



18th August 2025

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Codes: BSE Scrip code 500215, Co. code 1311
 NSE Symbol SUNDROP, Series EQ-Rolling Settlement

Dear Sir/Madam,

Sub: **Transcript of the Investors/Analysts Conference Call held on 13th August 2025**

In continuation to our earlier letters dated 06th & 13th August 2025, and pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Investors/Analysts Conference Call of the Company held on 13th August 2025 for discussion on the Unaudited Financial Results (Standalone and Consolidated) for the quarter ended June 30, 2025.

The transcript is also available on the website of the company i.e.

<https://www.sundropbrands.com/analyst-calls.aspx>

You are requested to take this on record.

Thanking you,

Yours faithfully,

For Sundrop Brands Limited

(Formerly known as Agro Tech Foods Limited)

Jyoti Chawla
Company Secretary & Compliance Officer

Encl: A/a

Sundrop Brands Limited (Formerly known as Agro Tech Foods Limited)

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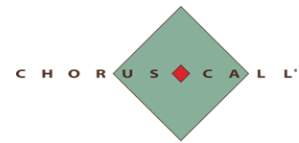
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“Sundrop Brands Limited
Q1 FY '26 Earnings Conference Call”

August 13, 2025



MANAGEMENT: **MR. NITISH BAJAJ – GROUP MANAGING DIRECTOR –
SUNDROP BRANDS LIMITED**
**MR. ASHEESH SHARMA – CHIEF EXECUTIVE OFFICER
AND EXECUTIVE DIRECTOR – SUNDROP BRANDS
LIMITED**
**MR. KPN SRINIVAS – CHIEF FINANCIAL OFFICER --
SUNDROP BRANDS LIMITED**

MODERATOR: **MR. AJAY THAKUR – ANAND RATHI SHARE AND
STOCK BROKERS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Sundrop Brands Limited Q1 FY '26 Earnings Conference Call hosted by Anand Rathi Share and Stock Brokers Limited. 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ajay Thakur from Anand Rathi Share and Stock Brokers Limited. Thank you, and over to you, sir.

Ajay Thakur: Thanks, Shruthi. I welcome you all to Sundrop Brands Q1 FY '26 Results Conference Call, hosted by Anand Rathi Shares and Stock Brokers. From the management side, we have with us Mr. Nitish Bajaj, Group Managing Director; Mr. Asheesh Sharma, CEO and Executive Director; and Mr. KPN Srinivas, CFO. Now without much of an ado, I shall like to hand over the call to Mr. Nitish Bajaj for his opening comments, followed by the Q&A session. Over to you, sir.

Nitish Bajaj: Thank you, Ajay, and good morning all. good afternoon all as we speak. Welcome to quarter 1 update earnings call for the Sundrop business. I hope all of you have downloaded the presentation. What I will do is I'll keep referring to the page number and talk through the presentation, so you could relate to the data and numbers I'm speaking as you flip along the presentation with me. I'm now on Page number 3 of the presentation.

Just a quick recap about our business fundamentals, our vision, mission. When we embarked on the journey of Sundrop Brands as a food platform, we set a new vision and a mission for the organization. We are now on the path of building this organization in line with our vision and mission. Our vision remains to bring joyful food experiences to the evolving modern consumers, and we would continue to do this through giving innovative, delicious and convenient packaged food solutions to our consumers and in the process, create strong value for all our stakeholders.

Coming to Page number 4. The entire thesis of this organization is to build a very scaled food platform. Sundrop Brands historically or let's say, earlier formerly known as Agro Tech Foods Limited was operating in select spaces in the packaged foods industry. With the acquisition of Del Monte Foods, we have significantly expanded our footprint in the food segment. And this, we believe, creates a scaled food platform for us with a significant profitable growth opportunity.

Where we stand today, we operate in multiple categories. I'll take you through them, but we are present in categories which are growing very strong and also have reasonably strong margin profile. Overall, as we embark on this journey, we are going to invest significantly on our core portfolio for accelerated growth. We are also looking substantially to invest and up our NPA in emerging and fast-growing channels, and you will see that as we go through our presentation.

There is a significantly enhanced focus in the organization on improving EBITDA and PAT margins, and I'll take you through the journey of last quarter. Overall, in the long term, our approach will remain, as we have talked earlier also, on a capital-efficient approach to building scale. And we would stay while we drive inorganic growth -- drive organic growth, we would

stay open to any opportunities which are lucrative to build our platform further and give it a greater scale.

Coming to Page number 5. As you are aware, today, we are a platform of very large market-leading brands, and we have 3 key brands in the portfolio. Two of these brands are global brands, ACT II and Del Monte, for which we hold a perpetual license for India subcontinent. And one, of course, Sundrop is a brand which got created within India itself, and we have a trademark for that across the globe as a brand. So these 3 brands really give us a powerhouse or ammunition through which we can build our platform to even greater heights.

Coming to Page number 6. Today, as you can see, our portfolio with the acquisition of Del Monte Foods has become a very large and diverse portfolio. Earlier, we were dominantly present in staples and snacking business, as we call it. So we had in the snacking business, we had ACT II as a lead brand where we were giving convenient packaged food snacking solutions, both in-home and out-of-home consumption.

And we, of course, had a very large edible oil business under Sundrop brand, which we were expanding to get into other value-added food offerings like oats, etcetera, oats and breakfast cereals. With the addition of Del Monte to the family of the company, we now have a very large culinary portfolio, which is a mix of mayonnaise, tomato ketchup and lots of Spreads in addition to, of course, the Sundrop peanut butter spread, which Sundrop had.

