BRITANNIA

Date: 12th August, 2025

To,

Corporate Relations Department,	Listing Department,
BSE Limited,	National Stock Exchange of India Limited,
Phiroze Jeejeebhoy Towers,	Exchange Plaza, C-1, Block G, Bandra-Kurla Complex,
Dalal Street, Fort, Mumbai - 400 001	Bandra (East), Mumbai – 400 051
Scrip code: 500825	Symbol: BRITANNIA

Dear Sir/Madam,

Sub : Transcript of the Investors/Analysts Conference Call (Group Meet) for the quarter ended 30th June, 2025

Ref : Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations, 2015')

With reference to the subject cited above and pursuant to Regulation 30 read with Clause 15 of Para A of Part A of Schedule III of the SEBI Listing Regulations, 2015, please find enclosed the transcript of Investors/Analysts Conference Call (Group Meet) held on 6th August, 2025, pertaining to the financial results and operations of the Company for the quarter ended 30th June, 2025.

The Transcript along with the Presentation and Audio Recording are also made available on the Website of the Company at www.britannia.co.in/investors/financial-performance/analyst-call.

Request you to please take the above information on records.

Yours faithfully,

For Britannia Industries Limited

THULSIDASS VELAYUDHAN THARAYIL

Digitally signed by THULSIDASS VELAYUDHAN THARAYIL
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"Britannia Industries Limited

Q1 FY 2025-26 Earnings Conference Call"

August 06, 2025

MANAGEMENT: **MR. VARUN BERRY – EXECUTIVE VICE CHAIRMAN, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER -- BRITANNIA INDUSTRIES LIMITED**

MR. N. VENKATARAMAN – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER – BRITANNIA INDUSTRIES LIMITED

MR. VIPIN KATARIA – CHIEF COMMERCIAL OFFICER, SALES AND REPLENISHMENT – BRITANNIA INDUSTRIES LIMITED

MR. MANOJ BALGI – CHIEF MANUFACTURING AND PROCUREMENT OFFICER -- BRITANNIA INDUSTRIES LIMITED

MR. SIDDHARTH GUPTA – GENERAL MANAGER, MARKETING – BRITANNIA INDUSTRIES LIMITED

MR. RAMAMURTHY JAYARAMAN – GENERAL MANAGER, CORPORATE FINANCE – BRITANNIA INDUSTRIES LIMITED

MR. AYUSH AGARWAL – INVESTOR RELATIONS -- BRITANNIA INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Britannia Industries Limited Q1 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ayush Agarwal, Investor Relations. Thank you, and over to you, sir.

Ayush Agarwal: Thank you, Neerav. Good morning, everyone. This is Ayush from the Investor Relations team. I welcome you all to the Britannia Earnings Call to discuss the financial results of Q1 '25-'26. Joining us today on this earnings call is our Executive Vice Chairman, Managing Director and CEO, Mr. Varun Berry; Executive Director and CFO, Mr. N. Venkataraman; Chief Commercial Officer - Sales and Replenishment, Mr. Vipin Kataria; Chief Manufacturing and Procurement Officer, Mr. Manoj Balgi; General Manager - Marketing, Mr. Siddharth Gupta; and General Manager - Corporate Finance, Mr. Ramamurthy Jayaraman. The analyst deck is uploaded on our website.

Before I pass it on to Mr. Varun Berry, I would like to draw your attention to the safe harbor statement in the presentation. Over to Mr. Berry with the remarks on performance.

Varun Berry: Good morning, everyone, and welcome to the call. So let me just jump into the presentation straightaway. So getting on to our agenda, I quickly take you through the business overview, move on to the strategic priorities, the cost and profitability outlook and finally, the financial results.

So the first slide of the business overview, we've had pretty good revenue growth. I can say that it's double digits. It's just about 20 basis points lower than double digits. So we've a 9.8% 12-month growth and a 14.2% 24-month growth. Our profit after tax is a 3% growth for 12 months and 14% for 24 months.

Getting to the next slide, which is the commodities. As far as our market share is concerned, sorry, the market share slide, we've improved our market share versus our organized players, 5 out of 7 regions we've gained share. There are 2 regions where there's some work to be done. And overall, while market share has remained flattish from a Nielsen perspective, I think other players in the industry have not grown as fast as us.

So the fact is that we seem to be doing reasonably well as far as market share is concerned. There are a few issues, which we need to work out, and we are working on those. But I personally think that we -- our momentum is on our side, both on revenue as well as our market share.

