"Britannia Industries Limited Q3 FY-21Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to Britannia Industries Limited Q3 FY21 Earnings Conference Call. As a reminder all participants 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 '*' then '0' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Ms. Dipti Sudhir from Britannia Industries Limited. Thank you and over to you ma'am.

Dipti Sudhir: Thank you Bikram. Hello everyone. This is Dipti from the investor relations team. I welcome you all to the Britannia earnings call to discuss the Q3 2021 Financial Results. Joining us today on this earnings call is our Managing Director – Mr. Varun Berry, CFO – Mr. N. Venkataraman, Chief Commercial Officer – Mr. Gunjan Shah, Chief Development and Quality Officer – Mr. Sudhir Nema and VP (Procurement) – Mr. Manoj Balgi.

We will start the call with remarks on performance by Mr. Varun Berry. Subsequently we will open up the call for questions. Before we get started with the presentation, I would like to draw your attention to the safe Harbor statement included in the presentation. I would now pass it on to Mr. Varun Berry for his comments.

Varun Berry: Good morning, everyone. It's a pleasure to be here with you today. So let's start with the presentation. I will take you straight away to Page #3.

As you must've noticed, from the results and also the statement that we've made, we've had a very robust general trade, and rural growth this quarter, however, modern trade and institutional businesses are still, extremely muted. We are hoping that, as things normalize, as the COVID cases start to fall, things will start to fall into place, with these channels as well. The diversification of the purchase basket, as the unlocking of the country happened, has started. And, we started to get back, people have started to get back to their normal lives. The pantry stocking, which had happened pretty aggressively in the first two quarters that's become normalized as well. And there are more shelves which are getting into the shelves of consumers. We are also seeing a steep inflation, on the palm oil only, the other commodities are well under control, so those were the highlights.

Moving on to Page #4; if you look at our top line growth, we've had a 6% growth for the quarter and a 10% for the 24-month period. From a profitability standpoint, we've had a 22% growth as far as profit after tax is concerned which is leading us to a 14.7% of net revenue, market share has moved up, again, so it's difficult to count the number of quarters, but probably 36 or 37 quarters of a straight market share gain for us and we are quite proud of that. I think it's quite an achievement for the team here at Britannia.

Moving on to the next page; we continue to focus on our strategic planks. These planks are fairly consistent with what we've been talking to you, about. So distribution and marketing, innovation, cost focus, adjacent businesses and sustainability. So, on efficiency and distribution, we had taken a hit, in a post March '20 period and Nielsen had also gone off the charts. They were not able to do their, audit. So, it does seem that we had taken of a hit during that period, but now we are back. The December numbers are looking fairly robust. We are back to a direct reach getting to 22.9 lakh outlets. Our rural distribution is solid, we've again put on more distributors in rural areas. Again, I think, during the COVID period, there was irregularity of service from our distributors because of obvious reasons. But now we brought the discipline back into place. We made sure that, supervision is happening, and execution is happening as far as the norm set by us. We are now back to a very solid 23,000 rural distributors. Our Hindi belt agenda is continuing to have the momentum that we assigned to that. If you were to look at the 3-year period up to '17-18 and thereafter up to '20-21, you'll see that each one of, the Hindi belt States have moved up considerably from 30% to almost 60% increase in the growth rates, as far as the States are concerned.

Moving on to the next page, we have also come back to a normal pace of activity as far as marketing is concerned. So, most of our, pillar brands are back on air. A Good Day, Bourbon, Tiger, 50-50, Nutri Choice, the cake portfolio they're all back on air. Similarly there are some activations, e-commerce, which is a channel which is really growing exponentially. We've started to make sure that we feature very prominently on that. We've also had a promotion on our Swiss roll and similarly promotions on some of our other products, like Nice Time and Pure Magic Chocolush.

Moving on to the next Page #8; new launches have been a little muted. We haven't gone after innovation because of obvious reasons. Our first task was really to make sure that we get all our SKUs available. But we did do a few launches this quarter. We did, the cream wafers, a Treat Cream Wafers Rs. 10 launch, which has given us a very solid kick as far as volumes are concerned. We also did the Diwali greetings packs during this quarter and we launched a Pure Magic Chocolush Hazelnut, which is also doing quite well. So those were the launches, in this quarter.

