



10th August, 2023

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

To,
The Manager,
Listing Department
National Stock Exchange of India Limited, Exchange Plaza,
5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051
Scrip Code: BRITANNIA

Dear Sir/Madam,

Sub: Transcript of the Analyst Call held on 7th August, 2023 for the quarter ended 30th June, 2023
Ref: Regulation 30 read with Schedule III of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, please find enclosed the transcript of the Analyst Call held on 7th August, 2023 pertaining to Unaudited Consolidated and Standalone Financial Results for the quarter ended 30th June, 2023.

The transcript of the analyst call is also available on the Company's website at
https://www.britannia.co.in/data/Analyst_Call_Transcript_Q1_2023_24_a3b15d8838.pdf

Request you to please take the above information on records.

Thanking you,

Yours faithfully,

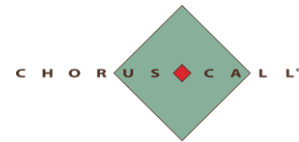
For Britannia Industries Limited

T V Thulsidass
Company Secretary
Membership No. : A20927

Encl.: As above



“Britannia Industries Limited
Q1 FY '24 Earnings Conference Call”
August 07, 2023



MANAGEMENT: **MR. VARUN BERRY – VICE CHAIRMAN AND
MANAGING DIRECTOR – BRITANNIA INDUSTRIES
LIMITED**
**MR. RAJNEET 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. MANOJ BALGI – CHIEF PROCUREMENT OFFICER
– BRITANNIA INDUSTRIES LIMITED**
**MR. MAYANK MUNDRA – INVESTOR RELATIONS TEAM
– BRITANNIA INDUSTRIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Britannia Industries Limited Q1 FY '24 Earnings Conference Call. As a reminder, all participants will be in 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 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 the Investor Relations team. Thank you, and over to you, Mr. Mundra.

Mayank Mundra: Thanks, Neerav. 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 Q1 2024. Joining us today on this earnings call is our Vice Chairman and Managing Director - Mr. Varun Berry, Executive Director and CEO - Mr. Rajneet Kohli, Executive Director and CFO - Mr. N. Venkataraman, Chief Commercial Officer Sales and replenishment - Mr. Vipin Kataria, Chief Marketing Officer - Mr. Amit Doshi and Chief Procurement Officer - Mr. Manoj Balgi.

The analyst deck 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, everyone. So let's jump to the deck. So Page 3 of the deck. So this gives the parameters for the quarter. So our revenue growth was 9%, which actually incorporated a transaction growth of 9% as well. Operating profits grew by 37%. And our market share was stable. However, the gap with the second-largest competitor became much larger this quarter. Moving on to our strategic pillars. You've seen these distribution, marketing, innovation, adjacent businesses to contribute more as we go forward, cost efficiency programs, which we've been running for quite some years now, and sustainability, which together will drive profitable growth for the company.

Moving on to Slide number 5. So if you were to look at our distribution, we are now at about 26.7 lakh outlets in total. Our focus state growth has been much higher than our growth for the rest of India. So focus states have continued to grow at a faster clip, which is 2.2x what we've grown in the rest of India. Our rural distribution continues to move up. We are at 28,000 rural distributors now. And as we speak, we are scaling this up even further.

Slide number 6, key marketing activities. So we focused on Marie, Milk Bikis, Pure Magic, 50-50, Croissant, Winkin Cow. And we also started the Marie My Start-up Season 4. The rewards and recognition programs that we participated in, we were chosen by the FMCG brand out of home by Kantar. And our marketing team got the marketing team of the Year awarded the ET Sharks Award for 2023. So proud moments for us. We've run some consumer promotions, which are a mix of items as well as grammage pack.

The grammage packs have been more to make sure that we remain competitive as inflation has receded, it's the local competitors that have started to bring in more grams and bag. So we are

making sure that we remain competitive with that. On Innovation, we've had a very interesting product launch in Jim Jam Pops, and we've got some very interesting advertising as well behind it. We've also launched the multigrain Rusk, which has been launched to invest in South only for the time being. We've also scaled up 50-50 Golmaal, which is doing extremely well for us. We've also had a robust season for Winkin Cow with a wide range of offerings.