Getting to the commodity slide. Now on commodities, we've had a reasonably, I would say, a stable quarter while on an overall basis, if you look at the full year, it's been very turbulent. Flour, there's been versus Q1 of '25, which is the corresponding quarter last year, it's an 8% inflation. Palm oil, while versus -- sequentially, it's been negative. So we've had a deflation sequentially, but versus the same quarter last year, we've had an inflation of 45%. Sugar, again, within those boundaries, so pretty manageable. Cocoa also sequentially has come down, while there's a 35% inflation versus last year. Laminates and CBBs both have been within those guardrails and pretty manageable.

Moving on to the strategic priorities, which are what we discuss every time - Efficiencies in sales and Distribution, Innovation and Adjacencies, Sustainability, Brand and Cost efficiency. So I'll take you through that. As far as distribution is concerned, we've seen an uptick both in urban as well as rural.

Our rural growths have this quarter been double digits and urban is very high single digits. This urban includes the general trade as well as the modern trade as well as the e-com numbers. Now what are the enablers as far as the growths are concerned - we are focusing on our rural markets where we are looking at taking our distributors to be full-scale distributors.

When we started this program, we had appointed rural distributors where the supervision was pretty good. But when they become full-scale distributors, the supervision becomes even better and the whole working style becomes more organized. So we are looking at taking our rural distributors to be full-scale distributors, which is helping us.

Second, obviously, there is a better extraction from the existing distribution infrastructure that we've created. The high potential outlets are being focused on through our RTM project, and this is not just for the base business, but it's got excess focus on the adjacency business, and we are seeing that pay up for us. We've also got the sales program for key urban accounts. We are revamping that program, and that's helping us as well. Obviously, e-commerce has been doing really well for us. We've been gaining share in that segment, although it's still only 4% of our overall business.

Moving on to the next slide, which is driving the Hindi belt. Hindi belt this quarter has been really, really good. All 4 states have given us very good growths, very high double-digit growths, and the growths are 2.7x what they are for our other states. So this -- and this has led to a market share gain of 65 basis points over Q1 in the Hindi states. So that agenda is going quite well for us.

On the marketing program, some very exciting marketing programs. The Good Day programs continue. We've had a very good campaign and that's giving us good results. We've had this 50-50 program with Ravi Shastri, which has been doing pretty well. The advertising has been appreciated. The connect is being made. Jim Jam continues to advertise. We tied up Gukesh for Milk Bikis, and that advertising is on air.

We also did inclusivity campaign during the pride month, where we also brought in our largest competitor into it, which became quite a discussion point and Marie Gold, the StartUp Show continues and is doing very well for us.

Now coming to innovations. Some very, very exciting innovations. You are aware of Pure Magic Stars and the Harry Potter Pure Magic Choco Frames. The Butter Jeera Good Day and the Fruit and Nut are doing very well for us. We are just in the process of launching Pure Magic Choco

Tarts - it's just getting into the market as we speak. There are 2 flavors - one is the chocolate and the second is the hazelnut and these are very exciting products, and we are hoping that these will become big blockbusters. We've also launched 100% Millet NutriChoice. A very exciting product again. It's got no sugar -- no added sugar in it and it doesn't have palm oil. This is a very, very good product, which has gone into the market, and we are launching Milk Bikis Smart, which is on the whole concept of chess.

In fact, the biscuit itself has the chess personalities on it. And we've got -- this is enriched with DHA, which is a good ingredient for kids to grow up with the right thinking abilities. And as a result of all of our innovations, our premium product salience has gone up by 310 basis points. This question comes up in every meeting that we have with all of you. So we thought that we'll just preempt this and give you this number early.

The adjacency business, the next slide, the adjacency business has been doing quite well for us. Rusk has been growing double digits and high double digits, and even the profitability has improved dramatically as far as Rusk is concerned. Croissant, mid-20s kind of growth and we've gotten to a breakeven as far as profitability is concerned after all the spends that we do on A&SP, very good gross margins we make on this product, and this is moving very well in the market.

Wafers, again, it's growing very well, almost a 30% growth here, and our market share has moved up. And this category also -- we were late starts in this category, but we are gaining strength very, very quickly.

Dairy - We've done extremely well in general trade where it's like a 40% growth. Even in e-commerce, we've got very good growth. We still have to get our modern trade agenda right, because there are price players who continue to hammer on price, and we are in the process of making sure that we get modern trade under our belt as well.

As far as drinks is concerned, every company has reported negative numbers, but we've had -- on milkshakes, we've had a double-digit growth despite the early monsoons, et cetera. So that's doing quite well for us as well.

Moving to the ESG agenda. Manoj, do you want to speak on the ESG?

Manoj Balgi: So the progress on the ESG KPIs we track has been good this quarter. We have moved 4% in terms of our renewable electricity consumption. In terms of specific water consumption reduction, we are ahead of the target and we have had about 3.5% reduction this quarter. The diversity agenda is being driven, where we have had in the woman factory workforce, we have had about a 1.8% increase over the previous quarter. And through our CSR arm, the Britannia Nutrition Foundation, the number of beneficiaries that...

