April 29, 2024

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Sub: Transcripts of Conference Call pertaining to financial results for the quarter and year ended March 31, 2024

Dear Sir/Madam,

In accordance with Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we are submitting the Transcripts of Conference Call held on Wednesday, April 24, 2024, in respect of the financial results for the quarter and year ended March 31, 2024.

The same can also be viewed at https://www.tataconsumer.com/investors/financial-information/call-transcripts

This is for your information and records.

Yours faithfully,
For **Tata Consumer Products Limited**

SIVASANKARAN SIVAKUMAR
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“Tata Consumer Products Limited

Q4 FY’24 Earnings Conference Call”

April 24, 2024

MANAGEMENT: **MR. SUNIL D’SOUZA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – TATA CONSUMER PRODUCTS LIMITED**
MR. ASHISH GOENKA – GROUP CHIEF FINANCIAL OFFICER – TATA CONSUMER PRODUCTS LIMITED
MR. AJIT KRISHNAKUMAR – EXECUTIVE DIRECTOR AND CHIEF OPERATING OFFICER – TATA CONSUMER PRODUCTS LIMITED
MS. NIDHI VERMA – HEAD - INVESTOR RELATIONS & CORPORATE COMMUNICATIONS – TATA CONSUMER PRODUCTS LIMITED

MODERATOR: **MR. MANOJ MENON – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '24 Earnings Conference Call of Tata Consumer Products Limited, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you and over to you, sir.

Manoj Menon: Hi, everyone. As always, it's our absolute pleasure at ICICI Securities to host the Results Conference Call of Tata Consumer Products. A wonderful good morning, good afternoon, good evening to you, depending on the part of the world you are joining from.

Now handing over the call to Nidhi Verma from the management for the introduction and for further proceedings. Thank you.

Nidhi Verma: Thank you, Manoj. Thanks for hosting us. Welcome, everyone to the Q4 and FY '24 Conference Call for Tata Consumer. I am joined by Mr. Sunil D'Souza, Managing Director, and CEO; Mr. Ashish Goenka, Group CFO; and Mr. Ajit Krishnakumar, Executive Director, and COO. I hope you have had the time to go through the materials that we put out yesterday. But as we usually do, we will spend about 10 to 15 minutes going through the key performance highlights of the quarter and the year and then open the floor for Q&A. I just want to draw your attention to the disclaimer statement, which is on your screens right now.

With that, I will hand it over to Sunil.

Sunil D'Souza: Thanks, Nidhi. So, if I walk you through the executive summary, overall, our top line was up by 9%, in constant currency, 8%. India Beverages, flat volumes, but revenue grew 3%. India Foods continued its strong trajectory, including Capital Foods, was up 20%. If I exclude Capital Foods, 11%. Like-for-like volume growth, and this is primarily driven by Salt, was 4%. International business, 7% revenue growth, 5% in constant currency, most importantly, significantly improved profitability.

During the year, consolidated revenue, up 10%, 9% in constant currency. India Beverages volume up 2%; revenue, up 7%. India Foods like-for-like is 15%. Including acquisitions, was 18% with a 5% like-for-like volume growth. International business was up 9%, 5% in constant currency.

The big upside -- a big bright spot for us is that the India growth businesses continued their strong trajectory, growing 40% in FY '24, accounting for 18% of India business, up from 15% last year. We had a strong improvement in overall profitability, consolidated EBITDA growth of 24% and margin expansion, 170 bps to 15.3%.

On a MAT basis, the India business saw a marginal share loss. That said, quarter-on-quarter, we are seeing stability/improvement. Salt shares are up to close to 40% right now. Just to recap, when the merger happened, we were at 30%. They improved by 50 bps on an MAT basis.

Innovation to sales ratio, up from 3.4% to 5.1%. I would say, towards the top quartile of the industry now. Front-end and back-end integration for Capital Foods was completed within 60 days. We had always set out a target of full integration in 100. We're on track for that. Transaction for Organic India closed on 16th April, which is this quarter. And therefore, you will not see the numbers of Organic ~~foods~~ [India] in the last quarter numbers. And again, the target for integration is also 100 days, in the case of Organic India as well.

We continued our good work on net working capital. The India core business is down to 0. Overall, as a company, we are down by 8 days versus last year down to 27 this year. India, including all the other businesses, net working capital of 4 days.