Moving on to the next page, which is about efficiencies. As we said that, we've seen tremendous efficiencies during COVID, and we wanted and we formed them into projects for us to make sure that we retain some of those efficiencies as we go out of the COVID period as well. This is just a comparison of, what we've been able to do. Our factory productivity was at 1X pre-COVID and currently it's a much better than that. We are at 1.07X in terms of productivity. Our wastages again, they've come down from the pre-COVID period by almost 30%, our direct dispatches from factories, which gives us a big efficiencies from a replenishment standpoint, pre-COVID have gone up by 50%. We are directly dispatching, which helps us take out one transit point and multiple handling of the product and that's giving us, greater efficiency. Our Depot space is 10% better than what it was, pre-COVID. These efficiencies, we are monitoring very carefully and trying to see, that we retain some of these as we move forward as well.

Adjacency businesses, international has done extremely well this quarter. We've seen very healthy growth in, Middle East and Africa, which are economies, which have, really suffered, in the last couple of years. But still we tend to be doing reasonably well there and rest of international which is outside of Middle East and Africa is growing at a very healthy pace. That is probably, the most profitable business for us. So, international looking, very good for us, from a bakery adjacency standpoint, credit profitability continues to trend upwards. And also we've seen a very stable growth and improved profitability on our, rusk business as well. Our dairy portfolio, Cheese continues to grow double digits. We had suffered because drinks tend to be out of home, on the go and we had suffered during the COVID period as far as drinks was concerned, but now we seem to be seeing a pickup, even with our drinks. As you remember, we have milkshakes and we'd also launched lassi and both of those products, with the various variants that we have are starting to bounce back. We also got, some tailwinds because of lower milk prices during this quarter which has led to improved profitability as far as the dairy business is concerned.

Moving to the next page, which is on our sustainability agenda. So, we have taken sustainability as a very important component of our business and we are starting the journey on ESG with very clear targets, which have been integrated with the KRAs of all the managers. Some of the targets here you can see on the page and before I go through the targets and what we'd done etc., I would like to mention that we will publish an ESG report this year, which will give you a clear look at where Britannia is headed. So, some of the targets that we've incorporated, in this journey, one is a reduction of plastic. Just to give you a feel of, what we've done till now - laminates, we have reduced by 15% per ton of finished goods since ‘13-14. But this is going to go to a very different level in the future. Plastic tray removals, we’ve already removed plastic trays from our cream products, and we will continue to do so. We would want to be almost 99% plastic tray free in the next couple of years. We are looking at, laminates which are easily recyclable, and we've transitioned this laminate for one of our major brands. Plastic recycling, we are building capability in house so that this can be done and we are being as conscious about our environment as possible. The second one is on enhancing the good in the product.

So, basically, we had taken, 5% sugar reduction target till 2022, work is underway for two of our large brands. We've also taken a 5% sodium reduction, again work is underway for large brands on that. Energy, as far as fuel reduction is concerned, we've reduced 35% fuel in our factories since ’13-14 and we will continue on this journey even as we go forward. We've got clear targets on that. On renewable power we would like to reach, up to 45% of our power being renewable by end of this year which is 2021. Nutrition, there is a community-based approach to improve the health and nutrition of children, adolescents and women. We are distributing iron enriched biscuits. The program is in four states across 36,000 children, which we are covering through this program. I must say that this entire program has brought the entire Britannia team together and the entire team is driving this with a lot of passion.

Moving to Page #13; as far as our revenue growths are concerned, I've already spoken about that, so 6% growth, 24 months growth of 10%. This could have been much better, had all the channels, started to come back to normal. We are hoping that should happen in the next six months or so. On the cost front Page #15, on flour there is deflation, on sugar it's almost flat, just the inflation of 1%, milk, from last year perspective while there's deflation but milk prices have started to slowly come up again. And RPO, there is inflation of 25% which has led to an overall moderate inflation for us this quarter.

I've already spoken about some of the cost efficiencies, which we are monitoring to make sure that we are doing much better than the pre-COVID period. Now those are the ones plus all of the other cost efficiency programs that we drive, which is leading us to a sustained improvement in our profitability, Page #17, please. So if you were to look at it, our consolidated operating profit is at R. 563 crores, which is a growth of 24% and a 24-month growth of 38%, which is quite a solid growth.