So our culinary portfolio has expanded with the addition of Sundrop peanut butter. And then we, of course, under Del Monte, we have an entire Italian portfolio, which is a combination of pasta, olive oil, pizza and pasta sauces and also olives -- dry olives to consume On The Go. Overall, if you look at -- and I'm now moving on to Slide number 7. Overall, if you look at, there are quite a few emerging megatrends in the food segment.

And this portfolio, as we have talked always, really addresses all the trends we are seeing in the packaged food industry. So the increased need of convenience, shift towards healthier alternatives, getting exposure to globalize or new tastes across the palate, not only just Indian palate, but also evolving and getting into Western palate and European palates. We do have solutions for each of these. There is, of course, a shift towards organized and packaged foods market versus, let's say, a loose staple market and a very fragmented retail universe.

We are seeing consolidation happening either in the form of modern trade, which started about 2 decades back and now the e-commerce, which started about a decade back. There is an increase in in-home consumption of packaged foods. There is, of course, premiumization. Consumers are open to trying value-added premium products in this segment.

There is also a lot of out-of-home consumption because today's consumers are much more mobile and eating out often. So there is shift to also consuming significantly out-of-home. Sustainability and concern for environment is increasingly more relevant in the times we live in. And last but more important -- one of the more important trends and more recent trends is the rising consumption of protein in the diet.

Coming to Slide number 8, and this some of you would already be aware, we have talked about in the past presentations also with the combined portfolio, we today have a very strong distribution network in the organization. We cover pan-India geographies. We also do have a business in Bangladesh and opportunity to expand into other Indian subcontinents.

We have expanded our business to cover all modern trade channels. So we have a very strong footprint in all direct modern trades and also all stand-alone modern trades, which exist in the retail environment. With the emergence of e-commerce channel, your company has kept pace and also made sure that we are present in all e-commerce portals in a very strong way in both organizations.

Our total retail coverage has now expanded to almost like 500,000 outlets, which we directly cover. As a combined platform, we have about 1,800 distributors, which help us reach these 500,000 modern retail outlets plus the modern trade, stand-alone modern trade and e-commerce.

And put together between 2 organizations, we have 1,700 strong field force. In terms of manufacturing footprint, as you can see on the Slide 8 itself, we do have presence across India. If I look at from a Northeast, West, South perspective, we have a footprint which exists in all the geographies and well distributed to cover the entire Indian market.

We also have a plant in Bangladesh, which helps us cover Bangladesh market. Put together, we have 9 manufacturing facilities, and we would have our coverage within a 300-kilometer radius through one of our plants. And that is a very important parameter for our snacking business, which does require a well-distributed manufacturing setup.

Now moving to Slide number 9 on our Q1 update, our quarter 1 update. I know all of you would have been waiting for this. We have had a very strong start as a food platform. This is really the first quarter in true sense as a combined platform for us because Del Monte acquisition got completed in the month of February. So this is the first full quarter as a combined entity. I'm very happy to share that we have done well, and we have grown at 12% ahead of the industry growth rate.

FMCG or food industry, you know, are growing in upper single digits. We have been able to do better than the industry and are growing at 12% in quarter 1. What is also important to note, and I talked about it, that we will focus on evolving emerging channels. We have invested on growth in e-commerce. And as an outcome of that, we are growing substantially faster than industry in e-commerce market, growing at about 42%.

In the business, we have seen in this year, commodity pricing not really easing up. So commodity environment has been inflationary in quarter 1. We have also had inflation in commodities. But dominantly, those inflations, we have been able to manage or ensure that we substantially cover the increases through increasing the prices or grammage reductions. So our material margins are more or less constant.

But having said that, we have worked significantly on the side of operational efficiencies. We have worked on the side of our manufacturing costs, our logistics, our supply chain costs and also looked at our SG&A much more cohesively. As of now, still the 2 companies are running

independently, but we have looked at making sure whatever we can bring in form of efficiencies in our operations, we do bring in. And as an outcome of that, we have seen despite a flat material margin, we have seen a 110 basis points expansion in our gross margin.

In our stated endeavor and approach to drive growth, most of this expansion in margins, which we have delivered, we have deployed back for consumer acquisition and growth of our business. So in this quarter, we have substantially upped our marketing investments. Our A&P has grown significantly at 58%. And as an outcome of this, we are seeing accelerated growth coming in the business.

We have also invested a little more on our expansion of coverage, and we have added about 11,000 outlets in this quarter versus last year same period. And overall, as an outcome of this growth in business, improvement in margin, deploying it back for consumer acquisition, we have also delivered a 9% growth in EBITDA. Our EBITDA is more or less in same lines as it was in the previous quarter -- previous quarter last year.

Overall, if you look at our fundamentals are strong. Our net worth as an organization is about INR 1,444 crores. We are a debt-free company. We have no borrowings, and we have a free cash balance to make sure that we have sufficient liquidity to fund our capex'es for growth, which are generally more now in maintenance in nature and also our growth ambition.

If I dive a little deeper into the 2 businesses, Sundrop, which is almost 56% of our total contribution, has delivered a turnover of INR 208.5 crores, growing at 15% over last year -- over last year in quarter 1 versus our last year growth of 5%. So we have accelerated the growth momentum in Sundrop. Del Monte, you are aware, the acquisition only got completed in February.

So it is really the first quarter where we have upped the ante. We have seen a strong growth of 8%, which if I context it with FY '25 growth is marginally lower, but we are fully -- we are fairly confident that as we continue our investment journey, we will be able to accelerate this growth in line with the numbers we are expecting to see on Sundrop.

So there is clearly a momentum we are seeing in the business with our investments and some of them I'll take you through ahead, which gives us a greater confidence and number ahead for Del Monte as well. Put together as a group, we have delivered INR 372 crores turnover, grown at about 12% in quarter 1. And this you can context or contrast with a growth of 8% in FY '25.