Varun Berry: 1.8% is the contribution increase

Manoj Balgi: Yes, yes. And Britannia Nutrition Foundation, the number of beneficiaries reached has increased by about 3.5% over the previous quarter. And we have got multiple recognitions this quarter about -- we were recognized with multiple accolades for the global CSR and ESG awards for

2025. Six of our factories won the CII EHS Excellence Awards. And Dun & Bradstreet has recognized us as one of the leading ESG entities in India.

Varun Berry: And Manoj has been leading this right from the time we started, and I'm very proud of achievements here. Obviously, a mountain to climb, but a very good start as far as ESG is concerned. Now moving on to cost and profitability. So on the cost front, sustaining margins while being competitive was our agenda, and I think we've been able to do that quite well. We've been able to fight the regional players as well, and we've been able to make sure that we keep the momentum going. Also, investing behind key brands and scaling up innovations, we've been able to do that quite well, and we are in the process of launching a lot more innovations during this year.

The outlook, obviously, driving consumption in the core categories remains our big agenda and closely monitoring policy interventions and the harvest output, which impact the commodity prices also will be a very critical thing for us.

But having said that, I think from here on, we do not see the kind of wide fluctuations that we've seen on commodity and we always perform much better in stable conditions during the turbulence in commodity prices, like what we have seen in the last 2 years, it's always difficult to navigate price increases and estimate what it's going to lead to, et cetera, et cetera, et cetera. We have covered most of our inflation in -- through our price increases. We are done with that, and we are in a good position today.

Okay, moving to the financial results. So a 12-month growth of 10%, I'm taking the license to call 9.8%, 10%. And if you were to look at it, it's INR 4,535 crores consolidated revenue for us during this quarter. And this is not a peak quarter usually. So it's good to see the movement here.

Now getting to the next slide, I've taken you through it, so I won't drain this slide, but a 3% growth on PAT and PBT, and even if you were to look at profit from operations almost at 15%, profit before tax at 15.5% and profit after tax at 11.5%. So that's where we are at. We've also had the SAR revaluation, which happens, which is an impact of INR 52 crores to our overall profit. If you were to look at it without that, the operating results are very good with a 10% top line. And if you disregard the SAR for a second, while you can't do it, it would be a 13% bottom line growth.

So with that, we'll open the house for questions from you.

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

Abneesh Roy: Congrats on near double-digit sales growth. My first question is on the market share and overall local player dynamics. So yes, specific question is number 3 player, ITC has called out in their Q1 release that biscuits has been one of the key drivers for their growth. Now 5, 6 years, of course, the number 3 player has been quite rational. Is there any resurgence of the number 3 player?

And on your comment on local players coming back. Why in only 2 regions you faced a market share issue, why was it restricted to 2, why not in all the 7 regions? And could you clarify which are those players and which are those regions? That is my first question.

Varun Berry: Yes. So let me answer your second part first. So the region that we've had a little bit of turmoil is the East, and the reason for that is not the regional players, but it's an internal restructuring of distribution that we are doing. We are looking at mega distributors, we are trying to create infrastructure for the future. And as a result of that, there's been some amount of turmoil, and that is one region where we've lost share.

And that is one region where also you tend to have a lot of local players. So I guess the local players have benefited on -- basically our stumbling a bit in the execution there. But I think we've got things under control, and we are in the process. And we'll come back, the Tiger always takes 2 steps backwards before it launches itself. So we are in that position where we've taken those 2 steps backward, and now we are in the position to launch ourselves, and I think we'll come back much stronger there. And -- so that's 1 reason for the -- what was the other question, Abneesh, I...

Abneesh Roy: The number 3 player ITC?

Varun Berry: Yes. No, ITC has been very, very rational. Actually, we have no complaints with any one of our competitors. It's been a very, very good ride as far as competition is concerned. There is nothing dirty happening anywhere. All of our competitors have been playing the game as it should be played, which is on brands, which is on distribution. So no, they've been very good. And there's nothing which is looking out of whack, I don't think there's -- their shares are within that band, and it continues to be there.

Abneesh Roy: Varun, 1 -- 2 quick follow-ups on this first question. These are small follow-ups. One is the mega distribution which you are doing, obviously, that is being done for some reason. So I -- is my assumption correct that long term, this should drive margin profile better, and this is a transition issue. And on your comment on alternate deflation, inflation comment, generally, when this happens in any category, the number 1 player suffers. So would you say that this issue of inflation followed by deflation and vice versa, that impact on you from a demand side is not something you are too much worried on?