In terms of performance for the quarter, I talked about 0 volume growth and 3% revenue for India Beverages. India Foods, leaving out Capital Foods, was 4% volume and 11% revenue. Including Capital Foods, and just as a perspective, Capital Foods was only February and March, was 5% volume and 20% revenue. U.S. coffee volume growth of 6% and revenue growth of 3%.

International tea broadly flat, minus 1% volume and 9% revenue growth. And non-branded had a 4% revenue growth. Overall, INR3,927 crores, growing 9%. For the full year, INR15,000 crores, growth across -- revenue growth across all segments, excepting for U.S. coffee, where we've seen significant volatility in coffee prices, and we moved our numbers up and down on the shop floors as coffee prices have moved. Double-digit revenue growth of 10%. In constant currency, it is 9%.

In terms of group performance, 9% revenue, 22% EBITDA, before exceptionals PBT of 12%, before exceptionals group net of 46%. We had exceptional items of INR200-plus crores this quarter, because of which the reported group net profit is negative 27%. We've used a significant amount of cash for the acquisitions in India. And therefore, net cash, while we've been constantly showing close to INR3,000 crores on the books, is now down to INR118 crores.

In terms of the full year, 10% revenue, 24% EBITDA, 24% PBT, 29% group net. And because of the exceptionals, apart from this quarter, about INR200 crores. If you remember, we had some significant numbers last quarter, primarily the U.K. pension numbers, which, therefore, the group net reported is negative 8%.

Against our strategic priorities, we have now -- we're still almost there, still not fully there. We are implementing a split-route implementation in all million-plus population towns and a significant amount of 0.5 million plus population towns, we are going with 3 routes. Just as a perspective, broadly, it is beverages plus Organic. It is Salt plus Sampann and Yumside. And it is Soulfull plus Capital Foods.

We -- our significant gap on distribution was in the lower pop strata, and we've had a huge focus on adding distributors in all 50,000-plus towns. We've added roughly 1,300 distributors in the last year in our Rurban markets. And now we are focused on building a super-stockist, sub-distributors network to reach less than 50,000 population towns. We are now at 1.6 million direct reach, reaching 4 million outlets.

Very strong performance in the, what I call, channels of tomorrow, modern trade, and e-commerce. Between the two, they contribute to 25% of contribution now to our business. We've had a significant number of new SKUs on shelf, Soulfull because it is available in modern trade, has seen a significant growth of 65%. And we have seen a significant improvement in our premium salt salience in e-commerce. Which just lends credence to the fact that we now need to expand the distribution of this portfolio.

India Business. Overall, we continue to add to brand building. Our A&P spends were up 16% versus FY '23. Salt market share was up by 50 bps. Overall, I talked about the softness on tea market share, negative 50. The only point I would like to make is, while, overall, Nielsen does show a 7% growth in the tea business, we strongly feel that we have not lost market share, and therefore, we would wait for competitive numbers to see where this stands out.

We have upped our innovation engine. And effectively, we've launched one launch every week of the year. Our innovation to sales ratio is now 5.1%. As I mentioned, it is – we are in the top quartile of the FMCG space in India, at least. And we have added products across all the 3 big verticals that we were looking at, convenience, health, and wellness and premiumization.

We've had a significant step jump in digital transformation. We are in the midst of rolling out our new distributor management system and Salesforce app. This is built on the Salesforce platform. It is not out-of-the-box solution and therefore, a very, very customized but very adaptable platform for us to enable decision-making at the front line. Apart from that, we have digitized a significant portion of our back end, including procurement and logistics.

We had committed to simplify, synergize, and scale our businesses. We finished the merger of Tata Coffee during the quarter, 1st of January was when it became effective. We've announced amalgamation of all our subsidiaries in India. That will bring another round of synergies and simplification. And we're already on track on our international simplification. And a part of that has already started flowing through into our P&L as we walk you through it.

Growth businesses. We had said the target was 20% of our businesses growing at 30%. And with the new acquisitions, we are on track for 30% of our business, growing at 30% in India. For the full year, we've delivered 40% growth from our growth businesses. We are walking the talk on sustainability. We've already put out our FY '26 numbers out there. And across all different items, we are making progress.

Now in 4 years of TCPL, effectively, the India-branded business has delivered a CAGR of 16%; international, 5%. Overall, a 12% revenue growth translating into a 15% EBITDA growth and a 27% group net profit.