So we obviously have transitioned to the PET bottles, which are doing really well. These are aseptic PET bottles, and the line is in Ranjangaon. It's an expensive line, but it's eco-friendly because you use less plastic as well as the quality of the product, because you're not subjecting it to very high heat, is a lot better. It's not burned. It's a product which is much better than a heat-treated product. And we've also launched rich milkshakes and coconut water this season. And we've had very high double-digit growth as far as drinks are concerned. And our innovation contribution has been greater than 10%.

So moving on, our adjacent businesses are also on a reasonably strong footing, I wouldn't say, absolutely strong footing. Cake, we have been scaling up our innovations. We've launched the big Swiss Rolls. We've also done cupcakes. And sequentially, we moved up on cakes, but post-COVID, this is one category which seems to be still coming into its own. But we've seen green shoots this quarter, and we are absolutely confident that cake is moving in the right direction. Rusk, again, we've strengthened our portfolio with regional core flavors like butter Rusk, which is yeast dominated product. And our local competitor had a large play in that. We've just launched that. We've also scaled up Milk Rusk in Kerala. And bread, we continue to grow profitably as far as this product is concerned.

On Rusk, we -- again, it's been a lot of local competition. There are about 2,500 local competitors all over the place, more so in the north. And we have made sure that this quarter, we became competitive. Obviously, we can't match the local competitors, but we became a lot more competitive than we were. And we are confident that as we move forward, even in this category, we will gain muscle.

You know that this category contributes a reasonable amount of top line as well as good profitability as well to us. So we are making sure that we become competitive and we deal with each region in a different way. South, East, and West are different, and North is different, and that's how we are making sure that we deal with this category.

International has been a good story. Middle East and Africa has been growing in high double digits with much-improved margins. We've seen double-digit profitable growth in the rest of international as well, led by the Americas. Nepal continues to be a very good story with high double-digit growth and expanded margins. We've started a business in Egypt, where it's doing extremely well. And Kenya is we've got a joint venture there. We've had a little bit of staffing trouble with some forex issues there, but we are very confident that even the Kenya business will come in line as we move forward.

So international has been a decent story for us with very good growth. Darian, I spoke about. The Winkin' Cow products are doing very well. We've taken the change of identity as far as steel is concerned. Britannia The Laughing Cow is now moving forward, going to be a very big driver

for growth. And we've launched the The Laughing Cow portion, which is that round box that you see in the center and it's doing really well. And we are starting to launch our INR10 cases of cheese as well, and we hope to see very, very good growth as far as dairy is concerned.

Supply of SMP, which is our milk powder and our sweetened condensed milk and butter for captive consumption, has started from our factory to our bakery division, and that's going well. Moving on to the next slide, which is Slide 9. Cost efficiencies across verticals have been moving well. As you know, the teams have been the fuel consumption, renewable energy, and market damages that we received back from the market, distance traveled, truck utilization, and line throughput, and we've been making good progress in each one of these.

And our target for '23-'24 is 7x what it was in '13, '14. So we are stepping up this cost reduction program every year, and we've been able to do so. And you've got to remember, once again, that this is not anything which is carried over from the last year. The meter starts on the first day of the year and ends on the last day of the year as far as this is concerned.

Moving on to Slide number 10. We've set up some really good factories. And this year, we've scaled up Barabanki, which is in UP. So we scaled it up in Q1 of '23,'24. We've got 5 lines running there. And that's a factory which is starting to perform at efficiency currently. Similarly, Perundurai, which is in Tamil Nadu. Both of these factories, we are grateful to the UP government as well as the Tamil Nadu government for the incentives that it's provided for us. And this is giving us capacity in the right place and helping us improve our freshness to market as well.

Moving on to ESG. Now on ESG, we continue to follow our programs on people, resources, governance, and growth. Some of these are outlined here. Just to let you know, we won the award by the business world of being in the top 30 most sustainable companies in 2023. We are very proud of that. We've also been shortlisted for the World Sustainability Awards for 2023. Some of the achievements in this area have been 100% plastic neutrality.

We have moved our Dow Jones score to 53, which is third amongst the FMCG peers in India. Our sugar and sodium has been reduced by 2% and 8%, almost 8%, respectively. And we've been recognized, as I said, as one of the top 30 India's most sustainable companies. So very proud of this, and we are making sure that we take this agenda to the next level in this year.