Varun Berry: No, we are not worried on it -- while we were in that cycle, we were worried. I think now we are in stable territory, so we are not worried on. The reason for doing the mega distributor is to get better control on our distribution, making sure that we have to deal with 1 mega entity and make sure that we put in the right processes. And it is a fragmented region with -- there were a lot of distributors. So we are trying to just restructure it and see how we can take it to the next level.

Abneesh Roy: Sir, my last question is on the adjacency business. So in croissant and wafers, have you now become the number 1 player already. And in dairy, the 40% growth in GT, is that a base effect issue? What is the sustainable growth here?

Varun Berry: No. The sustainable growth there is -- as far as GT is concerned, I think we can continue to get that kind of growth for a number of years because with our -- now being price competitive, there is a long -- we can get that GT business to do a lot better than what it's done in the past because we were at a 25%, 30% premium to our largest competitor. So I think that will continue. The contribution of GT to our overall cheese will continue to grow. But that doesn't preclude us from making sure that we get our other channels right and that's what we are working on currently.

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

Mihir Shah: So firstly, on the volume growth, it seems to be just about 2% volume growth. And the momentum versus what we saw in the fourth quarter seems to have gone down, while most of the other consumer companies are seeing an improvement in momentum when it comes to volume growth from 4Q to 1Q

Is there any impact of this East distribution rejig that you're doing is impacting this volume growth? That's one. And the other one is, do you see any green shoots or trend change for volume growth trajectory to get better in the coming quarters?

Varun Berry: No. See, the point is that with the kind of inflation that we've seen, there is bound to be revenue growth more than volume growth in these times.

Moderator: Mihir, may I request you to mute your line from your side, please, when you're not talking.

Sorry, sir, please go ahead.

Varun Berry: Yes. So there is bound to be -- volume will give way for revenue, and that's what we are seeing. However, the way to look at it in our business, because 60% of our business comes out of price packs, which are INR 5 and INR 10. The way to look at it is to see what kind of transaction growth, how many consumers are interacting with our brands.

And the transaction growth has been 12%. So we are pretty happy with our transaction growth of 12%. And volume will also come back slowly and steadily. But I would say the delta between volume and revenue will remain at about 6%, 7%, 8% for the coming 2 or 3 quarters.

Mihir Shah: Understood. Sir, second question is on the commodities. Sequentially, most commodity prices are seeing a downward trend and there seems to be kind of a 7.5%, 8% pricing in the system. How should one think about the gross margin from here on?

Because in 1Q, we did not see much improvement on a sequential basis versus what you're expecting, but maybe there were some higher inventory in the system. Can one expect this gross margins to have bottomed out and to see an improvement and all the high-priced inventory have gotten exhausted?

Varun Berry: No, it was not about high-priced inventory. In Q1, the inflation that we saw was still what we had seen in the previous quarters, and we hadn't been able to mitigate that inflation through the required price increases. Now we've completed that. And you actually answered your own question. If the commodity prices are within a band, then obviously, the margins can only be better.

Mihir Shah: Got it, sir. I just wanted to get your confirmation on the same and just shout out to your innovation, especially on the Chess and the Harry Potter ones, they are just pretty awesome.

Moderator: The next question is from the line of Avi Mehta from Macquarie Capital. The line for the participant dropped. Next question is from the line of Nitin from Emkay Global.

Nitin: I just wanted to check on this SAR sort of impact of INR 52 crores. So how exactly is the calculation? And how should we build this going forward in the coming quarters?

Varun Berry: See, it's completely dependent on the stock price, where the employees get the SAR, which then gets revalued basis the stock price. So -- but we do understand the fluctuation it causes. And in the next year -- not in this year, but in the next year, we'll try and see how we can even it out better.

Nitin: Okay, sure. And my second question is around how are we investing behind brands? Because last year, A&P spendings have reduced 19%. So can you throw some light here? And also, if you can help me understand how is our digital spend?

Varun Berry: So we did rationalize our A&P spends during this quarter. What we did was we focused on IPL. So IPL was our main platform where we -- and it was also on digital. So digital has been a pretty important agenda for us. And we just focused on IPL because this was the IPL quarter, and that gave us the right kind of dividends.

Obviously, we knew that the inflation pressures are there. So I think that strategy worked. We didn't go across all our brands. We just focused on our top 4 brands and advertise those brands. So that's how we moved on. But in this quarter, we are back to our normal A&P spends.

Nitin: And last question is around quick commerce. What is the salience of quick commerce, given 4% is from e-commerce, and we have exciting offerings like Fox Nuts, Be You Protein Bars and Croissant. So how exactly is quick commerce doing for us?