Moving on to Slide 11. Now this is where our core categories are where we invest. Now important to note that in Sundrop, we were investing on foods platform significantly. So we stay committed to invest on our popcorn, snacking business, peanut butter business and breakfast cereals. We have also talked about that on staples or oil business, we will do certain experiments to establish a model for growth in the future.

As we set into journey ahead, these experiments will take off. And based on that, we will take a call on a longer-term positioning for our oil business. As of now, our ambition is to ensure oil business is managed at protecting the volumes. But based on successes in certain investment thesis, which we are putting, we will take a forward call later, and we will share with business -

- with all of you at an appropriate time when we have a stronger or a deeper view on how we want to build the oil business.

In the Del Monte portfolio, our focus will be on culinary, which is ketchups and sauces and mayonnaise and on Italian range, which is a mix of olive oils, pastas as a business. So staying to these core categories where we have been investing over the last few years. And of course, we have upped the ante in the last quarter, we can see that there is a significant growth happening through these focus categories and contribution of these focus categories in the business have moved in last 2.5 years or a little less than 2.5 years from 53% to 61%.

Moving to Slide number 12. We are also seeing a very strong growth, which is in each of the core categories. So just to nuance it for you, our popcorn and snack business has accelerated consistently over the last 3, 4 quarters as we have increased the investments in that business. And last quarter, we have grown at about 21% in value and 12% in volume terms, significantly ahead of industry growth.

Our culinary business did have certain pricing pressures which we did pass on to -- from the competition side, we did pass on some price reductions. As an outcome of this, you may see that we are growing significantly on volume. We are acquiring more consumers. The volume growth is looking a little muted.

We do expect that we should be able to increase the value growth also in periods ahead because as a first outcome, we have experienced that in this business, our product offerings are very strong and consumer stickiness once they experience our product is very high.

So as we continue to drive volume expansion, we are also confident that this should result in longer-term sustainable growth for the business. On premium staples, as I talked about, our ambition is for now to keep our volumes stable. The business has benefited on account of increase in the commodity price versus last year. So we have had a significant 20% value growth driven by increases in commodity prices.

Our volumes are more or less flat. Olive oils actually followed a different cycle. Commodity prices cooled down this year because there was a shortage of crop internationally in the prior year because of which prices have shot up. Prices cooled down, and we had competitively passed the reduction in prices of commodity to the consumer.

So it's not a margin impact. It's actually just a price pass-through for the reduction in the commodity prices. And as an outcome of that, we are seeing a strong 12% volume growth in the Italian business, which is mix of pasta and olive oil, but negative is primarily coming in the value pass-through for the price reduction we have on the commodity side.

On the Spreads business, this is an area of challenge for us. We are seeing decline in both volume and value. We will talk about that in slides ahead. So overall, if I look at most of the categories, we are growing very strongly. Our investments are paying off. And one category, we do have a task in our -- at our hands, which we'll talk you through.

Moving to Slide number 13. On popcorn and snacks business. Again, we have talked about earlier, we have 2 fundamental pivots here, ready-to-cook business and the ready-to-eat business. Ready-to-cook is in-home consumption, Ready-to-eat is out-of-home consumption. Both businesses are seeing very strong growth in both volume and value terms.

Overall, our in-home consumption business has grown by our new launches of INR 20 and INR 30 pack, which are aimed at driving consumption within -- from an existing consumer by upgrading him. And these 2 launches have already got about a 10% saliency in general trade within 3 months of launch. This really gives us a positive momentum for volume expansion through our core consumer.

Similarly, if you look at in ready-to-eat business, which is out-of-home consumption of popcorn dominantly and new categories like nachos. We are seeing expanded growth of that, both through distribution expansion push we are doing in general trade and also investments we are doing on e-commerce marketing for expanding this business.

Moving on to Slide 14 on premium staples business. I talked about it earlier, dominantly led by commodity price inflation, we have seen a value expansion. Volumes are more or less flat. We are working on models to try and see if we can accelerate the growth in volume in this business, and we will keep you updated as we establish and prove some of these models on how we will take the future direction of this business.

Coming to peanut butter or spreads business for us. This business, as I talked about, we have seen volume and value erosion. Dominantly, we are seeing it in modern trade, which is organized modern trade and stand-alone modern trade. And there has been entry of many new players riding on the protein wave in the segment, which I have specifically talked about protein benefits.

And of course, there's also pricing pressure from the existing players who are operating more in the family consumption segment like us. They have with the onslaught of new players also resorted to pricing pressures. We have looked at our business very, very strongly. We have developed multiple new products in our pipeline, and some of those are getting launched in the period we are speaking now. And this pipeline is really critical for us to gain that, recover our volume share from the competition in the period ahead.

What we have been able to positively establish is by investing on our brand harder and sharper on the existing portfolio in e-commerce, we have been able to demonstrate a very strong 59% growth. And as we replicate our innovation strategy and invest on mass media and in distribution expansion, presence in modern trade for the full expanded range, we are also confident that we should be able to turn this business around in coming quarters.

Coming to Slide number 16, culinary. Here, culinary, I'm talking primarily ketchup, sauces and mayo or emulsions business. As you can see, this business is a very competitive category. Del Monte is a challenger brand, but has a significant headroom for market share expansion. So our focus is on expanding our market share and growing our business. As an outcome, we have stayed competitive in this category.

And by being competitive on pricing, we have also gained significant volume share, both in consumer-fronted business, which is strong in ketchups and sauces and also food services, our B2B business, which is very strong in our mayo category. We are also looking at leveraging the Sundrop distribution network in the period ahead to expand the growth in this business.