And moving to the next slide, which is giving us the total algorithm. So net sales growth of 6%, operating profit growth of 24%. Profit before tax going up by 23% and PAT going up by 22%. And you can see the trend as far as all of these are concerned in the table below you, right? And just one point that I wanted to make here. Our PAT this year in the first nine months is at 1,500 crores. And we crossed the last year's PAT, full year's PAT, which was 1,400 crores for the full year. So we've got almost one quarter and a bit more than last year. So that's something that we've been able to achieve. And I think with a little bit of help from what we did during the COVID period.

Moving on, as we go forward, one is that we need to accelerate the pace of innovation, which has taken a backseat during this period. We are also looking at some new launches. We will strengthen our distribution, which I must say that from a quality standpoint, have taken a hit because supervision was not happening as we would like it to because everything was disrupted and similarly on reach as well. We are going to focus on brand building and visibility, which again, had taken a hit because it was such an uncertain environment that we were not advertising in the first six months of the year. We are also doing a very large IT transformation project, which should be concluded in the next three months or so. And that will make a huge difference to the way we do our business. And finally, driving the ESG agenda, which I had outlined for you. So that is all from me. Over to you for any questions that you may have.

Moderator: We have first question from the line of Manoj Menon from ICICI Securities.

Manoj Menon: Just a couple of questions only. So the first one is just wanted to hear your thoughts on some of the learnings in which you might have had in the last nine months. Also in conjunction with any potential consumer behavior changes, which you would have observed. And these two inputs, how does that change the trajectory of your revenue launches or ramping up of some of the existing new avenues which you're working on, which you said was dairy or wafers and breads and bakery or even something like let's say, UHT milk consumers would have picked up in the nine months etc. That's the question number one. So what are the inputs this can potentially change the trajectory of your existing new avenues and any likely new avenues, which we would look at it. So that's one or should I just ask the second one right away?

Varun Berry: As for your first question, it's a very broad question. I can do a 3-year talk on that. So let's take that first Manoj. So Manoj, it's been such a tumultuous period that it's very difficult to really figure out what is going to continue, what is not going to continue. But I'll try and tell you what my feeling is about the last nine months. So the first thing, that we saw was that, obviously, home consumption had become the biggest draw for consumers. They were going back to their most favorite brand. Third thing was that it was comfort food. It was important that it had to be at the right price. And obviously, there is some amount of down trading, which happened to, if there was a brand which was the cheapest brand and had a very strong brand pull, then that would become the culmination of what the consumers would buy. So while we had very strong brands, we were not the cheapest. We are a premium player as far as the categories that we play in. So for us to maintain our trajectory and to gain share during these times, was not easy and it required a lot of effort for us to keep the trajectory on market share. I think the team did a fantastic job as far as that was concerned. It was a time when there were extra costs happening because safety, security, hygiene, etc., was very important. But there were also a lot of cost savings that happened. There was no travel and obviously, there were no advertising spends, product was not there, so people were not advertising it, etc. So I think we have learned a big lesson from cost efficiencies. There were some manufacturing efficiencies. We have got a peak as far as our efficiency is concerned. And we started to enumerate what was the reasons for that and what could be retained as we go forward. And that's something that we've internalized, and we are doing a lot of work on that. Third was health and wellness became a big ask from consumers. So people did start to go back to products with the thought were healthier than the others. And I think that is a trend which is going to stay. As most of the publications are also saying, this is not going to be the large pandemic that the world sees. So people are going to be taking a lot of care as far as their health is concerned, their wellness is concerned. And hence, it's going to become very important for most companies to ensure that they bring out the portfolio, which supports this quest from the consumers. So that's all Manoj, I think we can set up a call separately if you want, and we can discuss this in more detail.

Manoj Menon: Completely understood that, and I shall follow-up with you later. Secondly, one observation, before that actually but the good news is the brilliant performance by the team actually on the Hindi belt but then I actually try to work out, it does appear that the market growth in your core markets, possibly is very low. Because one, yes, there is some significant outperformance actually on the Hindi belt, so that's one, so that's a fact, actually. The second assumption here is that you are gaining market share in your core markets as well and not just in the Hindi belt. If these things are true, it implies a significantly lower market growth, in a market like South India. And if yes just want to hear your thoughts on, how do you overcome that in the longer term?