Varun Berry: So overall, it is 4%. On our overall business, obviously, for certain categories, it's larger. Actually, biscuits is the lowest, and the other categories are all 8% plus. So -- but the fact -- and between quick commerce and e-commerce, I think it's mainly quick commerce.

Vipin Kataria: Yes. So this is Vipin Kataria. So out of our total digital comm business almost 75% now is coming from q-com. The category also is pretty salient in q-comm. So that is how the entire ratio is changing. Marketplace for us is not very big because the average order value for us is not very big. So therefore, the big tailwind is coming from q-comm. Now coming to a lot of the innovations that we have launched.

So like Croissant, almost 35% of the sale is coming from e-comm. Pure Magic Stars that we have recently launched, almost half of that sale is coming from q-comm, and similarly, brownie and a lot of other innovations. So therefore, a lot of the innovations we've been able to build through the entire digital commerce, and that's the strategy going forward.

Nitin: Sure, this is really helpful. We are basically aligned with the evolving consumer mix.

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

Latika Chopra: My first question was checking your confidence on demand recovery. You talked about a marginal uptick in urban and rural demand trends. You have delivered close to 10% revenue growth in this quarter. Much of the pricing is behind us, and you would assume that incremental growth is going to be transaction led, as you mentioned. Do you anticipate further acceleration in overall revenue growth through rest of the year?

Varun Berry: Latika, we are going through turbulent times really with Mr. Trump and all that's happening on the international front. So it's very difficult to judge where the consumer sentiment is headed. But yes, we've seen very good growth this quarter. And hopefully, we'll be able to continue with that momentum as we go forward as well.

Latika Chopra: Okay. The second thing I wanted to touch upon was a little better in detail was around your comments on market shares and regional competition. You just alluded that gross margins probably will improve sequentially. But do you see a need for higher competitive spends to deal with the regional competition, which is gaining? And in that light, do you expect EBITDA margins for full year to still hover around last year levels or improve from there? Or do you see any significant risk on EBITDA margins?

Varun Berry: No. So Latika, we -- I think we've taken our price increases. Today, we are in a good place. We've also been able to create a war chest for ourselves to be able to spend if we need to in specific territories, specific states against specific players. So we are going to fight many battles in smaller territories.

And we are doing a specific analysis on each one of these competitors. And I think we are in a very good place to be able to do so now with the inflation, deflation cycle sort of behind us and our -- having been able to mitigate inflation with all the measures, including cost efficiency programs. So I think we are in a good place to be able to take this forward in a stable and good way.

Latika Chopra: So you think your ability to sustain margins, you have a fair bit of confidence to sustain or improve in margins over the last year at operating level?

Varun Berry: Yes, yes.

Latika Chopra: All right. And the last bit for me was 2 checks. One was on -- if you could give us some color on how are you thinking about the other operating income number on a full year basis for FY '26? And also if you could give us the number on capex for the year?

Varun Berry: So other operating income. So yes, it's good that you bring that up. So in the last year's results, the other operating income was higher because in Ranjangaon, we had made the investments which were necessary to take us to an ultra-mega project from a mega project, which gave us a windfall in the Q1 of 2025. And that's why the number there is higher than what it is this year. However, having said that, from here on, it's going to be pretty linear. So that should not be a fluctuating number any longer.

Latika Chopra: Understood. And anything on capex incrementally?

Varun Berry: Capex, we are just keeping it very tight this year, Latika. We just want to make sure we've got enough capacity. Wherever we need capacity, like, for example, Jim Jam, we need capacity. We put up some new plants recently. We put up plant in Tirunelveli and in UP, and we enhanced our capacity in Orissa.

So we've got good capacity right now. We've got decent head space. I wouldn't say that it's sort of too much, but we've got decent head space, so we want to keep the capex lower. So I would say, but INR 100 crores is what it would be this year, which is much lower than what we've seen in the past few years.

Moderator: The next question is from the line of Percy Panthaki from IIFL Securities.

Percy Panthaki: Sir, so basically, just -- I know this has been discussed, but again on the gross margin front. Just wanted to understand as to when this palm oil cost reduction and duty reduction, which quarter is it going to hit us? Did it hit us partially this quarter or it's going to be Q2 or Q3?

Manoj Balgi: So the reduction was given by the government somewhere in May. And part of the benefit has already come in Q1, but largely, it will come in Q2.

Percy Panthaki: Okay. Because you would have some holding period also of inventory. That's why I'm asking.

Varun Berry: No, no, we don't have a holding period. Whatever we buy, what it -- the duty which exists today is applied. So there's no stock, which hits us in adversely or favorably as far as duties are concerned.

Percy Panthaki: And how relevant or how big is this duty cut plus whatever cut has happened in the base price itself? I mean, in terms of gross margin basis points, is it like 50 basis points, 100 basis points? What does it translate to, assuming all other factors constant?