Coming to Slide number 17, on an Italian business, here, I'm talking more in volume growth because as I talked about, olive oil did see commodity prices softening and competition and us have passed the benefit of that to consumer. There isn't a margin impact of that. It is primarily to make sure that our volume continues to grow. And through that, we have made sure that we protect our margins as also we grow volumes in this business significantly.

So pasta business, which doesn't have -- hasn't seen much of shift on the commodity side, is growing both in volume and value terms, driven by our investments in modern trade and e-commerce channel. And olive oil business has declined in value, but has grown handsomely by 18%, driven by our investments in e-commerce, modern trade, which is where this category is very salient.

Coming to e-commerce business team, we have invested -- I'm on slide -- sorry, I'm on Slide number 18. We have invested significantly on e-commerce performance marketing across quick commerce and hybrid platforms. And as an outcome of it, both businesses are reflecting very, very strong growth in e-commerce channel. And this is, of course, the future and emerging channel, which is seeing increasing saliency. So in a channel which is seeing increasing saliency, we are delivering a very fast growth, and that also gives us a greater confidence on our business dynamics ahead.

Coming to Slide number 19, I'm on brand marketing spend slide. If you look at -- I did talk about it, we have invested and we will continue to create opportunities, create business profitability and margins to be able to invest on sharper growth of our business. We have invested very, very strongly growing our marketing investments by almost 58%. 40% of those investments have gone behind media, both TV and digital media.

We have, in fact, significantly increased our investments on digital media as also on e-commerce channel, both in terms of performance marketing and also driving traffic. As a combination of this investment, we have seen significant accelerated growth momentum in all channels of the business.

Coming to Slide 20. Now Slide 20 is the reported financials. They are not in true sense, comparable, so I will not spend too much time on it. Just to give you a heads-up on this, quarter 1 is a combined entity business of both Sundrop Brands and Del Monte Foods in FY '26. But in FY '25, it is only the Sundrop brand business, and hence, the 2 numbers are not really comparable.

For all of you, we have put comparable proforma financials in Slide 21. So I'll move straight to Slide 21. Overall, I talked about it. Our top line driven by our marketing investments has grown at about 12%. Our material costs have increased. So there has been a commodity inflation.

Having said that, we have been appropriately give consumer price increases or drop grammages to make sure our material margins stay constant.

This you can context with a lot of news you may have heard from our competing peers. Most of them have experienced pressure on the material margin side. We have been able to hold on to our material margins. But our other expenses, which is a combination of manufacturing, logistics, selling and admin expenses, we have been able to really look at them very closely and make sure we drive efficiencies in our business. And as an outcome of that, our gross margins have improved by about 110 basis points in this period.

Our employee benefit expenses, I would like to call out, we did roll out an ESOP scheme in June, and there is a charge in the month of June of about INR 15 million, which is a noncash expense for the ESOP grant , we have made to about top 4% of our talent between the 2 organizations. And our advertising and promo expenses I talked about, we are investing for growth.

So they have seen a substantial investment expansion, which we believe strongly is very critical for long-term growth of the organization, and that will help us drive scale. So overall, as an outcome of this, at a reported like-to-like basis, our EBITDA has grown by 9%. Our EBITDA margin is at 3.7%, much like last year. Having said that, there are 2 expenses I would call out again for your reference.

One is the ESOP expense, which is a noncash charge of INR 1.5 crores in quarter 1. And second is some of our cost improvement projects, which we are running in the business have taken -- we have put in some onetime advisers on board who are helping us drive this cost improvement projects.

So, these are one-off expenses, which are of the nature of INR 1.1 crores in quarter 1. And if I actually take these out, our normalized EBITDA for the quarter would have been INR16.3 crores, which is about 4.4% of sales, and that is growing at about 30% versus last year. So that's in sum, our quarter 1 financials. Coming to the last slide, Slide number 22. Just a quick reminder for our thesis behind this platform and how we are looking to build this platform going ahead.

We do have a stable of well-known brands, which cater to our vision and mission of serving our modern evolving consumers with delicious innovative offerings. We do have a portfolio of offerings within these 3 brands, which rise on the mega consumer trends, which is -- which are driving the consumption of packaged foods, the segment in which we operate in.

We also have presence in all high growth and strong margin categories. In some of them, we have leadership position. In some of them, we are challenger, but we do have a significant headroom and the equity of brands to expand our market share.

We would continue to make strong and significant investments on driving growth, accelerating our growth momentum, while at the same time, making sure that we keep a very capital-efficient approach. And that's why when we do experiments or we, let's say, would get into newer areas of investment, we would follow an approach to test it and based on the test, scale it up to the

next level. So capital efficiency, whether we enter into new categories or we take a position on expanding any business will remain at the heart of our business fundamentals.

Last, and this we have talked about, and this is still an early part of our journey, we do have very strong complementary channel between the 2 companies, both in terms of brand portfolio and also in terms of sales and manufacturing setup which can help us leverage strengths of each other to drive an accelerated growth of the business. And as an organization, we do have a very strong management team sitting with me and also working day in, day out in the market space to make sure that we drive growth, we improve our profitability and create significant value for all our stakeholders.

Thank you. And now I would give it back to Ajay, so we can open it up for question and answer.

Moderator: Thank you very much. The first question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: Just wanted to understand on the Del Monte portfolio, just like when you took over the Sundrop business, you decided that there are certain products which you would defocus on like chocolates, for example. So is there any part of the Del Monte portfolio, which is similar in nature that you want to defocus this? And if so, can you give some details as to what it is? What is the sales contribution of that part, etcetera?

