one which has kept us away from really getting into fisticuffs with competition. We have been driving around distribution and been gaining traction and chair in all of these states, so a long way to go. Short answer is a long way to go and we will continue to drive that.
- Sheela Rathi:** And assumption of 15% increase every year could be a fair assessment, right?



- Varun Berry:** Yes, absolutely.
- Moderator:** Thank you. The next question is from the line of Vivek Maheshwari from Jefferies India. Please go ahead.
- Vivek Maheshwari:** My first question is on the market shares again Varun, so the market shares that you have presented on the slide are value market share and guessing, would volume market share also give us similar story?
- Varun Berry:** Yes, it will. So, we have also benefited from the fact that the premium products and premium offerings have been gaining over the value offerings, so it will be very similar.
- Vivek Maheshwari:** The other question is, you mentioned 16% growth in packs, low-single digit volume growth and 16% revenue growth, so does that mean that there has been a shift from larger packs to smaller packs?
- Varun Berry:** It could be momentary, it is not reflective of a long-term trend, but yes, this quarter we have seen 17% transaction growth with 16% revenue growth, but it is not like we have been seeing that forever, but in times like this, you have got to remember that there is some amount of down trading which goes off as things become better. So, it could be for a quarter or two and then it goes back to the old mix.
- Vivek Maheshwari:** And lastly Varun, how much will be the price cuts that you will need to take at the portfolio level in the coming quarter?
- Varun Berry:** It is not substantial. We haven't really looked at what number it will work out to be and we are not really taking a price cut. What we are looking at is projecting them as promotion, so that it doesn't look at we are permanently down to a certain price. It will be as a promotion, so that we can take out the biscuit and move back to our own price whenever need be.
- Vivek Maheshwari:** And at the time of taking up prices, you have had reasonable amount of that via volume, so conversely will also be true as input prices are going down, right?
- Varun Berry:** Yes, we are looking forward to that because while inflationary times like this, it is okay to have very small volume growths and the good thing is that we have had great transaction growths and that is what matters for us. How many packages, how many consumers are enjoying our products, etc., but volume growths are also important and we would like to get back onto a volume growth trajectory as well.
- Moderator:** Thank you. The next question is from the line of Kunal Vora from BNP Paribas Mutual Fund. Please go ahead.



Britannia Industries Limited
February 02, 2023

Kunal Vora: So, continuing on the previous question, so how should we look at volume and pricing contribution in FY24, you had double-digit price hikes in FY22, another double-digit price hike in FY23, so growth has been mostly pricing led, how do we look at that mix changing in FY24?

Varun Berry: So, from what we just discussed, I don't think we are going to see the kind of inflation that we have seen in the last 2 years for some time to come. I don't want these to be the famous last words, but I am hoping that I am right. So, with that, I don't think there is going to be a substantial price increase. It will only be opportunistic whenever necessary for certain SKU, but we are not looking at, the inflation number for next year is looking like, but 2.5 to 3% for us, so that is the kind of price increase probably that we will be looking at.

Kunal Vora: So, with that would the revenue growth moderate or you think the current growth rate or anywhere close to that is maintainable?

Varun Berry: That is one area which I haven't understood ever. When does growth rate pick up, when does it not, I have never been able to understand. What I have understood is, how to take share from the market by driving strategies, what happens to the market, I think God only knows, but I am hoping that the growth rate on the industry continues.

Kunal Vora: My second last question is, is there a correlation between the milk collection and your revenue as the milk collection doubles which you indicated, should we expect revenue also to double and when do you get to the 150 KLPD which you mentioned in terms of milk collection?

Varun Berry: 150 would be towards the end, but it is not only for the products that we will sell in the market. We will run the lines that we use for our bakery division as well. So, this will help us. Obviously, first, there are some overheads to the extension services that we provide. So, we will be able to max out and leverage the overheads on those extension services, we will be able to get better quality product which will be produced, whether it is SMP or Sweetened Condensed Milk or Whey powder, all of that produced in our own factory for our bakery division. So, there is no real correlation between that and the dairy revenues because this is the internal transfer from dairy to our bakery division.

Moderator: Thank you very much. We will take that as the last question. I will now hand the conference over to Mr. Yashwardhan Bagri for closing comments.

Yashwardhan Bagri: Thanks everyone for spending time with us on this call. We look forward to interacting with you again.

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