Ramamurthy Jayaraman: Percy, it's a little bit difficult to say because with the duty cut, it also depends on the international prices, how they move, etcetera. So just to put a quantification will be a little bit difficult on the number per se.

Varun Berry: Percy always asks very tough question.

Percy Panthaki: No problem, sir. I -- okay. So another thing, a follow-up to this is, since all commodities are cooling off. Do you expect any kind of this benefit to be passed on to the consumers or more likely to maintain current price levels because anyways, margins were under pressure?

Varun Berry: Yes. So I think more of the latter. But if there's need to do anything, as we spoke earlier, if there's any need to be competitive in certain territories, we will make sure that we do that.

Percy Panthaki: Okay. Second question is, so you have continuously sort of highlighted that in the Hindi heartland states, you have lower market shares, and you're sort of going to increase market share there. So as one of the company's overall growth driver, is this the main thing? Or I mean, do you think that -- I mean, excluding this region, do you think that the company can still grow volumes at mid-single digits over the next 3, 5 years? Or it's mainly sort of going to be this region, which is driving the growth?

Varun Berry: No, no, it's not -- we can't base our numbers on just 1 region. This is a focus area that we are working on. But a lot of the markets are so big for us like the South is so large, if we're not able to sustain our momentum there. So obviously, this is an important part, but not the only part of our strategy.

Percy Panthaki: But sir, in South, like per capita incomes are also a little bit higher than India. Penetration is full. Of course, there is a premiumization angle always. But what really will drive market share in, let's say, South India where your market shares are high, where per capita consumption and -- not in value terms, but at least in volume terms is pretty decent. So do you see that region or that, the industry overall for that region to be sort of a decent mid-single-digit growth industry? Or that's not the case anymore?

Varun Berry: No, it is. It is. But if you are saying that -- if you're talking from a market share perspective, then the Hindi belt is going to be an important part of our equation, right, but if you're talking about growth perspective, then we've got to grow, obviously, we have to grow through penetration in a lot of the states that we operate in currently. And it's going to be important for us to grow each state and not just the Hindi states because that's not going to give us overall growth for the company.

Vipin Kataria: So just to build on this. See, so while we are talking about the aggregate market share, but within that market share, there are a lot of subcategories which have a big head space. So just to give you an example, Wafers in South, we are underleveraged in terms of our market share, and therefore, there is a big opportunity in terms of gaining share in that market.

Similarly, Croissant is a big opportunity, and there are a lot of other premium products where we have a head space to grow market share. And therefore, that should be built through the penetration, right, which Varun was talking about. And therefore, that should give us that entire opportunity to gain market share even in the mature markets.

And obviously, the growths have to be more homogeneous. It cannot be only dependent on these 4, 5 opportunity states. I think the other angle is the channel angle, which is becoming now more and more mature. So let's say, the modern trade penetration, the quick commerce penetration is another dimension to build the growth as well as market share. So I think how we look at market share as well as growth is basically a grid of channel and geographies. And therefore, that interplay is very, very critical when we talk about market share in categories.

Moderator: The next question is from the line of Tejash Shah from Avendus Spark.

Tejash Shah: Sir, across industry, we are seeing strong traction in health, nutrition, wellness-led launches, especially on D2C and quick commerce. And interestingly, on the previous answer, you also called out that quick commerce and modern trade is an opportunity, which is under-indexed. So do you see any portfolio gaps or opportunities for us in this space?

And especially like, let's say, something like SuperYou, if you saw, those brands are getting immediate traction on wellness platform and in quick commerce channels. So just wanted to understand your perspective on this.

Siddharth Gupta: Okay. So I'll answer that, Siddharth here. So the way we look at it is we keep a check on trends, which are developing. And you're right, health is one trend, which is becoming salient especially on quick commerce. Similarly, indulgence is again, a similar trend that we are seeing.

And to cater to these trends, if you recall, I mean even in the presentation, there was an innovation launch that we spoke of, which is NutriChoice 100% millets, which is actually catering to this trend of healthier offerings, which the quick commerce consumer is seeking. And similarly, the Pure Magic Choco Tarts that's lined up is again catering to the indulgence trend that the same quick commerce consumer is seeking. So we are keeping a tab on that and...

Varun Berry: Also the Milk Bikis Smart.

Siddharth Gupta: Milk Bikis Smart exactly also caters to the same -- I mean, the mothers looking for healthier offerings for their kids. So therefore, you are right. These trends are there. They are becoming relevant. And to cater to those, we already are launching new innovations and work is happening to kind of be ready with more such products, which cater to the consumer trends.

Varun Berry: But point is taken. Your point is right. There are certain start-ups, which are making their presence felt by breaking into certain categories, which are sort of not visible before they come into the market. I think those are trends that we have to watch out for and make sure that we have those in our arsenal as well.