And we've unlocked efficiencies. Our working capital is roughly half of where we started off. India has made significant progress. International will continue to make progress. EPS is up significantly from Rs. 5 to Rs. 12.3, a CAGR of 26%. Operating cash flow is now 101% of EBITDA, and total shareholder return in the last 4 years is roughly 400%.

In terms of the macros, tea costs broadly benign. Coffee, again, a bit of volatility with Robusta leading the charge, moving up; and Arabica, moving up in tandem. We need to stay very close to this, especially for our U.S. business.

In terms of business performance, overall, revenue for India Packaged Beverages is up 2%. For the year, we grew with 2% volume growth, revenue up 3%. A 4-year CAGR of the beverage business is 9%. The significant part is now 2/3 of our portfolio is in the mass premium to premium segments.

Coffee grew strongly, 29% growth for the year, accelerating to 45% for the quarter. Important is also that we continued our leadership -- market leadership in the e-comm channel. Just another perspective, I think we have not alluded to it earlier, we have incubated a vending business. And now the vending business has crossed the 1,000-machine milestone.

India Foods, like-for-like revenue growth of 11%, volume growth of 4%, and overall revenue growth of 20%; Salt touched a 40% market share. Tata Sampann finished on a strong note with a 42% year-on-year growth in Q4. Soulfull grew 42%.

NourishCo had a slightly subdued quarter given the delayed onset of summer. Just as a perspective, in many parts of the country, summer is determined -- the onset of summer is determined not by the temperature outside, but the onset of Holi. Holi was about 20 days late this year. And we are seeing strong traction in the business now.

So overall, NourishCo grew 13% for the quarter with INR204 crores of revenue. We had guided for close to INR900 crores to INR1,000 crores of top line for the year, but we ended up with INR825 crores, but we remain bullish on the business because of 2 or 3 big reasons. We have almost grown 50% in outlets last year. That should stand us in good stead. Innovation continues to be a strong engine there at a 20% innovation-to-sales ratio. And we have augmented capacity and distribution to prepare for the season in this year.

Non-branded business. You will see a consolidation of the non-branded business into the TCPL P&L for this quarter. Overall, plantations revenue was down, but that is primarily because we had a bit of, how do I say, a pause in sales while we did name changes from Tata Coffee to Tata Consumers. So, auctions and overseas customers, we had a bit of a hiccup. Therefore, there is an inventory sitting in the business rather than getting translated into sales, which should get corrected very quickly. But solubles revenue grew at 19% and revenue grew 4%.

Tata Starbucks, while they had, I would say, a subdued quarter given the overall trends that we're seeing in the QSR business, we saw March better than February and April better than March. So, we see a better trend right now, but we remain focused on the larger India opportunity. We opened roughly 95 stores. We're in 61 cities, revenue of INR100 crores, targeting 1,000 stores by FY '28.

Our international business was a star performer for this quarter. Overall U.K. revenue growth of 11%. We are at a 20% market share here in Everyday Black. And strategically, we needed to grow our market share in Fruit & Herbals. We are now at 9%. U.K. delivered a very strong EBIT performance as well. The U.S. revenue growth was up 2%. Our market share is in the ballpark. Canada continues to be the star with 9% revenue growth and a 28% overall market share.

This quarter, we've always maintained that the role of the international business is accretive EBIT margins compared to the overall business. In this quarter, the International has delivered to that level.

I'll ask Ashish to walk you through the financials quickly.

Ashish Goenka: Thank you, Sunil. Just turning to financial key highlights. Our standalone revenue grew at 13% for the quarter and consolidated revenue grew 9%. Just to point out that stand-alone now includes our coffee soluble business, and the base has been restated to that effect. EBITDA growth of 8% on stand-alone and 22% for the consolidated numbers. On a full year basis, stand-alone revenue growth was 11%, consolidated came in at 10%, EBITDA growth of 15% and 25%, respectively.

On consolidated financials, while you have seen the numbers and Sunil talked about it, I just want to point out on 2 specific items. One is exceptional items. They are largely attributed to stamp duty on the Tata Coffee merger; and provision on prudence taken on some of the underutilized assets across our entities; and fair value loss on the financial instrument as part of our annual review process.

The other is on tax. As you would all know that we've been restructuring our structure -- corporate structure in the U.S. And bulk of it is now complete. And therefore, we have taken a onetime gain of close to INR92 crores in the tax line. And therefore, the ETR for the quarter looks at a lower level.