Varun Berry: So Manoj, the traditional trade growths are not bad. The rural growth very solid. But the channels are not growing. And also, even for traditional trade, urban, the bigger towns and bigger cities, the growth there are smaller than what they are in smaller towns and villages and rural areas. And we can see that it will take a little bit of time for the large cities and the channels, which is modern trade. Obviously, the biggest sufferer is the alternate channel, which is all the transit clusters. There were hardly any trains plying, and that's a big consumption point for us. The transit clusters were completely not performing at all. And similarly, offices were closed, hotels were closed. So that consumption was also not there. So I think those are the ones which will start to come back and will give us some more momentum.

Moderator: We have next question from the line of Abneesh Roy from Edelweiss.

Abneesh Roy: My first question is on the adjacency. So you have said that rusk has seen stable growth. You have done a lot of innovation last 2 years in cake and rusk. So wanted to understand, have these two seen good double-digit growth, maybe even high teens growth or because more of urban indexation, so they would not have been a good double digit?

Varun Berry: So Abneesh, rusk has shown solid double-digit growth. cake has not. So the innovations on cake are doing extremely well. But the base cake category has not seen double growth. And the reason for that is that, one, it's urban centric. Second, there is also a lot of school consumption. It's in the tiffin box, all of that. So I think it's a little bit of a tricky situation there. But we gained a lot of share during this period as far as cake is concerned. It's a very solid share gain during this period. So the good news is that, we saw the challenge. We fought that challenge. And as a result of that, competitively, we've become much stronger. But we are hoping that the consumption will also come back in the next 3 to 6 months, and we will benefit from that.

Abneesh Roy: In Q2, you had said mid-month was the slowest growth. I reckon in Q3, November would have been the fastest growth given festivals are bunched up there. And any comment on exist difficulty, because offices are coming back, local trains are starting, the long-distance trains are increasing. So is the exit now looking better versus the average different quarter growth in Q3?

Varun Berry: Well, it's pretty similar, I would say, Abneesh. But it's not such a dramatic change in trains, et cetera. But as time goes by, I'm sure, I don't know how many trains are running. I know that there were only 600 trains out of a very large number. Out of the 13,000, only 600 were running, maybe that's gone up. But it's not back to where it used to be. But I'm sure that it's a matter of time. What's the story Gunjan, on train?

Gunjan Shah: Also, the trains have moved up to about thousands, but the occupancy is on 50%, so they get alternate seats, etc. That consumption will pick up. But I think things should pick up.

Varun Berry: Yes. So hopefully, as we go forward, things will start to pick up.

Abneesh Roy: And Varun, one small and large follow-up. So market share data, when I see the #2 player has gained significantly in the last nine months versus the last 8-9 years. And #3 has lost significantly again. So will this be more because of the down trading, which you explained to us? Is that the main reason or there is some more aggression from the competitor?

Varun Berry: I think, it's also they have been executed very nicely during this period. There's no doubt about it. But yes, they've benefited. As I was saying, we are at that culmination of cheapest product, also one of the strongest brands. So that gives them a lot of strength during this period and as a result of that, they've gained more share than us. That's for sure.

Moderator: We have next question from the line of Latika Chopra from JP Morgan.

Latika Chopra: My first question was on margin outlook. Clearly, this year you have clocked very high margin. Now as the advertising spends are coming back to normalcy, you've talked about sustaining cost efficiency benefits. And your base is your view on promotional intensity and pricing outlook. How do you see operating margin outlook for the coming quarters, that was question number one? The second one was on you talked about a big push on innovation. Now I wanted your thoughts on what are the segments where you are targeting new launches and also on the non-biscuits portfolio what will be the key priority products here?