Tejash Shah: And sir, last quarter, you had called out certain distribution reforms to increase volume per output. So just wanted to know where are we? And are we seeing any tangible outcomes already on that?

Varun Berry: Yes. So we have the RTM project. Vipin?

Vipin Kataria: Yes. So thanks for the question. So basically, the project is about building the bespoke service level, which is, let's say, your ultra-high potential outlet. You need to service it adequately so that we can build on our availability as well as range so that the project is -- has been on for the last 4 months now, we are scaling it up.

The intent is to make sure that 70% of our urban retail is covered through this model. So we are already -- 1/3 of the entire scale-up has been done. And this quarter and next quarter is when we are making sure that 100% of the project scope is covered. The initial results are good. We are getting good delta growth for our biscuit categories and even higher delta growth for Cake, Rusk and Croissant.

So I think the project is shaping up well. We are right now in the war room, we are making sure that as we scale up, we improvise. It's very important for us to also keep all stakeholders engaged because there's a large change and therefore, change management is something, which is very critical. We are also making sure that this is also beneficial to our channel partners, our distributors because that's what will bring the stability. So I think the first 4, 5 months of the scale-up pretty good, and we have a very clear sight of scaling this up to that 70% level in the next 4, 5 months.

Tejash Shah: And this 1/3 rollout that we would have done, that would have given a much higher number than what we have clocked at average level?

Vipin Kataria: Yes. So the delta growth is high single, right. So how we measure this is basically the pilot versus the overall universe. And there, the delta growth is coming to high single, and that's giving us the confidence that by servicing these high potential outlets at the right frequency will build throughput and range.

Tejash Shah: And. If I may squeeze last one. Sir, you mentioned very positive outlook on raw material prices. I just wanted to know, are there any specific markers, which are giving you that confidence? Or is it just general sense of optimism?

Varun Berry: No, I didn't understand the question.

Tejash Shah: Sir, in your remarks, you mentioned that you believe that the worst of RM cycle is behind us. So are there any specific markers that we are tracking, which gives us this confidence? Or is it just a sense of optimism that we have as of now?

Varun Berry: No, no, no. It's completely scientific. Manoj, why don't you comment?

Manoj Balgi: Basic supply-demand construct of the commodities have been factored in, and that's why we feel that price outlook should be quite stable in terms of commodities.

Moderator: The next question is from the line of Nihal Jham from HSBC.

Nihal Jham: Yes. Sir, 2 questions. First is on the regional competition you did mention at the start of your presentation. So is it -- generally, we've seen that the competition comes up when there is a massive price reduction that happens on the RM side. Maybe at this point in time, there is some moderation, but not as much.

So is it that the color of regional competition has changed where rather than just being price-driven, even in terms of innovation of products, they are sort of matching up and now this is not just becoming an RM-driven regional competition, but more serious as we consider ahead?

Varun Berry: See what's happened over the years, if you look at what's happened to the biscuit industry about 14 years back, the margins in the industry were about 3%, 4%, right. From that, it's moved to teens now, So whenever -- and the Indian entrepreneur, you know, whenever the site potential of making margins, they will be there to make sure that they enter the market.

And we've seen some entries happen like that. And when people come in, they do get some fruit for whatever they have done. So it's always important to make sure that we understand where and what their strengths are and make sure that we nullify them in whatever way we can as we move forward.

The reality is that the margins are going to be much higher than what they were in the past. And the reality also is that there will be competitors who'll enter this category and remain in this category. Obviously, some of them will sustain themselves, a lot of them will not be able to sustain themselves.

It's up to us to read in their strategy and make sure that we act accordingly to be able to sustain our numbers in those territories. So that is where it is. It's impossible to have no competitors coming into this category, because it will happen. There will be smaller players coming in. Now it's up to us to be able to counter them as we go forward.

Nihal Jham: Sure, sir, point taken. The second question was that on the adjacencies, if you could just give more color on cakes and breads, I think that is something you've not highlighted much and the overall adjacency growth, if that is possible.

Varun Berry: Yes. So bread has been doing really well for us. Bread, where we were obviously not accretive on margin, et cetera - the growths have been very good and even the margins have been pretty good, obviously, a little lower than what our company margins are, but they are pretty good. So bread business has been doing quite well.

We've been able to spread ourselves. We used to be a North-centric business. We still are heavy in the North, but I think we've been able to get our business in Hyderabad, in Bangalore, in Chennai, Bombay, obviously, we already were there - so we've been able to spread our business across the country, which is good, and we will make sure that we continue to do that and have a nationwide footprint as far as Bread is concerned.