And with that, I think I will hand over back to Nidhi for questions and answers.

Nidhi Verma: Thank you, Ashish, and Sunil. Rachel, we can now go to the Q&A queue now, and we will take the questions from the webinar after that.

Moderator: Thank you very much, ma'am. First question is from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy: Congrats on international margins and innovation. My first question is on Capital Foods and Organic India. I understand Organic India will be coming in FY '25 numbers. But wanted to understand from inventory in the pipeline how is it, because the initial part of the -- any M&A, we do see that the inventory is there. Higher channel selling is there.

So, when I see your numbers in first 2 months, that leads to INR532 crores annual revenue versus INR705 crores revenue in FY '23. In media interaction, you said for Capital Foods, you expect double digits. So, this double digit is for INR705 crores of a number? Or it's from a more FY '24 kind of a run rate? So, if you could give clarity on both Capital Foods and on Organic India, how should we build in the FY '25 numbers?

Sunil D'Souza: So let me take that. A, you're absolutely right. When there is transitions, there are adjustments of inventory, etcetera, because remember, they had a multilayer system. They had a set of super stockists, sub-distributors, etcetera. So Abneesh we've -- in the integration, we've flattened the structure integrated. So, we've taken about 200 distributors from their side. The balance we've integrated with our systems. That's number one.

Number two, we've reached to almost 95% up -- 95% of our distributors have already built Capital Foods, and we are on our way. We are basing our numbers of growth on the 705 to 750 sort of number. And we will work off that base. We are not working on the 500-odd base because we know it is under-pegged.

We remain extremely confident of our ability to drive the top line given what we are seeing on secondary sales, that's number one. Number two, what we are seeing the response to our integration in the international markets as well. For example, in the U.S., we moved from 4 distributors to 13 distributors because of their strong connections, a; B, I think the innovation pipeline is very strong, and Ajay being there, continued with us, giving us the history and what he's seeing in the future of the business helps actively.

In addition, as I said, the most important thing to drive at the front line is all our 1 million plus and 0.5 million -- significant number of 0.5 million plus cities. We've got 3 salesmen at the front end now with 1 salesman focusing exclusively on Capital Foods and Soulfull, primarily because there is a lot of commonalities in the product throughput a, and b, the type of outlets that they will address.

Abneesh Roy: And this will apply even for Organic India, right, in terms of the growth numbers?

Sunil D'Souza: Yes. Organic India, we just finished in -- on the 16th of April. We're still working through all the details. Again, there's only 24,000 outlets. So -- I mean there is a significant amount of headroom to grow out there. Again, we will -- we are targeting growth on the, how would I say, normalized run rate for these businesses, as they continued alone. And it's not on the short-term adjustments that we will have to do.

Abneesh Roy: So, my second and last question is on NourishCo. So, you have done exceedingly well past few years on NourishCo. And you have also given, I think, in the media interaction, the growth expectation of around 30% in FY '25. So, want to understand here what are the products or the brand -- the sub-brands here, which are doing really well.

And in terms of distribution synergy, is it now largely done in terms of your total universe. So, is a good penetration already there? And second related question is, first half, very strong growth in FY '24, Q3 slowed down, and Q4, it slowed down significantly for the entire sector, I understand that. But is the size now becoming an issue? Because FY '23, 60% growth, FY '24 second half significant slowdown. Is size also an issue now given the kind of growth you are seeing earlier?

Sunil D'Souza: So let me answer it in 2, 3 ways. Abneesh, I think size, we are far, far, far from where we will say that we'll become sizable enough that growth rates will slow down. Both the category growth of Packaged Beverages in India as well as the opportunity for us to address that remains significant enough. The big brands in the portfolio which are growing are Tata Copper Plus and Tata Gluco Plus. Tata Copper Plus is seasonal but not as seasonal as Tata Gluco Plus. And Tata Gluco Plus, which is the higher revenue or higher margin product, is what -- did not fire as well as we thought it would because of the delayed onset of summer.

In terms of the outlet base, we have now about 900,000, 950,000 outlets, which is a significant -- how do I say, we're significantly behind the rest of the competitors -- the large competitors if you look at it. So, we've got still a significant portion to run, and we remain confident that we will continue to deliver these growth numbers that we talked about. We -- until January, we were very, very confident of hitting the 900 to 1,000. Unfortunately, I would say, second half of February, March was a little bit of a dampener, but nothing has changed on the basics of the business, so we remain extremely confident.