Varun Berry: Latika, it’s very difficult to predict where we are headed on margins but obvious our endeavor is going to be to make sure that we keep the margins very close to where we have reached. These are very solid margins, and we would like to maintain them as much as possible. From innovation standpoint there are a slew of innovations within our existing categories, there are new products, there are brand extensions that we are looking at, very exciting products. We are also looking at innovations in adjacencies, so we have got some very exciting innovations as far as cake is concerned, we are making the same products that we have, very exciting products also affordable. We have launched a Layerz cake Rs. 10, now we have launched a Layerz cake Rs. 5 and it’s not as simple as I am making it sound because these are very sensitive products. To make sure that we are able to produce a product with that price, the volume, surface area, ratio etc. all those are very-very important so that we get sufficient shelf life as well. Similarly we are looking at other affordable products because affordability is a very important part of life going forward. We are also looking at some premium products so there is going to be a slew of products within core as well as within the adjacency portfolio that we have.

Moderator: We have next question from the line of Arnab Mitra from Credit Suisse.

Arnab Mitra: We have seen across food categories; it seems the slowdown in biscuits has been more than in many of the other food categories where the growths are still quite robust. You did mention about the pantry normalization and some of the reasons. I was just wondering is there a strong comeback of the unorganized sector also which could be causing this because sometimes Nielsen data does tend to have a lag especially from a 3-4 months suspected. Just wanted your sense that could there be other factors also which could have driven the slower growth in the category?

Varun Berry: Not really, what we have seen is that unorganized is actually suffering. There are only two players who have gained share during this quarter and that's us and the #2 player. To that extent we have not seen any signs of that happening. It's just that there was diversification of purchases during this time. People had then living out of homes or they also took to street food and winds started to go back to restaurants, started to buy other products as well. So when that diversification happens it does has a lag effect on what they had been consuming for some time. I don't know which categories you are talking about but yes could be possible at certain categories like showing marginally faster growth but I do think that it's all going to normalize over the next 3 months or so and we will know because we have really gone through a very-very difficult phase. We will know in the next 3 to 6 months where category growths lie.

Arnab Mitra: My last question was on the three new segments which we had entered and probably took a backseat last year due to the situation which was the croissants and wafers and salted snacks. If you could just tell us that would you restart your aggression here? Wafers of course you have made a few launches so that's very clear but on the all the three segments would FY22 see a bigger ramp up in this stage, are they in your cycle?

Varun Berry: Yes, for sure. Wafers has done extremely well, we are growing (+30%), so that's done very well. Croissants also we are seeing growths but in only test markets, we have rejigged our product, considerably we are fine tuning it as we speak. We have got some very exciting insights into what we can do with the product. I definitely think that once we are able to get it to perfection this could become a big plant of growth for us. I don't think that yes, these product categories as we go forward will become extremely important to provide us the growth that's going to come to the company.

Moderator: We have next question from the line of Percy Panthaki from IIFL.

Percy Panthaki: Varun my question is when you started this quarter basically is this the kind of growth you expected or has the growth come below your expectations let's say on 1st of October whatever your expectations were?

Varun Berry: No, it's come below our expectations for sure Percy. We had expected more growth than this but these are all cycles, it's a matter of the period of time etc. and as I said the good news is that rural growths as well as traditional trade growths were very good. It's very clear that where we are lagging, the channels where we are lagging and within channels if you think about it Future Group used to be a very large part of our business and now it's completely muted. The other modern trade chains were also not growing as fast in large cities etc. plus alternate channels which is transit clusters, offices, hotels etc. they were all shut or operating at skeletal kind of operations. All that led to this but yes to answer your question, we expected more than what we got.

Percy Panthaki: I just wanted to get a sense on the underlying demand as you say quarter here and there can be many reasons, it could be pantry realignment or whatever but, on the ground,, what is the kind of demand you see? So pre-COVID we were clocking about 5%-6% kind of sales growth but in the last few months almost all categories at least seem to have a demand sales growth which is higher than pre-COVID levels. Is that an optical illusion in the sense that they were very-very badly affected in first quarter and therefore the growths we are seeing now are very robust and in fact what seems to the companies themselves that demand has really rebounded and is above pre-COVID levels, that's not the case of do you agree that actually overall demand is now above pre-COVID levels and what you are seeing right now is just a quarter aberration and you will also come back to double-digit growths very-very soon as they said to be?