Nitish Bajaj: Thank you, Percy. Thank you for your question. We do not have a portfolio in Del Monte, which we would want to exit. Having said that, there is a portfolio which we would want to invest on in our business. So I've already talked about the portfolio which we will invest on for growth. That's a combination of our culinary business, which is ketchup, sauces, mayonnaise.

And similarly, our Italian business, which is a combination of pasta, olive oils and pizza pasta sauce, et cetera. In addition to this, we have business in chocolate sauces, which is small, but we will sustain it. It's a small business, not very large. We will sustain it. We are not looking to harvest it. We have a business in fruit drinks, which is a canned fruit beverages business. And we also have some packaged food business.

All of them operate in niche spaces, I would say, because fruit drinks is a canned fruit drinks market, not very large, but we have a sizable presence. Chocolate sauce is primarily a 2-player category, dominantly in the organized space. So not very competitive, again, not as large also. That's why we are not looking to invest there. And third, which is the area of packaged fruits and vegetables or canned fruits and vegetables, again, a smaller market, but we have a position of dominance in a small market. So we'll continue to sustain it.

Percy Panthaki: Two follow-ups on this. One is that what is the -- for Del Monte overall, what is the split of sales between B2B and B2C? And secondly, these 2 categories in which you are investing, these 2 categories are what percentage of the Del Monte top line?

Nitish Bajaj: Right. So between B2B and B2C, B2B is about 40% of our business. B2C is about 50% of our business. And we also have a 10% where we do manufacturing for others. So that's the split of

Del Monte portfolio. In the categories we are investing, put together between all spaces, we would have close to 70% of our business through these categories.

Percy Panthaki: These 2 categories which you're investing is 70% of the total sales?

Nitish Bajaj: Yes. I'm talking of minus the contract manufacturing business, sorry, I'm excluding the contract manufacturing.

Percy Panthaki: Okay. Understood. Secondly, I wanted to understand that despite the Del Monte acquisition, what I believe is that Sundrop and Del Monte are largely as of now run as 2 separate companies. So when do we see you sort of merging the operations to the extent possible and extracting cost synergies because a lot of these -- I mean, a lot of the functions in these organizations, there are parallel functions running, which we don't need to run, for example, sales and distribution to some extent and the distributors themselves to an extent, etcetera.

So we can extract a lot of synergies both on top line, but also on margins by actually merging. And when I say merging, I don't mean the legal entities, but in terms of the -- how the operations are run. So when can we expect that to happen?

Nitish Bajaj: So Percy, we are alive to this opportunity. As a management team, we said our first focus is really to look at intrinsic value, which is there in 2 organizations. And we do strongly believe that there is an intrinsic headroom for growth in the 2 organizations on a stand-alone basis. When I say growth or value creation, I'm talking both on driving top line growth, which is building scale of individual companies as also reducing costs or bringing efficiencies.

So for this year, as stated and we have talked about it earlier also, for this year, we really want to understand the business to the last level of detail and understand the strengths of each organization so that we are well prepared as we move into the journey of integrating and building a cohesive organization.

So to -- in nutshell, I would say this year would remain as a stand-alone business. Next year onwards, we will start getting into journey of unlocking the values by making sure that we have an optimized organization structure. And we also do not take away anything which is fundamentally driving the growth of business and also deploy some of the resources eventually, these are large -- we are a large organization.

And we still have a significant headroom for expansion of our coverage, building a more stronger cohesive teams between the 2 entities put together. So we would get into the journey next year, but we want to go with a very clear understanding of what are the strengths, where do we need to build greater strengths and greater team sizes, where can we potentially integrate to bring some synergy benefits. That understanding we will build in this year and then do the journey in the year ahead.

Percy Panthaki: Understood. And last question from my side is that as far as your margin is concerned, I think in the last call, you said that for this kind of scale of a business, ideally, the margin should be in double digits, and we would do that journey over the next few years. So not asking on a time line or anything, but just asking on what would be the drivers of that margin, supposing if we

have to go from a 4% to a 10% and the 600 basis points has to be traversed. So how much of that can come from the merger synergies? How much can come from a gross margin, how much can come from operating leverage? Some kind of sort of help us to think about this question.

Nitish Bajaj:

Yes. So it is a nuanced question. We are also still trying to understand deeply. And at this point, what I will say is more directional because we need to still understand it deeply. But broadly, the 4 levers which will be there for us for expansion of margins, you have called them very correctly. There is a headroom for making sure our efficiencies in the existing business itself are there.

And some of them, we have already started to see in this year. Having said that, we have deployed that in marketing and because we want to accelerate the growth. So margin expansion on our operations, which could be, let's say, I would say, about 20% of our total efficiency we are looking to gain is already being delivered and those projects are in progress, some of which have started to give results. Some, as I talked about, will give results in the year ahead.

Second is synergy or, let's say, having -- making sure that we have a consolidated optimized organization could give between 20% to 30% of our total efficiency in that range. Growth and scale would again give another 20% to 30% of the efficiency. And lastly, if I have to talk about purely from -- which is the one I missed here. So I've covered scale, I have covered growth -- sorry, growth and scale I have covered. I have covered operational efficiency, integration.

And on the procurement or, let's say, on the cost of inputs as we call it material margins. See, that's a dynamic market. I would say maybe 10% could come from there. We do have a fairly competitive cost structure. But through a combination of expanding scale, we may be able to get a 10% leverage coming from our material margins.

Moderator:

Our next question is from the line of Shirish Pardeshi from Motilal Oswal.

Shirish Pardeshi:

My 2 questions, starting from ACT II, we have delivered a very strong growth of 21% value and 12% volume. When I look at the larger growth, which appears to be driven by the ready-to-eat segment, which is you have reported 39% growth. What is it that we are trying to do? Is it that the new product launches? Or is it the distribution scale up, which is driving this growth?