Moving on to our malnutrition reduction program, we've extended this to 2 new centers, and we've made sure that we've also helped refurbish the Bai Jerbai Wadia Hospital, which is part of the Nowrosjee Wadia Maternity Hospital. And we now have 4 lakh 70,000 patients which are being treated in this hospital. We've also got 37 lakh patients who've been treated in the last 10 years, with 925 beds dedicated to these patients. We've also got other CSR initiatives, which have been extended to 131 new villages. We've got the Nutrition Foundation, helping with -- we've gone to additional 625 schools. We've gone to almost 700 new Anganwadi centers, and we've got now 250,000 beneficiaries of this program. So good progress there as well.

So now moving on to Slide number 14, which is a view on what's happening on the commodity costs. On the commodity side, there has been inflation as far as flour is concerned. So if you

look at it versus last year, there's been an inflation of about 3%. Now these are numbers for us. Obviously, the numbers because we were covered last year, our inflation or last year's numbers for us were much better than the industry. So other companies probably have seen a flattish story as far as CAGR is concerned.

Palm oil has been a huge deflation. We've seen a deflation of almost 21%. On sugar, there has been a slight inflation of 1% and versus last quarter, it's been an inflation of 2%. On laminates, again, there's been a deflation versus last year of 18% and versus last quarter of 3%, and similarly on corrugated boxes. So basically, slight inflation on flour and sugar and deflation on the other commodities that we buy.

So moving on to Slide number 15. On the cost and profitability front, we've initiated pricing actions to stay competitive and drive market share. Now as I was saying on the last slide, some of the companies had not covered as well as we did last year. So their commodity prices were much higher than ours last year. So they have seen a deflation, which is much larger than what we've seen this year. And as a result of that, there's been quite a few price corrections, which have happened in the market.

Being the market leaders, also, we had taken the first mover advantage on all price increases because we wanted to make sure that all inflation was covered. So there were lots of corrections which had to be made because in certain cases, some large competitors had taken pricing downsides. And in certain cases, they had not followed us on the price increase. So on a case-to-case basis, we've looked at what needs to be done to make sure that we remain competitive. We've also increased our advertising and sales promotion to support our brands and drive innovation. We've obviously doubled down on our cost efficiency programs across all functions to make sure that we remain extremely competitive, and we remain the lowest cost operators in our categories.

So on an outlook basis, we are very vigilant on competitive pricing actions. We are also closely monitoring the stock price situation of commodities. And finally, we are employing the necessary pricing strategies which would be deployed to remain competitive and drive market share as well as drive profitable growth in the future.

So as a result of that, our numbers for the quarter have been very healthy. We've -- if you go to Slide number 17, we've had -- on the top line, we've had a 12-month growth of 9% and a 24-month growth of 18%. And if you go to the next slide, our operating profit has grown in the 12 months at 37% and in the 24 months at 22%. So a fairly healthy and robust growth on both the top line as well as the bottom line.

Moving on to Slide 19. This gives us certain parameters on -- so I've already spoken about the top table. So net sales, 9%, and 18% operating profit, 37% in 12 months, 22% in 24 months, profit before tax, 34% in 12 months, and 17% in 24 months. And PBT, again, similarly, 36% and 17%. If you were to look at some of our ratios, profit from operations is still a very healthy 15.6%. Profit before tax is at 15.7%, and profit after tax remains at a very healthy 11.5%. So that's where it is. Obviously, some factors, there were some profits which were booked last year. So we are cycling certain profitability, which was taken for a larger period. And we will take

that in our questions as we -- I'm sure you'll have questions on that. So that's all for me. Let's open the house for questions.

Moderator: We'll now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Nuvama Institutional Equities.

Abneesh Roy: I've got 3 questions. So my first question is on the volume growth, which was flattish. So could you elaborate on what exactly you have done in terms of several pricing initiatives? And in case you have passed on gramage back to customer, when do you see the volume trajectory benefiting because of that?

Because if you have passed on grain, why is the volume still flattish? And related question to this is when I see the market share data which you have given? Number 2 the player has lost significant market share, but that benefit does not seem to have come to us. You have also lost, I think, a big market share. So is this data credible? And if it is credible, who has gained the market share?

Varun Berry: Yes. Abneesh, that was like being in a firing squad with many questions coming my way. So let me just understand. Your first question was on volume growth. Was that?

Abneesh Roy: Yes.

Varun Berry: Yes. So Abneesh, the fact is that we've not equated prices everywhere. We have taken a very cold call on what is necessary and what is not. Second is that the markets are a little sluggish compared to what we've seen in the past. What we've seen this quarter, and I'm not sure, I think I've heard the same commentary from other FMCG companies as well.