Varun Berry: Percy I am not able to figure out in my mind why the demand should be beyond pre-COVID levels because the turmoil that its created in the country will come to ruse at some stage. There are people who have lost their jobs, there are small businesses which have gone belly up but on the contrary if you were to look at the budget; budget's been very solid so all that would get balanced out but I would think that overall it will come back to a pre-COVID growth scenario unless there is a big surge after the budget and rural completely takes over and starts to grow at a very fast pace. If you were to look at this quarter that we are talking about I would think that our traditional trade growths and rural growths were above pre-COVID levels. It was the channels and the urban growths which were lagging and if you were to analyze that and if you were to say if you normalize an urban and channels would that be the growth, would that be beyond pre-COVID? Yes, it would be. So let's speak…

Percy Panthaki: Varun is that the right way to look at it channel wise because in Q1 actually modern trade was the worst affected even more than what it is now and yet you grew 25% because there is some amount of substitution. Ultimately it will boil down to what the consumer is consuming, right? There will be some amount of channel substitution that the consumer will do.

Varun Berry: The channel substitution was happening, but you got to remember that it's not channel substitution, it's substitution of food. Nobody was going out of home, it was all in-home consumption, so in that time there was substitution of street food, substitution of restaurant food, etc., which was happening so that has to normalize at some stage.

Percy Panthaki: I just want to dig a little deeper into this, you basically mentioned that you don't see a very strong case to say why demand should go above pre-COVID levels, even the job losses etc. but if that is what you are saying, it is a pretty bearish statement because pre-COVID your sales growth if I am not wrong was in the region of 5% to 6%. Are we saying that's the stable state growth now for the next few quarters?

Varun Berry: No but that also Percy you are quoting only one or two quarters. If you were to look at a longer period of time, it wasn't as low as 3%-4% so it's a matter of time. If you were to take a year, there would be no year where we would have grown less than 9%-10%, 8%-9%, 9% would be our lowest growth in a year. Yes, quarters might be lower but overall growths for a year is what we have look at and I would say that would probably be a benchmark that I am talking about.

Moderator: We have next question from the line of Aditya Soman from Goldman Sachs Asset Management.

Aditya Soman: I was just digging to the previous question. What would you say, has it been an overall negative or a positive impact if you were to look it at as we stand today so you have got obviously a negative impact of channels being shut, schools, offices, etc. being shut? On the other hand, you have got some market share gains and in-home consumption, that's been higher. So net-net do you think we are at point where growth I mean are you making the statement about just growths going back to pre-COVID because some of these positives will unwind and hence all the negatives will improve?

Varun Berry: Yes, that's right. What I am saying is that, at some stage life is going to normalize and then it's a demand supply which will play, right and yes, we are looking at more innovations. We are looking at more categories that will all add to our growths but there's no reason for COVID to create a demand surge in the future as well.

Aditya Soman: In terms of channels, can you give us a sense of where we are now in terms of local modern trade contribution and e-commerce contribution, that's safer to third quarter?

Varun Berry: E-commerce is at just about a 1% contribution as far as e-commerce is concerned but growths there are phenomenal. It used to be about 0.5% of our total business. It's now at about 1%, modern trade would be about 10% is about modern trade, which will come down a bit.

Gunjan Shah: Last quarter has been better than what we have seen but it is still below the pre-COVID levels.

Aditya Soman: Just one bookkeeping question in terms of CAPEX, what is your plan now for fiscal '22?

Varun Berry: CAPEX we have got, what's the number Venkat?

N. Venkataraman: Current year CAPEX is going to be 60% of our normal levels. So, it's going to be in the order of magnitude of about 200 crores. This is for 2021, '21-22 is the question that you had, right?

Aditya Soman: Yes.

N. Venkataraman: '21-22 so far as bakery capacity is concerned, we will review the capacity that we have on the demand outlook and accordingly we decide the spend.

Aditya Soman: On your dairy CAPEX are we is it still on?

N. Venkataraman: Yes, that is on. We are going ahead with the dairy project as we had planned.

Moderator: We have next question from the line of Amnish Aggarwal from Prabhudas Lilladher.

Amnish Aggarwal: My first question is regarding volume growth. What I am trying to find out is that earlier there used to be a lot of focus on small packs. That is Rs. 5-10 pack which used to sell on your transit location, out of home consumption. Giving COVID there were lot of large packs launched by Britannia also and some of its competitor which continue to gain a lot of you can say eye-balls as far as your online and modern trade is concerned so what is your view on large packs? Has their proportion to our sales increased? That is first part of the question and second is that in one of the adjacent categories that is wafers; earlier we had one or two mid-sized brands but now I think a couple of larger competitors, they have also entered that category with a lot offers and competition over there. What's your view on the same?