Nitish Bajaj:

So if you look at in our traditional trade, which is the mass market, it is the distribution expansion, which is the key driver. We have been expanding business very rapidly in North, and we today have a very big scale presence, while we still have headroom for growth through distribution expansion in other geographies of the country.

So fundamentally, for general trade, it is the distribution expansion and 1 or 2 variants will keep getting added because consumers in snacking business do want choices. So core will be expanding the distribution and keep bringing new variants, sometimes replacing, sometimes adding on, but innovation will play a secondary role in general trade channel.

But in modern trade and e-commerce, newer variants, bigger pack sizes, so upgrading the consumers to bigger pack sizes, bigger volumes as also bringing new variants is the mainstay of

growth. And we are seeing good traction on both sides. For example, in e-commerce, our business is almost becoming 3x in ready-to-eat segment. So that's the play.

Asheesh Sharma: And just to add, Shirish, to this. This is Asheesh, just to add to this, one integral difference between ready-to-cook and ready-to-eat is that the certain flavors are not very conducive to be offered in ready-to-cook, right, which are 2 steps. In ready-to-eat, because you pop and coat and give the product, right, the product experiences are significantly better. So what we have done is we have expanded our offering of flavors also across the 2 formats and thereby enrolling a lot more consumers now on to our franchise.

Shirish Pardeshi: Okay. Sir, I was more keen because direct distribution of 5 lakh, I would assume that it will be about 2x. So our indirect and direct would have been in the range of about 1.5 million. Isn't that the correct number?

Nitish Bajaj: So potentially, we don't track it, Shirish, so I can't give you an official figure. But based on my experience of the industry, you are right that indirect distribution could be substantially larger than direct distribution.

Shirish Pardeshi: Okay. All right. My second question is on staples, which is basically oil.

Moderator: Sorry to interrupt. Shirish, sir, your voice dropped. Your voice is sounding very low.

Shirish Pardeshi: Is it better now?

Nitish Bajaj: We could hear. Carry on, Shirish.

Shirish Pardeshi: Yes. On the staples, I think we have done a lot of rejig in terms of positioning branding, but the value which we have reported 20% and volume decline, how much price increases we have already taken in this segment? And if you look at the price pyramid, is it that the premium end is growing faster and the mass is steady? Or where this volume decline is happening?

Nitish Bajaj: So see, if you look at 2%, honestly, it's not really a big decline. And if I control the 2% for you, it is largely in June, we dropped, but there was a duty reduction which government did in month of May because of which trade did hold a position that prices may come down a little. Having said that, most of the duty reduction benefits have gone ahead -- gone away with the inflation we are seeing to continue in the Edible Oil segment.

So I would not really call 2% as a volume decline. I would say we are more or less stable. We were actually plus 2% in April, May. We are minus in June, and hence, we have come minus. More importantly, to your question on which segment is growing, I think there is a headroom for growth in both segments. Fundamentally, Edible oils in our understanding is growing in low single digits of 3% to 5% in volume terms.

We do have a headroom to expand our market share. We have not yet taken a position of investing in marketing beyond e-commerce. We would take a position because edible oil is a mass market play, we would experiment. We would experiment. As we speak, we are running a pilot, which is going to start very soon in a regional geography. Once we have proof of success

in an experimental basis is when we will take a position. We do want to keep a capital-efficient approach in everything we do. So we would scale it up based on our success.

Shirish Pardeshi: Okay. My last question on the popcorn -- corn sourcing. Do we have enough corn? And if there is any inflation, what kind of inflation if you can spell out?

Nitish Bajaj: Yes. So we do have sufficient storage of corn. And broadly, our prices are more or less stable, not beyond 2%, 3% at best from inflation. And we did talk about grammage reduction we did. So we have been able to actually improve our margins on popcorn a little bit, not significantly, but we have been able to make sure that our margins -- material margins are stable to better in popcorn.

Moderator: Our next question is from the line of Bimal Sampat an individual investor.

Bimal Sampat: First question was on Del Monte. There were news that internationally, they are going through rough times. I mean, so any effect of that international thing on our local this thing or we are only using the brand name?

Nitish Bajaj: Yes. So Bimal, you have in a way, answered the question. Yes, we are using only the brand name. Our operations are completely independent. Yes, some of the U.S. subsidiaries are going through a difficult time, but Del Monte globally is split into multiple entities, some of which in U.S. operations are going, but our operations are completely independent, and we only have the license for the trademark in India and certainly in subcontinent.

Bimal Sampat: Okay. And second thing is now that we have scrapped some plants and all, so what is our capacity utilization as of now? And are we planning to go for contract manufacturing to sweat the assets better?

Nitish Bajaj: Yes. So I'll answer it for 2 organizations separately. Broadly at an organization or a group level, we would be between 60% to 70% capacity utilization for most businesses. In Sundrop brands, we do have sufficient headroom for growing our IPC, which is ready-to-cook business. Ready-to-eat business, we may have to gradually expand because our growth is accelerated.

Beyond that, in all other categories for oil, we use third party, so we don't have a constraint there. On other categories, like nachos, breakfast cereals, we have a sufficient headroom for growth. So I do not see any capex investments beyond of routine nature, what you would see in our general P&Ls every year in Sundrop business. Similarly, in Del Monte business also, we did set up a new plant in Ludhiana about 3 years back. That plant is scaled up.

Today, we have about 60% to 70% utilization there also. And we have a headroom for growth for next 2 to 3 years available in Del Monte as well. We are going to use third-party network primarily for innovations on new areas where we would use a capital-efficient approach before we scale up to own manufacturing. And this is a shift we have now in our philosophy at Sundrop Brands. Earlier, we would set up a plant and then scale up the business.