There have been -- there has been sluggishness in the rural markets, even for us. While we've been growing faster than the market in rural, the sluggishness is definitely there. And even the urban markets, while modern trade has been robust, and so has e-com, the traditional trade markets, both in rural and urban have been a little more sluggish than what we've seen in the past.

But these are all passing phases. What we've seen in the past as well is that we tend to get overly worried about a quarter, which is a little slow on a certain channel growth. But it sort of eases out. And we are seeing, I would say, slight signs of that happening, although it will take a little bit of time for the growth to pick up. You are right about market share. We have been flattish. And the reason for the gainers of market share has been all local players. So the local players, because of the pricing actions that they're taking in their small vicinities have gained a little bit of market share.

And that's a phenomenon that we've seen in the past as well. When the inflation is high, local players just walk away. And when things start to become a little more normalized, local players come into the market and start to operate large schemes for customers as well as consumers. So that's what we are looking at currently. It's a matter of 1 or 2 months. And we are very confident that with all the actions that we've taken. And most of the actions have been back-ended in the first quarter. We are very confident that we will be back, and we will get back on to our

trajectory. So does that answer your question, Abneesh, did I miss out anything from your firing squad?

Abneesh Roy: Only one thing. So in terms of pricing, it's largely price cuts in select SKUs? Or is there grammage addition also with that?

Varun Berry: No. So it's basically grammage additions that we've done in certain cases. And in certain cases, we are looking at doing some article promotions and price cuts. So it's a mix of all these.

Abneesh Roy: My second question is on dairy. So in dairy, you mentioned captive consumption of SMP, FCMs what does it translate in terms of, say, any savings in terms of cost? And second, this new brand architecture has already been done in terms of the lapping count. In terms of distribution, like 1 to 2 years, what kind of scale-up could be there because now, obviously, you will become more affordable to consumers gradually as your supply chain and manufacturing become normalized. So if you could elaborate on both these aspects.

Varun Berry: So what it does is it helps us fulfill our commitments to the farmers. We are collecting a lot of milk from our farmers. We are processing that, and we are -- whatever is required from the company's perspective, we are fulfilling that. At this point, there is no cost advantage of doing that, but there is no cost disadvantage either. We are in the process of scaling up our factories. And yes, once we scale them up fully, we will start to see cost advantages as well.

On the cheese part of the business, yes, we are really looking forward. The initial signs are looking very positive, at least on cheese. And we are really looking forward to good growth. We don't give forward-looking statements. So I won't give you a number on that. But all I can tell you is that we are very optimistic on what we can do with our cheese portfolio now.

Abneesh Roy: So one last very quick question. On Rusk, your commentary was that not very strong, reasonably strong in terms of growth. And you have been doing innovation very aggressively over the past many quarters. So what is the issue here? Is the overall market not leading up to the initial expectations which you had? Or is there again a pricing and regional competition, which is also there?

Varun Berry: So it's a mix of both. One is the market growth has been a little tepid. And second is that regional competitors, again, similarly to what I told you about biscuits, the same phenomena is happening here as well. And as I told you, there are 2,500 regional competitors as far as Rusk is concerned. So the owners of making sure that we protect ourselves and grow our business and make sure that we do what is right for the business is on us.

And we've commissioned Rusk clients all over the place. We never had our own Rusk client in the North. We've just commissioned it in UP. That will give us a major advantage as far as Rusk is concerned in UP and similarly grammage. And so this is -- now we are taking Rusk capacity also in-house, which will give us a big advantage not just from a cost perspective but also from a quality perspective. Abneesh, you've taken almost 30% of the time with your firing squad.

Moderator: Next question is from the line of Avi Mehta from Macquarie Group.

Avi Mehta: Sir, I just had 2 questions. First, would it be fair to say that 1Q reflects the entire impact of the rising price-based competition? And hence, we should retain our expectations of a flattish EBITDA margin for the full year.

Varun Berry: Well, I would not say that it's not flattish. If you look at our trajectory for many years, except for -- so if you look at it, if you look at '21, '22, we were at an average of about 14%, right, on operating profits. In Q1, we are at 15.6%. So what you are really looking at in the coin periods of high numbers. So whether it's 2021, and obviously, last year, we were taking price increases to make sure that we met our targets as far as inflation was concerned. So if you were to look at -- if you were to draw a line progression line, I think we are moving in the right direction, and I think that will continue.