Moderator: The next question is from the line of Jay Doshi from Kotak.

Jay Doshi: Yes. First question is a bookkeeping question on Capital Foods and Organic India. What will be the aggregate amortization charge for both the entities and depreciation as well? And what is the ballpark EBITDA that you are sort of building for FY '26 for the EPS neutral MAT?

Ashish Goenka: So, Jay, in terms of Capital Foods, it's going to be around INR160 crores per year. Organic India, we've just closed, as Sunil said, on 16th of April, and we're still working through the financials and PPA. I think we'll be able to convey that number later. On forward-looking EBITDA, I think, I will refrain from giving a guidance at this stage.

Sunil D'Souza: But essentially, what we have said is both these businesses will be cash accretive right from this year, and EPS overall accounting accretive starting next year -- FY '26.

Jay Doshi: Will it be EPS accretive or EPS neutral? And is this after factoring in amortization charges?

Ashish Goenka: So, after factoring in amortization charges, Jay, the way we've built the business case, and if we deliver on that, then, of course, by year 3, we're likely to become overall accretive.

Jay Doshi: All right. FY '27?

Ashish Goenka: Yes. FY '27.

Jay Doshi: Got it. And a couple of more questions around profitability. First of all, thanks for the disclosures on profitability movement for different businesses. Now from next year perspective, what is the outlook on profitability for the international business? And I'm talking about the branded -- international branded business. We understand the volatility in non-branded.

And second is, what about the synergies for Tata Coffee? At the time of consolidation merger announcement, you had indicated some cost savings and other synergies. So, are you still on track or expecting those to materialize? And if you could quantify that for us again.

Sunil D'Souza: So let me take that question. A, we had always maintained that the international EBIT margins should be accretive to the total India portfolio. And starting this quarter, given the U.K. strong turnaround, I would say, a; and b, the continued delivery of Canada and the improvement in the U.S. U.S., we still got work to do. We expect international to continue to be accretive on EBIT margins going forward, a.

B, overall, as a company, I think we've said EBITDA margins, we have delivered 15.3%, for whole of last year -- last quarter was 16.1%, but we will be improving of the 15.3% number as we go forward. And sorry, on the Tata Coffee merger, yes, we have started realizing the synergies. The integrated organization has already got announced. And therefore, from a cost perspective, we have seen the synergies coming in.

In terms of revenue synergies, early signs, there were top line synergies as well, as we put both the teams together. Complementary geographies, complementary products coming together. We have started seeing early signs of those synergies coming in, and we do expect to deliver on those commitments.

Moderator: The next question is from the line of Mihir from Nomura.

Mihir: So, my first question on the tea business, on the tea volumes. How should one think about the tea volumes for the coming year? In fourth quarter, volumes became flat. No sooner, the base volumes came back to positive trajectory. And that trend will continue. So, can volumes in tea business languish in FY '25? Or steps are being taken to curtail market share losses?

Sunil D'Souza: So, a, I'll react first to the market share question. As I mentioned, we don't expect the industry grew by 7% last quarter, as reported by Nielsen, and therefore, we would wait for competitive data to come out before making a judgment on that. That's number one.

Number two, long term, we do expect the India Tea business volumes to be about a 5% growth. And a couple of points on that -- on our price mix and revenue growth management numbers. Yes, this quarter was a bit soft compared to what we were seeing as a trend because we had seen volumes coming to a 2% to 3% volume growth. We do expect to see at least a 2% to 4% growth -- volume growth numbers, at least in the short term. But in the medium to long term, we do expect tea to come back to a mid-single-digit volume growth.

Mihir: Understood, sir. Sir, my second question is on the coffee soluble business. What is the steady-state margin for this business? And given this 22-odd percent margin is driven by price increases, can these margins sustain for some more quarters till it gets anniversarized? Or how should one look at the margins for this business at least for the coming few quarters for the year?

Sunil D'Souza: So again, I would separate out the non-branded margin into 2 different pieces. There is a coffee solubles and there is a plantation business. Coffee solubles is a pass-through -- largely a pass-through number. There might be differences in margins between timing of buying of inventory and selling of inventory because, remember, we are buying coffee from various parts of the world, converting it to extracts or solubles, and selling it onwards. So, there is an input price also differential.