Varun Berry: The large pack versus small pack thing, the fact is that a lot of our growth is coming out of rural areas where small packs is the one which is the largest part of our portfolio and with modern trade taking a little bit of a backseat, it obviously will start to show up but as things start to get back to normal, I think the balance will come back between small packs and large packs versus COVID times obviously there is small pack growth is higher than what it was during COVID times because it was more home-consumption. I think that will be a balance and that balance we will find in the next 3 to 4 months, we won't know which way its headed, but we are geared for both packs whatever is required by the consumers. Your second question was on wafers. Yes, in wafers we have some organized players who have come in but that's only good. Wafers the category which is as old as the woods but we had not participated in it. It was only the B players who were playing in it and it was a value category where people were selling it at a higher price giving a one plus one and giving a very high, retailer margin. When we came in, we wanted to change that dramatically. We wanted to take it to our model which is a reasonable dealer margin, a reasonable distributor margin, no big discounts and selling the product. It was tough right, in the first year or so we didn't even find entry into certain modern trade stores because they were used to a margin which was over the top but we stuck to our guns and we said that the model has to change for us to be interested in that product category and we found in-roads into most outlets and most modern trade chains etc. now. We are now, I would say in the, Gunjan are we No. 2, No. 3?

Gunjan Shah: No.2 player, No.1 distributor.

Varun Berry: We are the no.2 player in the category and we are the #1 as far as distribution is concerned. It's a matter of time before we get to the #1 position. There is some very exciting innovation which is also lined up in this category and this is one category where we think that it's almost like biscuits where you can have value products, which is what we have today but you could go all the way to the top with premium products and we are hoping that you will have a full range of products within wafers which are right from cheap to expensive and very expensive. We are building a plant in Tamil Nadu, which is going to give us some very exciting innovation opportunities in this category. We are prepared, we are willing to fight this way forward, but we are committed that we will dominate this category as we go forward.

Amnish Agarwal: Just one thing as you said the few minutes back, that there is little bit of uncertainty as to what could be sale trends going forward, but what sort of a sustainable volume growth we should expect from Britannia over the next 2-3 years? I'm not looking at next 3 or 6 months guidelines.

Varun Berry: I would think that we should look at what we used to see during the pre-COVID stages and obviously you guys are very smart, you know how to model etc., and there will be some amount of adjacent businesses adding to it. But I would say that it will go back to the pre-COVID levels as far as growths are concerned.

Amnish Agarwal: Only thing may I ask was that in FY20 actually our volume growth on the fourth quarter were sub-dividend, before that we used to go to 9-10% kind of average number. So what would be the sustainable, should we look at FY19-20 as a benchmark on the years before that.

Varun Berry: No, even if you look at ‘19-20 the first six months we had very-very solid growths and in the second six months is when we had little bit of a slowdown, but overall I think it wasn't a bad year for us. So yes, it was a slow year ‘19-20. So I would say that probably that is a typical year. ‘18-19 was 12% this year till now its 11% volume growth and 14% revenue growth. So I would say not to the ‘19-20 levels, but the pre 19-20 levels is what you should be looking at.

Moderator: Next question from the line of Mohit Khanna from Future Generali Life Insurance

Mohit Khanna: I had two questions over here, in terms of Hindi belt. I just wanted to know that how big is the opportunity that you see I mean basically asking you the question is that where are we in the game in a 50 over match and then I'll continue with the follow up.

Gunjan Shah: So, we have been talking about Hindi belt for a long time and Varun has been updating you all on the progress that we have made. Just to give you a sense of the size, the four States that I mentioned, we actually internally measure a few more States, but these are the four biggest ones within that. But broadly there as a category almost something like 35 to 40% actually of the entire market. There are a few nuances to this; one is first and foremost that we are relatively very weak. So while we are market leaders overall, we are relatively weak here. So that's why there is maximum headroom for growth etc. Our indexation on market share is that we started off at one third of a national market share year about 3-4 years back and over the years we have made progress. We are now, even now we are at about one half of a national market share a weighted average. There are some States much better, but broadly there. So that means there is enough and more headroom in a 40% of the country's market where we are still under index significantly. Does that answer your question?