Avi Mehta: Sir, I'm sorry. So should we say that -- I mean, at least for the near term, we are broadly done from a pricing or come price-based competition perspective in that 17.5% or 74 that we did broadly flattish number, we should see that's the right understanding, right? I just didn't -- I wasn't sure if I got that correct.

And the second bit, sir, is on the pricing growth. So I'm just revisiting our comments. You had said that we should expect about 2% growth is what you have built-in or you would expect for the next year or this year. Does that need to be revisited, given the recent price cuts that have been done, or it's broadly in line with what you're kind of assuming?

Varun Berry: What, 2%? I'm not aware of this 2%. What are you talking about?

Avi Mehta: So the FY '24 pricing, you said volume growth will move up from what we saw FY '23, and pricing will come off, and you at last -- in 4Q, we were discussing that...

Varun Berry: Yes. No. So that 2% will probably not happen this year. It seems that it will be a flattish year from a price standpoint. Yes. So it's not going to be a 2% increase. And the reason for that is the commodity prices. And with that, I think we should be in a good place to make sure that we are able to grow.

Yes, on the volume front, I think we will start to see the volumes come back. But you've got to remember that last year, second quarter, we had grown 22% or something like that. Yes, we had a very big second quarter. But I think post that, volumes, in any case, will start to come back.

Avi Mehta: So volume growth should be high single digits. That kind of expectation could probably have an upside given the pricing growth probably kind of changes. That's how I should kind of read it.

Varun Berry: Yes. And in our category, the way to look at volume growth is actually -- the way I look at it is transaction growth. Because see, if you've taken out 3 grams from a biscuit, the consumer is not going to go and buy one more packet of yours, right? So that does impact overall volumes in terms of tonnages, but it doesn't impact the number of packages that we are selling. So our transaction growth has still been a very robust 9%. They are equal to our revenue growth and which is what we look at. But having said that, I understand where you're coming from. I think even tonnages will start to grow as we move forward through the year.

- Avi Mehta:** Perfect, sir. And just bookkeeping, sir, is it possible to share the ICDs on bookkeeping, and that's the last one on my side.
- Rajneet Kohli:** So ICD, as of June 30, stands at INR760 crores between Bombay Dying and Bombay Burma.
- Moderator:** Next question is from the line of Percy Panthaki from IIFL Securities.
- Percy Panthaki:** I was just looking at your gap between the volume and value growth. So this quarter, it's a 9% value growth and 0 volume. So it's a gap of about 9%. If I look at it in Q4, it is also about 9%. So it doesn't seem that there has been a lot of price cut or anything of that sort in the last 3 to 4 months.
- And yet, if I look at your EBITDA margins, even adjusted for the PLI one-offs, I think it was close to 19% in Q4, which has come down to 17.5%. So how do we explain that without too much pricing, the margins have still come off, and the volumes are also weak?
- Varun Berry:** So in this quarter, we've taken price reversals of about 1.8%. There were fiscal benefits, which were one-time PLI accrual, which was taken in Q4 last year, which was 2.4%. So price reversals of 1.8%, fiscal benefits are because they were taken in Q4 and not in Q1. So that's 2.4%. There's an employee cost increase, which is flattish. And there is a decrease in other expenses, which is led by advertising spend, which is about 1.2%. So versus Q4, we are negative by 3.3%. So that is the number that you're looking for, I believe.
- Percy Panthaki:** Okay. So how do we look at margins for the rest of the year? Should we believe that unless the commodity prices change versus the current levels, the margins that you have currently sort of done are a good representative of what should continue in the future? Or do you think that it could drop further because you might take further price cuts? I mean how should I approach this? I'm not looking for a number guidance, but more of guidance on how to think about this?
- Varun Berry:** No. So the way to think about it, the way I think about it is that the priority for us, we are reasonably profitable. I think we are -- our margins are very robust and healthy. The trick is growing our top line and making sure that we get the volumes and the shares which are required, and with that will come the margins. Okay.
- Percy Panthaki:** So it is possible that in the near term, the margins might go below what we have seen this quarter. Am I reading that right?
- Varun Berry:** No, you're not reading it, right? I didn't say that at all.
- Percy Panthaki:** Okay. Understood. So basically, we should see a gradual recovery of volumes and tonnage and, at the same time, more or less maintain our current margins over an average of the next 3, 4 quarters is -- would that be the right application?
- Varun Berry:** Yes, yes.
- Percy Panthaki:** Okay. Understood. Secondly, I just wanted to understand in terms of your main growth drivers; of course, innovation is one of them, but the second has been distribution expansion. Do you think that driver can continue to contribute at the same rate over the next couple of years as it

has contributed over the last 5 years, given that as we expand more and more, the opportunity to expand sort of reduces because it's a finite game at the end of it?