Whereas in the plantations, we get the upside of the entire coffee pricing going up. It will remain volatile for some time. We had seen a sort of plateauing of that over the past 3 quarters. But in Q4, again, we've seen Robusta starting to jump up and in tandem, then Arabica jumping up.

We would say we would expect volatility, at least in the short term on this piece, but we will have to manage the numbers. Now just as a perspective, overall, the non-branded business is just about 10% of our total India revenue. So, from that perspective, it is not as significant, but we would expect some road bumps at least in the short term.

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

Sheela Rathi: My first question, again, was on coffee business. So, Sunil, if you would like to call out what kind of distribution innovation plan, we have with respect to taking up our coffee branded business higher from where we are today?

Sunil D'Souza: So let me say, we've got significant opportunity out there. I'll point back to one of the reasons why now we have done a split routes at the front end, is primarily because that was becoming the blockage for us to expand our portfolio and expand different SKUs.

Coffee did grow 29% for the year and 45% for the quarter, but I think we're still scratching the surface. We've still got a significant amount of runway out there. This year, that remains a focus, especially with, a, the innovations that we have planned; b, the amount of media spend that we are putting behind it; and c, between the enabling infrastructure that has been put into place.

Sheela Rathi: And what kind of distribution the coffee business would have currently versus say our tea business? And if there is any difference here in terms of B2B or B2C strategy?

Sunil D'Souza: So, it's primarily a B2C strategy. We are significantly behind. I think we've got still a way to go. In the southern markets is where we had initially focused. There, the gaps are -- they're still large, but relatively smaller compared to the rest of the country. We've still got -- we're not there by a mile.

Moderator: We'll take the next question from the line of Percy Panthaki from IIFL Securities.

Percy Panthaki: Sir, in the standalone, we have seen some kind of a margin contraction this time. I believe it's because of higher ad spend, which is purely a phasing issue. So, can you just try and quantify that for us what is the increase in ad spend on a Y-o-Y basis as a percentage of sales so that we can get a better idea of the underlying profit growth for the stand-alone business?

Ashish Goenka: So, Percy, thanks for the question. We have stepped up our A&P as Sunil mentioned earlier. It's almost 100 basis points increase over last year. So that's the one reason for a bit of underlying numbers on the EBITDA on standalone. The second, of course, is the Capital Foods, which has a marginal impact. As the full synergy benefits come through, we will see this improved.

Percy Panthaki: But Capital Foods is not in the standalone, no? It's in the subsidiary, right?

Ashish Goenka: Part of it is in the standalone as well. But I think bulk of it is attributed to the A&P, which is almost 35% growth versus last year, as I said, 100 basis point improve.

Percy Panthaki: Understood. Understood. Secondly, I just wanted to understand on NourishCo. What is the total distribution reach that you have right now? And how does that compare to the universe?

Sunil D'Souza: So, the total distribution reach last year was about 650,000 outlets, which we improved to 950,000 this year. So that's about a 50% increase. But I would say we're probably index -- if I take an index to what the universe is there, we're probably at maybe 15%, 20% of the universe, Percy, a long way to go.

Percy Panthaki: Understood. Understood. And you're growing so rapidly. So, are you really just taking market share from the very small unorganized tail brands? Or is it also some amount of market share gain from the larger brands in the packaged drinking water space?

Sunil D'Souza: So, our portfolio is completely different from the big boys, right? I would say in the packaged drinking water, which is Tata Copper Plus, and I'm just taking -- there will be a significant amount of market share that we will be taking from other players as well as taking off from organized players, but the larger -- unorganized players, sorry. But the larger portion, I would say, is probably coming even from the branded players, right? Now we're the #5 water brand now in India. Tata Gluco Plus is a cup which is a completely differentiated format. I'm not sure we are taking away from the big boys. There is enough category expansion out there given per capita consumption that we are driving for.

Percy Panthaki: And Tata Gluco Plus would be approximately what percentage of your NourishCo turnover?

Sunil D'Souza: It would roughly be about 40% of the total NourishCo turnover, 60% would be Tata Copper Plus.

Moderator: Thank you. We'll take the next question from the line of Arnab Mitra from Goldman Sachs.

Arnab Mitra: My first question, again, was on the international margins. So, we've seen a big step-up in the fourth quarter compared to even the last 2 quarters. Was there anything specific this quarter which additionally led to a margin expansion? Or this is the full benefit of the changes you've done? And a related question is this coffee inflation last time did hurt your U.S. margins. Do you anticipate any pressure given the current trend from the coffee prices?