We are saying when we now innovate and get into newer categories, newer businesses, we would try it first through third-party sourcing and then expand internally based on the business case of

merits of how we are doing in the market and how the sourcing costs compare versus third party, make versus buy decision.

Bimal Sampat: Okay. So that's a very good strategy. And in the interim period, are we going to do some contract manufacturing to earn some income?

Nitish Bajaj: So you're saying on our facility in Sundrop business?

Bimal Sampat: Yes, correct, correct.

Nitish Bajaj: So see, we are not averse to it, but we don't yet have any headway or leads, which say that we can do third-party manufacturing in Sundrop business. But as a thought, we are not -- but our business lines, if you look at, are a very specialized chocolate business. It's not something which was a very prevalent large market in the country. We have a coating and rubber-based chocolate facility, which is not very large market yet in the country.

Moderator: Our next question is from the line of Rohith from Marshmallow Capital.

Rohith: It was a very nice and helpful presentation that you did in the beginning of the call. So my first question is on the core categories that you called out in the presentation. I mean, in some -- we are dominant brands and in some, I guess, we have challenges. Could you give us a broad market share for each of our core categories or each of our -- all of our categories or some sort of a market position to understand the scale that we are in today?

Nitish Bajaj: So see, in many of these businesses, we do not officially have tracking at our end, but we have management estimates. I can give you a more directional answer. In popcorn, for example, we would believe that we have 85% to 90% share of the overall market. So we are a dominant market leader in the organized packaged foods popcorn industry.

And nuancing it maybe 90% in ready-to-cook, maybe to 75% in, let's say, ready-to-eat segment. In ketchup and sauces, we will have a high single digit, more in the nature of 7% to 10% in that scale of market share in B2C space. In B2B space, I don't have an estimate with myself. I will need to come back on answer on that. In Mayo, we have a very small share in the B2C space, will be low single-digit market share, but we have a very strong 20% plus market share in the B2B space.

So our mayonnaise business is a very strong B2B business but we have a very strong headroom for growth in B2C space. In ketchup, we have a more evenly distributed business between B2C and B2B, and we have a headroom for growth across. In olive oils, our share will be again close to 20%, dominantly a B2C business. Pasta is also for us, dominantly a B2C business. Our market shares will be close to 30% -- 25% to 30% in that range.

Rohith: This was helpful.

Nitish Bajaj: In peanut spread, our business is strong in B2C in retail traditional trade. And there, we would have close to 35% market share in our estimate. And e-commerce modern trade, our share may be between 10% to 20% in that range.

- Rohith:** So in each of our core categories, we would be in the top 2, top 3. Is that a fair estimate?
- Nitish Bajaj:** Yes. So popcorn, we are a market leader. In peanut spreads, we will be in top 2. I would think. In ketchups and sauces, we are number 3 or number 4, depending on -- though we are number 4 possibly or number 3. Again, ketchups, again, we have Kissan and Maggi at a much higher level than us. And then we have Veeba operating in a very similar share space.
- Rohith:** Understood. Fair enough. So do you -- I mean, do we intend to -- so how important is innovation as part of the thing? So do you intend to launch a lot of I mean, so we see some competition launching multi-grain pastas and stuff and some of them extending into Chinese dips and sauces. So is this an important aspect of a strategy? Or how do you see this?
- Nitish Bajaj:** It is. So we would want to, of course, leverage the equity of the brand in a good way and hence, get into associate categories. For example, in popcorn business, we did expand into sweet corn business because it's contiguous. We did expand into nachos. We are bringing new flavors as we speak in all ready-to-eat popcorns as well as nachos.
- So there is a work going on in expanding category as also expanding flavors because consumers are today trying out much -- many more new international flavors. So that's there. Similarly, on sauces, we did enter into Chinese sauces space using the Del Monte brand. So that also is already in the market innovation.
- We do work on the B2B side with our partners, and that also is often a source of innovation and new product launches because many times, these B2B customers have a specific brief for us to work on. But innovation is part of our philosophy of growth and is very strong teams are there in both organizations to drive innovation.
- Moderator:** Our next question is from the line of Dhwanil Desai from Turtle Capital.
- Dhwanil Desai:** So my first question, sir, is that if we look at the history of Sundrop, on the food business side, they have grown at a decent 17%, 18% CAGR for last many years and that I acknowledge that it's from a smaller base. But now since that we are investing heavily on the A&P side, how should we look at the growth on the Sundrop side?
- Should we assume 15% plus kind of a growth? And the reason I'm asking this question is because part of that growth was coming from the newer product entries, while now we are -- we have rationalized the portfolio and we are focusing only on a few of those products. So how should we look at the growth in this dynamic?
- Nitish Bajaj:** So when you are saying Sundrop -- Dhwanil, right?
- Dhwanil Desai:** Yes.
- Nitish Bajaj:** I'll just clarify. You are saying Sundrop, you're talking oils?
- Dhwanil Desai:** No, I'm talking the food part of the erstwhile Sundrop, which is ACT II and Sundrop.

Nitish Bajaj:

Okay. So you are saying in a way, ACT II plus Sundrop put together because in the Foods business, we have 2 brands now. We have breakfast cereals coming under Sundrop, and we have ACT II, which is our popcorn and snacking business. So if you look at -- we do have continued innovation in this space.

I talked about we entering into nachos, sweetcorn in ACT II and similarly, we have in peanut spreads, we are launching newer variants in the high protein or new chocolate flavors, et cetera. So innovation will continue. It's just that we are restricting innovations to certain core categories where we believe we have a strong right to win because brand is already at some stage and can take a stretch plus consumer familiarity is high, the consumer would trust us to give very good offerings there.