Varun Berry:

I wouldn't say that. I do think, see, as I've told you in the past as well, are the clear opportunities are in the Hindi states and certain other states as well, and we are really digging in to make sure that we neutralize those deficiencies that we have in the system. So I do think that we have a runway to gain distribution gains. But beyond that, it's also about our new categories. I think our new categories have started to perform much better. So we've seen cross-sales doing very well. We've seen drinks and our flavored milkshakes, etcetera, are doing very well.

Even wafers, we are putting a solid strategy to make sure that we make that into a reasonable-sized business as we go forward. So all that, I think, is going to start to contribute more to our business as well. Obviously, as I said, even cake and Rusk, while right now, they are not overweight. But as time goes by, I'm sure that they will bring their weight also to the other categories' growth. So I think -- and obviously, dairy, which I've spoken about already, cheese, we've started to see green shoots of very good growth with the joint branding and the new products that are coming in. So I think all that will also add to what you're talking about.

Moderator:

Next question is from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi:

Two questions from my side. Now we have already started commercial production under Bell JV. So I just wanted a little more understanding on the entire dairy business. So we have our own products. And now we have Bell products, which have said that Laughing Cow had gone into the market. So 2 questions here, what are the dairy sales contributed in this quarter? And in terms of distribution scale-up, what has happened in terms of Bell portfolio, some more a little more depth?

Varun Berry:

So we've seen double-digit growth. Well, this quarter, we were just starting up. So there were some shortages as far as the cheese was concerned because the Bell product had stopped coming into the market, and we were starting up to do the joint branding. So this quarter wasn't a great quarter overall. But in the third month, we started to see cheese volumes and revenues start to look very good, and that continues as we speak as well. So it's been -- I would say, this quarter has been a reasonable performance, but it's very clearly showing a path to the future to us.

Shirish Pardeshi:

Okay. Yes. So against last year, INR550-odd crores, we should be targeting double-digit strong double-digit growth. That's what you're saying?

Varun Berry:

Yes.

Shirish Pardeshi:

Okay. And my second question on UP and Tamil Nadu. You mentioned that there are some incentives which we have got. So what is the quantum, which we have already booked in this quarter or maybe this year expected to come? And part 2 is that what it means to -- and you said both the locations, we have started 5 lines. So could you explain what are these lines you have started?

Varun Berry:

So on the incentives, UP, we have still not got the eligibility certificate, so nothing, therefore, is recognized in the books. And team, we have got the eligibility certificate, and a very small

amount has been booked in quarter 1. It's about INR7 crores, INR8 crores have been booked in quarter 1.

Shirish Pardeshi: So sir, for the full year, what is the expectation for incentive.?

Varun Berry: So we are in the process of -- yes. Because some of these in PL, for instance, it is an incremental sale that comes out of all the factories in TM. So it's not a straightforward computation. So it will take us some time before we can quantify and see what are the products which are happening in this factory and 4 other factories, which are also there in the state, etcetera. So we'll make an assessment, probably H1, and we should be able to make an assessment.

Moderator: Next question is from the line of Arnab Mitra from Goldman Sachs.

Arnab Mitra: My first question was, again, actually, on margins. So you mentioned you probably need to take some more price corrections. And our understanding is there is a bit of a sequential up move we are seeing in edible oil, sugar, and possibly even in wheat flour. So in this environment, do you not feel that there could be more pressure in margins in the near term? Or are there other ways you could offset this situation?

Varun Berry: No. So see, edible oil, there is no uptick. Edible oils actually are at the lowest ever in the last 3, 4 years. Sugar, yes, there has been a little bit of inflation, but I think the government is very clear that they want to control this. So I don't think there's going to be much inflation as far as sugar is concerned. Flour is the one which we really have to watch because the production hasn't been as good this year. And while the inflation currently is low single digits, but we've got to watch that. But at this point in time, it seems we are covered for the next 3 or 4 months.

So we just have to make sure that we do this carefully. And obviously, we are doing things in a way that they are reversible at short notice. So we don't see a risk. But if there is a risk that emerges, we will be able to make sure that we mitigate that very quickly.