Sunil D'Souza: So let me answer your second question first. I think last time around, we were -- what's the right term, we were a bit slow on the reaction because we had not expected the pricing to move as fast as it did when coffee prices came down. And our reaction time on the shop floor and converting it into promotions was a bit slower than competitors. And therefore, it was a double whammy. I mean, volumes were soft, and we did not get the throughputs.

This time around, we've been very agile because we saw this coming slightly early in the day, and therefore, we moved in line with coffee prices. So, I would not -- while absolutes might move up and down because of the softness on the total top line, with the price increases that we are now seeing coming in back into the market. Margin terms, I don't think there will be too much of an impact. If anything, we should expect an improvement. That's number one. What was the first question, sorry?

Arnab Mitra: Sir, it was the 15%, the margin...

Sunil D'Souza: Okay. So, on the international business, a couple of things. We had kicked off our international restructuring last year in the same quarter, right? So, this year, we are seeing the full benefits of the entire -- and when I'm talking of restructuring, it's not the legal entities restructuring, the cost restructuring in the international business. So, we're seeing the full benefits of that flowing in and that's number one.

Number two, last year, about this time, was when we started, how do I say, revamping our entire products/brand proposition in -- especially in the U.K., where we put in 10% Assams into the tea, brought it up to par, changed our entire packaging, make it -- made it sustainable, changed our execution dynamics and went for proper distribution, execution in a heightened manner.

We're seeing the benefits of all that flow in. Plus, because now we've got a stronger proposition in the market, we have also started to take price increases to put us on par and not at a discount to all the competitors in the market. We have taken some pricing again this year, and we are seeing our maintaining of market share despite all the pricing that they have taken. That's number one.

Number two is also, remember the Fruit & Herbal and specialties are, a, the growing parts of the market, also the better margin parts of the market. That part of the portfolio is also getting ramped up between Good Earth and teapigs. We are now up to a 10% share in the U.K.

So, all multiple pieces flowing in, we do expect to see, as I said, the international margins, right now are about 200 to 300 bps better than our India businesses -- overall businesses. We do expect to see that accretiveness to continue.

Arnab Mitra: Sure, Sunil. My last question was on Salt. So, you've had a huge margin -- market share expansion. Now from here on, is the pace of expansion going to be a lot more modest given that the distribution leg has already played in. And given that the category itself doesn't grow much, does it mean we should expect less than mid-single-digit volume growth now in Salt going ahead?

Sunil D'Souza: So let me put it this way. If I rewind about 18, 20 months back was when we took our significant price increases, which is roughly around 30%. At that point of time, our value markets -- our overall market share was primarily driven by value and not by volume because we put our margins on track and continued to execute. Right now, our growth is driven by volume and not as much value because we've not taken pricing, at least for the last, I think, 15 to 18 months, if I'm not mistaken. So right now, it is a pure distribution expansion, portfolio expansion.

Now value-added salts are now 9% of my portfolio versus when we started with the merger 4 years back. It was about less than 1% out there. So value-added salt, volume growth, distribution expansion. You would have seen the recent IPL opening day, Tata namak advertisements. We're putting salience behind it. So, we remain confident of continued growth in market share. I do not see a reason for us to slow it down significantly.

Moderator: We'll take the next question from Rohan Kalle from InCred Capital.

Rohan Kalle: Just wanted to check on the non-branded business margins. So, I'm assuming you've got strong gains on lower price inventory of coffee. So, I just want to understand how much of this inventory do we have left? Assuming now you will be procuring at current market prices, how should we look at these margins sustainably, at least in the near term?

And second question on the asset write-downs that are mentioned in the exceptional items. I just want to understand what the INR620 million asset write-downs was?

Sunil D'Souza: So let me take the first one, and I'll ask Ashish to take the second piece. Like I said, the unbranded business is in 2 pieces. There is largely a flow-through with a delayed impact of either upper or down on coffee prices in the solubles business because we buy coffee, convert it into soluble/extractions and then sell it off.

On the coffee plantations, there is a straight revenue uplift, which increases margins. Right now, we are seeing prices going up, and therefore, there is a benefit for the coffee plantations more than soluble. On the soluble business, we do not expect too much movement because of prices going up and down. Ashish?