Varun Berry: So basically just to translate that, let's say our market share overall was 30% at that time in the Hindi States we were 10% and Hindi States were 35% of the total business. Today we are let's say, our market share is still 30%, our market share in the Hindi States will 15%. So that's basically, obviously we are overall share has also grown. I'm just simplifying it for you. And in a quick rally if you want to equalize our shares in the Hindi belt with our overall share, when our overall share will go up dramatically and second you can think about how much volume and revenue we will get out of that 35% of the business.

Mohit Khanna: The next question I would just come down on the cost part, first, just a number, what is that direct dispatch percentage of the total dispatchers that you do and what is the target that you have planned to achieve here?

Varun Berry: So, we used to be pre-COVID at 8%, so we've gone from an 8% direct dispatches to 22% direct dispatches.

Mohit Khanna: Just the last thing in one of the slides you mentioned about an IT project. So, now combining both the questions on direct dispatch and IT, what exactly is the IT project all about and what do you plan to achieve operationally and financially out of it? And this gives you confidence of sustaining your margins at the current level?

Management: So essentially, we are looking at upgrading our current systems. It is in three parts. One is the ERP system on which all the company transactions are happening, that we're upgrading to S/4HANA, with a lot more of a new modules coming in. In addition, we have a dealer management system, which was put up about 12-15 years back, which was almost online. Now we are going with a new online DMS system, so which is our TDR. The third one that we are trying to do is to do a vendor management system using Ariba. So all our interactions with the various vendors that we have, will happen on that platform. On these three now are getting also integrated. So with the up gradation of the basic systems and integration there's going to be a whole lot of data that is going to be available for the company to use them for business analytics and for business intelligence going forward. That's what we are doing currently.

Mohit Khanna: Just, I mean, I don't think you answered the second leg of this. So, financially is there any target to be achieved by increasing the direct dispatches and IT projects and other cost efficiencies basically and that's it.

Varun Berry: So direct dispatch has an impact on the transportation cost to the company, which has already flown into the P&L of the company that we see. IT, there are some benefits that we are looking at, in terms of write-offs coming down of being able to better manage the stocks, reduce the stock holding that we have, managed the stock better and improve conversion of orders into billing. These are the benefits that we are looking at. So these will flow in as we implement them and we hope to go live by end of this financial year. And there will be multiple benefits that we will get out of the MIS that we will be able to generate as well, because there will be very intelligent decisions taken by salespeople, backend. I think there will be multiple factors that will be at play. How much we can get out of it, I think we will know once we implemented.

Moderator: We have next question from the line of Alok Shah from Ambit Capital

Alok Shah: I have two questions, one is on the Ranjangaon plant, can you remind us what is the total CAPEX for the Ranjangaon plant and within that what would be the allocation to the biscuit, dairy and so on and second would be in terms of the adjacent categories, would you be building all the adjacent categories organically or would it be open for the inorganic acquisition as well?

Varun Berry: So, till now we have invested 700 crores in Ranjangaon. The total CAPEX for which we are getting that ultra-mega project status is 1500 crores, which includes the dairy project as well and till 2024 we have to reach 1500 crores, which includes the dairy project. So, currently we have got every possible category there including Biscuits, Cake, Rusk, Croissant and we are building the dairy plant. So by 2024 with the dairy project completed, we'll have an investment of 1500 crores on which we'll get an incentive of 110% from the Maharashtra Government. We will certainly be open to inorganic acquisitions also, but unfortunately the valuations are such that we are very-very conscious about what paybacks we should get. The project has to be worth a while, you know today's valuations, today's startups, the kind of money that they're getting, etc. is something which we are not used to. So, we will watch and see and check if there's a good acquisition target at the right price. We'll be very happy to go for that.

Moderator: Thank you, ladies and gentlemen, due to time constraint. That was the last question I would now like to hand the conference over to Ms. Dipti Sudhir for closing comments.

Dipti Sudhir: I thank everyone for spending time with us on this call. We look forward to interacting with you again. Thank you.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Britannia Industries Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.