Arnab Mitra: Okay. The other thing I wanted to ask was on employee costs and depreciation. This seems in the stand-alone and consul both. It seems to have stepped up Y-o-Y as well as sequentially. Is this largely due to new capacities? And do we see this going up further as more capacities probably are in line for getting commissioned or ramping up?

Varun Berry: See, you will see some increase there, but there are obviously savings that we make in commitment charges as well as conversion charges from CPs. So it's a bit of a left and right. Venker, would you like to comment?

N. Venkataraman: Yes. No, absolutely right. So the increase in depreciation is on account of some of these units, which have come up, dairy, UP, terminate, etcetera. It's also the increase in employee cost that you see is partially on account of that plus on account of the increments that have happened in the current financial year. So like Varun said, what really happens is that while some of these lines see an increase, there is a reduction that happens in the conversion cost, which goes as part of the other expenses.

So we have been tracking that quite closely to ensure that overall, we stand to gain. And that's one of the reasons why we are putting up these factories closer to the markets. But having said that, one thing is clear that we have to start to grow our top line faster as we go through the year. We've got capacity, and that's -- we've gotten new lines. We've gotten incentives. Now the owners are on us to make sure that we grow our volumes and our shares in each one of these markets because that gives us better profitability. So I think we are poised very well on that.

Moderator: The next question is from the line of Kunal Vora from BNP Paribas.

Kunal Vora: My first question is on retreatment spend. So if I look at FY '23, that number was up more than 50%, which is much higher compared to what the industry was doing. How are you looking at the number in FY '24 with increased competition, would you look to raise it, or with moderation in revenue growth, you would want to reduce it?

Varun Berry: Can you repeat the question?

Kunal Vora: Yes. I was looking at the FY '23 annual report, and I see that your advisement spends are up 62% year-on-year, which was unlike most of the FMC companies.

Varun Berry: You're talking about last year?

Kunal Vora: FY '23, I was looking at FY '23, but I'm now asking for thoughts on FY '24 about like, say, how do you...

Varun Berry: Yes. So '23, you see, if you think about it, in '22, '23, we were cycling the '21, '22. And in '21, '22 because of COVID and because of the inflation, we had really cramped up on our spend. So we had just normalized our spend. It was not like we had gone completely out of whack. We had normalized our spend after those 2 or 3 years of COVID. And that's why you're seeing the increase. I think we will remain within these parameters. It's not like we are looking at taking this completely out of the charts. We will remain within those parameters as far as these spends are concerned.

Kunal Vora: Where you were at 400 to 500 in the earlier years, it went to which is a sizable jump. So would you remain closer to 75% or go back to the 500 levels which you had earlier?

Varun Berry: See, we are at about -- if you remove the sales expenses, we are at about 3.5% to 4% of our revenue, right? So it will remain in that percentage, roughly.

Kunal Vora: Sure. Okay. My second and last question is on innovation contribution. So you have about 10 - - you mentioned about 10%, which is like -- which seems higher compared to peers. So what is your definition of innovation? And how much of this will be new products, and how much of this will be innovation of existing products?

Varun Berry: No, that 10% that I spoke about was dairy only. Our total innovation is about 4% currently. And it will remain in that 4%, and I have defined that for you. The definition is that products that have been launched in the last 24 months. After 24 months, they go out of the innovation bracket.

And if new products are launched, they come into that. So it will remain between 4% to 5% of our total revenues.

Moderator: Next question is from the line of Richard from JM Financial.

Richard: I wanted to take your input on how you think the metrics pan out here onwards as we go into Q3 and Q4. The genesis of this question is that pricing growth anniversarizes completely sometime in Q2. And wherever the price cuts that you've taken or will take further will add on to the price decline that could come by then. So unless volumes pick up substantially, my guess is that top-line growth could look like 0, with whatever volume growth being there, getting offset by the negative pricing.

This is on top line and on profits. Your H2 last year gross margin, as well as EBITDA margins, were already pretty rich at 18% to 19%, even if I were to strip out the bunched-up PLI from the equation, grateful if you can comment on this, if there's something I'm missing or if you would like to throw some light on what ways are there to prop up value growth and margin as the quarters progress?

Varun Berry: No, you're right. See, the pricing, we had -- in fact, we had kept taking price increases even till the end of Q4, right? And there were some price increases, which were even taken in Q1, right? So while there were price increases, there were also rationalizations on certain SKUs. So we worked at both ends. And you're right about -- see, last year's price increases continue till the end of the year. But the max number of price increases that we took is worth till Q3, right? So yes, next, we are cycling a pretty high base as far as these quarters are concerned. So we will have to make sure that we work doubly hard to get our top lines to grow.