Ashish Goenka: Yes, on the second bit, as I was explaining earlier, this is largely a part of our annual review process that we look at all assets and across various parts of business, looking at the capacity utilization. On a most prudent basis, we have taken provision on some of these assets.

Moderator: Ladies and gentlemen, I would request Ms. Nidhi Verma to kindly proceed with the next question on the webcast. Over to you, ma'am.

Nidhi Verma: Sure. Thank you. So, there are a few questions on the webcast link. Okay. I'll just read those questions out. The first question is from Kajol. She's asking, "Can you please provide some more light on the subdued performance of Starbucks during the quarter?" And -- yes.

Sunil D'Souza: We've already talked...

Nidhi Verma: Yes, we've already answered that during the opening remarks, Kajol.

There is another question from Nikhil. How long will it take for it to complete the integration of acquisitions? And when can we expect margin expansion based on these acquisitions?

Sunil D'Souza: Yes. So, we've always guided for 100-day integration. We remain on track for -- so Capital Foods, we acquired February 1. So, by April end, we will complete the ~~acquisition~~ [integration]. Like I said, 95% of our front-end distributors are already billing Capital Foods, and we are on our way. So, we will complete Capital Foods in 100 days. Organic India was 16th April. We will complete it in 100 days. And post that, you will start to see margin expansion coming in.

Nidhi Verma: Yes. Thank you. There is a question from Keshav. He's asking, "Is there any update on the rights issue and any timeline?"

Ashish Goenka: So, Keshav, we are on track on the rights issue and the process is on. And I think we should be able to conclude it by early quarter 2.

Nidhi Verma: Thank you, Ashish. There is a question from Jigar. He's asking, "What is the reason of profit decline even though revenue has grown?

So, I think this has been explained enough, Jigar. It's led by exceptional charges. Net of that, the profit has actually grown 42% as we've seen.

There is a question from Samar. He's asking, "Can you give some color of the business of Starbucks again in terms of its revenue and earnings to overall business?"

So just -- I think you're asking about the accounting treatment. It's shared...

Sunil D'Souza: So, Starbucks is not accounted for in our consolidated. We consolidate it as part of associates and JVs, INR1,200-plus crores of top line, which has grown at 7% for the quarter.

Nidhi Verma: Yes, I think that's pretty much it from the webcast. Sorry, there is another question asking if there are there any plans on entering the BPC segment?

Sunil D'Souza: So, like I said, we've always said that we want to be a total FMCG company. Right now, we are focused on being a food and beverage company. I think we've shown our intent very clearly to grow organically and inorganically. We do think there is still a runway left there. Once we think we've exhausted the runway out here and we see a bigger opportunity in moving beyond food and beverage, we will definitely look at that.

Nidhi Verma: Okay. And I think there is another housekeeping question from Neeraj. He's asking, "Is the decline in India business EBIT margin, like what is leading to that? Why is it declining from 15.5% to 12.9%." That's his question.

It is led by the amortization charge, Neeraj, yes.

Sunil D'Souza: Amortization of Capital Foods.

Nidhi Verma: Yes. Okay. And there is one question asking what would be the growth strategy for Tata Sampann moving forward?

Sunil D'Souza: So, Tata Sampann, we very clearly said that we want to be a total pantry brand. We've identified very clearly the categories that we want to play in Tata Sampann. Right now, we are in pulses, spices, and a variety of other pantry products. As we gain scale and improve both our brand strength and therefore, pricing power and our back-end procurement, we continue to improve margins on Sampann.

Nidhi Verma: There's a question from Sachin asking, "When you say growth businesses will be 30% of the consolidated revenue, does it also include Capital Foods and Organic India?"

Sunil D'Souza: Yes. We said before we did this integration -- we did these acquisitions; we had said we expect growth businesses to account for 20% of our top line and growing at 30%. Just as this thing last quarter, we grew at 18%. Going forward, with Capital India -- Capital Foods and Organic India, we expect growth businesses in India to be 30% of our portfolio, growing at 30%.

Nidhi Verma: Thank you. Thank you, Sunil. I think we've covered most of the questions, actually, all of the questions on the webcast now. So yes, with that, I think there are no further questions in the Q&A queue as well. I would just like to take this opportunity to thank you all for joining the call. If you do have any remaining questions, please feel free to get in touch with us. Thank you.

Moderator: Thank you very much, ma'am. Thank you, members of the management. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.