So innovation will continue to drive. It's just that categories are shifting from chocolates on newer brands, newer categories to leveraging the core better of the brand better. Second, investments are going up. So we would want to also through investments on consumer acquisition. And India, we know is a significant headroom for growth in the packaged foods market.

So that accelerated and increased investment should also drive our growth upwards. I don't want to give a specific number to you. Our position always is that we will grow faster than the market. Our endeavor will be to at least, let's say, 4% to 5% better than the market growth or higher going forward. That's the way we are pivoting, and we will continue to invest for accelerated growth. I don't want to attach a specific number at this point of time, Dhwanil.

Dhwanil Desai:

Okay. No worries, sir. Sir, second question is on the peanut butter side. I think this peanut butter market share loss has been the journey started a few quarters back, even before the new management took over, there were some challenges on the peanut butter side. So in your opinion, what is happening in that market? Is it that too many players have entered there? And if so, what are we doing in terms of steps to ensure that we regain market share and then grow from there on?

Asheesh Sharma:

Well, this is Asheesh, So I'll just take that question. See, on the peanut butter side, if you look at, and it is largely divided between the big pack, which is closer to about 900 grams and above and smaller consumer packs, which have used a table spread and a mix between the channels. So you would have seen that we have started now growing faster than the category in e-commerce channel right, which we have said on the peanut butter side.

Where we do still have a challenge, right, is with the price challenges in the big outlet, big packs, which are the ones which are more commoditized in nature. In that area, we have already started and we have now product, which, as we speak, is getting rolled out, where we will be competitive with them and we will start taking back our share.

But what happens is -- because we have been out at a competitive price for some time, it is taking a while for us to build back that share. So on the smaller consumer packs, we are growing faster than the category where our strength in GT lies. So we're acquiring new consumers and rapidly growing there.

We are growing in e-commerce. It is the stand-alone modern trade and the big modern trade where we still have a challenge and a product price architecture to be fixed. We have done the product, we still need to get the listings and going there, which you will see as we progress. Now having straddled all 3 of them, we will start looking at a good volume and value growth coming in as we go forward.

Moderator: Our next question is from the line of Yash Bajaj from Lucky.

Yash Bajaj: Sir, when we acquired Del Monte, I think one of our ways of growing Del Monte was to leverage Sundrop's strong GP presence. So where are we in that journey today? That's my first question.

Nitish Bajaj: Yes. So thank you so much for this question. Yes, see, it's still early days. As we talked about it, the company acquisition got done only in the middle of February. So we are working on some pilots. Our approach always will remain to pilot and then scale up.

So between the 2 teams, we are working on a few pilots where we carry the distribution of their products in the regional geography, see what kind of response we get through that expansion and what kind of challenges we get from existing trade partners because there are existing trade partners who are servicing that business in every geography.

Once we learn that entire thing is then we will scale it up. So this year will remain on experimentation in leveraging the network of Sundrop for expanding Del Monte business. We will focus on the core categories, which is culinary primarily in this year. Similarly, to put the reverse side, we are also trying some experiments in food service business for Sundrop products, leveraging the network of Del Monte. But as I said, this year will be experimental. Next year, we will see scale versions.

Yash Bajaj: Okay. So whatever growth we are seeing today in Del Monte, probably relatively negligible portion of it would be coming from some kind of GT expansion. Till now, we haven't seen any benefit of the GT.

Nitish Bajaj: In quarter 1, there is zero growth on account of leverage cost synergies.

Yash Bajaj: Understood. And is it possible to give the channel mix for both brands for Sundrop as well as Del Monte for Q1?

Nitish Bajaj: Yes, we can share that separately. But broadly to nuance it, I did talk about -- not at a brand level, at a company level, we can share with you. At a company level, Del Monte business, 40% is B2B, which is a mix of food services, key accounts and a little bit of exports. Then between the B2C business, it is fairly uniformly split between modern trade, e-commerce and general trade. General trade will be about 15%, Modern trade will be about 8% to 10% and e-commerce will be about 12%. And we have about a 10% business I talked about through contract manufacturing.

Yash Bajaj: Okay. Okay. Understood, sir. And sir, my last question is that I think FY '25, the core category was 35% of the entire year sales. This quarter, it is 39%. Is there some play of seasonality over

here? I'm just coming from the point of view of because we are focusing more on our core categories. So if you could help us with that?

Nitish Bajaj: Sorry, I'm not clear of your question. Our core categories is 59% of our business.

Yash Bajaj: Sorry -- my bad. Core category this quarter is 61%.

Nitish Bajaj: 61%, yes..

Yash Bajaj: And financial year '25 was 65%. So is there any seasonality here or anything you would like to call out in terms of the non-core category basically increasing?

Nitish Bajaj: No, there is no seasonality. It's just that intrinsically, we are seeing faster growth coming through core categories. So the trajectory is very clear. Core categories were 53% in FY '23. They became 59% in FY '25 and they are 61% in FY '26 quarter 1.

Yash Bajaj: Okay. This 59% in financial year '25, the core category?

Nitish Bajaj: Yes.

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

Nitish Bajaj: Sure. So thank you all. I would not take too much of your time away. We are already well past the time. So thank you for being present and for your wonderful set of questions. As we said, we are committed to drive accelerated growth and improve the value for our stakeholders.

As a management team, we would continue building our journey going from here of working to improve our efficiencies in business by deploying them sufficiently and smartly for accelerated growth of the business and continuously increasing the value for our stakeholders. Thank you so much, and wish you all the best and wishing -- looking forward to a next meeting also in quarter 2. Thank you so much.

Moderator: Thank you. On behalf of Anand Rathi Share and Stock Brokers Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Nitish Bajaj: Thank you.

Asheesh Sharma: Thank you.