Richard: Okay. The second one also wanted your view on this line called other expenses, right? I mean this is a line that used to grow in single digits some years back and used to be the key source of margin expansion for a long period of time. The rate of growth in this line has been much higher than usual in the last 5 quarters. If you can just throw some light on the reasons for such a sharp increase in lease overhead suddenly in the recent past, despite your extremely, I would say, high level of focus on costs usually?

Varun Berry: So if you were to compare other expenses from, let's say, last year to now, the single largest contributor in the increase has been advertisements. Advertisements are not counting promotions and trade spends, and that has grown from 3.5% of the top line to 4.2% in the current year. But that's something that -- so what has been happening, Richard, is over the last 3 years or so, 2021 onwards, we have been spending ASP. We have been coming back to normalcy. We have been pulling it down.

So 2021 was a very low spend. '21,'22 when the second wave of COVID happened, again, we pulled it back a little bit. So we have been sometimes spending our normative levels and sometimes not spending at all. Therefore, you tend to see that growth. It's essentially driven by NSP spends. This is going back, Richard, to a normative level. As I said, it will remain in that ballpark of 4%, 4.2%. And you will see growth, and you'll see -- so now I think things are much better, COVID is out of the way and we are back to normal life. So it will stay at about that.

Moderator: The next question is from the line of Latika Chopra from JPMorgan.

Latika Chopra: My question was on market growth. You mentioned that the market growth has been stepped, and your market shares were flattish. If you could elaborate a little better on any specific product segments under biscuits, which are shipping a lot more slower growth, a lot more competition? Or any specific geographies you may want to fall out? And I also heard you say that this could be a temporary phase. So based on your past experiences with local competition coming back, what kind of time frame do you envisage before the national players start coming back on the market share front?

Varun Berry: So Saratoga is also a little bit of a visual cycle. So what happens is that in every product life cycle, you see phases when the growth -- what I've heard even restaurants saying that this quarter has been one of the largest restaurant companies told me that this has been the slowest quarter. In fact, they're running double-digit negative in this quarter.

And the reason for the same given to me was that last year, there was revengeting happening, and people are normalizing they're going out, etcetera. I don't think it's such a severe impact. But yes, there seems to be a cycle. And what happens during these times when there is -- when everyone in the category is hitting a wall, what happens is people tend to be desperate, right?

And in that desperation, the local players, especially, they tend to then be a little irrational in what they do. So you've got to just ride out these phases and make sure that your strategic agenda doesn't change, and you do not become tactical, and you also start to do what the local players are doing. So we are doing exactly that, yes. We are trying to make sure that our strategic agenda remains our main agenda. Yes, we will do what is necessary to make sure that we do not lose space to them in the short term. And then we will come back with a bang once things have normalized.

The slowness that we've seen is basically in the traditional trade markets, more so in rural. And while our agenda on rural has been fairly robust, and we've been growing our distribution, but we still have seen some amount of slowdown there. And we are hoping that that's a temporary phenomenon and things will come back.

And I don't think it's restricted to only our industry. I think it's an overall situation, which nobody has been able to point a finger at what really is driving it. But my own hypothesis is that it will slowly and steadily come back. We just have to make sure that we drive our own agenda.

Latika Chopra: Sure. And my second question was on capex plans for FY '24. We saw a significant step up in FY '23. So just wanted to know what you are thinking about FY '24. And if there is any clarity on FY '25 capex plans also, if you could share?

Varun Berry: So it's going to be a continuation of what we are doing. So we've got the factories which are already in process. So there's a little bit of investment coming up in Ranjangaon, which is dairy related. We've got a factory coming up in Bihar because Bihar we've been running out of capacity, and that's coming up, and it's coming up with incentives. We've got a little bit of expansion in Orissa. So that's about it. We will continue with these projects. And we are not



looking at any more capacity expansion till we are able to scale up our volumes and our revenues in the coming quarters.

Latika Chopra: Any number you want to put for FY '24 capex?

Varun Berry: Yes, it's going to be about INR400 crores to INR450 crores.

Moderator: Ladies and gentlemen, we'll take that as the last question. I now hand the conference Mr. Mundra for closing comments.

Mayank Mundra: Thanks, everyone, for spending time with us on this call today. 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. Thank you.