Cake has not been a great story. Cake growths are single digit. They are not double digit, as I spoke about for the other categories. The reason for that is, again, margins led. We had a margin issue on cake and we tried to move price point from INR 10 to INR 15 and we sustained a certain volume and revenue losses when we did that.

So that was a strategic move from our side. Obviously, with UPI and digital payments, etcetera, we thought price points are not as critical today, but it seems that they are. So we are reassessing that strategy. Obviously, we do want to get the margins up, but we are reassessing that strategy, and we will be in a good place as far as cake is concerned. We've had a very good response to our relaunch. Some of our categories within Cake have been doing really well, like Brownie, et cetera, have been doing extremely well. Once we get this right, the margin and the volume and revenue growths, I think we'll be in a good place as far as cake is concerned as well.

Moderator: The next question is from the line of Amit Sachdeva from UBS Group.

Amit Sachdeva: Just a small clarification on the SAR valuation again. Although it's good that the interests are aligned and employees -- I assume that's linked with economic value created and that reflects in the stock being -- ESOP being revalued. Can I just get a broader sense, say, there's a 10%

increase in, say, stock price in a given time frame, say, a quarter or 2 how one should think about the P&L impact of that?

Is it that I assume it's a structural company and it grows earnings every year. How one should think about structurally taking into account without having to worry about each quarter, the one-off impact of it and how margins should we look at it? Although I see that it's a thing that will happen, but can you give us some guidance how it is really calculated with the reference stock price?

Varun Berry: So it's very simple. See, in a normal market, it goes up whatever the stock price goes up by. It's just been that overall, the times have been very turbulent. The stock price had gone down and then it came up, and in those turbulent times, you will see these bumps in the road.

So I think as things become smoother, I think it will be -- see, if you look at the range in 1 year, as far as our stock price is concerned, it's a very wide range, and that's what's created this number. So with a smoother road, I think this kind of bump doesn't happen.

Amit Sachdeva: Got it. Got it. That's very helpful. It's just that -- but where I'm coming from is that I want to sort of always want to know how we are at the EBITDA margin level from a cycle -- input price cycle point of view, and that sort of come in the way of getting that benchmark right. That's the only thing.

Varun Berry: Okay. Understood.

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

Jay Doshi: I just have a small sort of a follow-up on the previous question itself. So if we assume that the stock remains at these levels for the next 2, 3 quarters, then is this INR 52 crores charge is the all we'll see for the full year?

So should we think of it that your underlying employee costs without SAR's charge, was about INR 190 crores this quarter. So that will continue ballpark at that run rate for the next 3 quarters and this INR 52 crores is basically something you see at a full year level. Is that right understanding?

Varun Berry: Yes. If the stock price remains stable, there will be no charge as far as SAR is concerned.

Jay Doshi: And if it moves up 10%, it will be INR 5 crores more, right?

Varun Berry: Yes, it will be small.

Jay Doshi: Understood. Okay. That's very helpful. Second is, Varun, could you please share...

Ramamurthy Jayaraman: Jay, on your previous question that you asked, the difference will be a 10% of INR 50 crores may not be a right assumption because these are all basis the model that is used. So we use the Black-Scholes model, this is a predictive model of what the prices are going to be basis the past movements. So it's a predictive model. So a simple extrapolation of 10% price increase will result into 10% extra charge may not be right.

Varun Berry: Might vary a bit.

Jay Doshi: Understood. Okay. And the other question was on -- could you share your thoughts on quick commerce channel from 2 or 3 different dimensions. One is where is your current market share in the channel? How under-indexed are you, if you are?

Second is, how do you think about this channel as a -- from a competitive stand point, could it actually create a significant fragmentation in some of the categories that you operate in? Third is profitability of this channel vis-a-vis other channels? And for this, what will be the share of overall advertising budget that or ad spend, A&P spends that this channel can sort of entail?

Vipin Kataria: Okay. So I think it's a long 4-part question. So first, like we said, Q-commerce in terms of salience is pretty good, 75% out of the 100% of e-commerce that we do. The salience is also building up in, let's say, metros. Today, we supply close to 160 cities. 3,500 dark stores And how we see e-commerce or q-commerce evolving is that this is one channel which will augment our omnichannel approach.

So just to give you an example, the INR 5 and INR 10 price point, which Varun was talking about, the salience coming from these salient price points is less than 5%. So therefore, the entire point is to build e-commerce in a way that it does not conflict with our larger distribution system, but it only augments our distribution.

The second point is the range that we sell. So let's say, a Pure Magic Stars or a Harry Potter or Cheese or Cheese portions, so the salience that these innovation and new categories that we are getting through e-commerce is fairly significant now. And therefore, the investment that we are doing in e-commerce is commensurating with the salience.

The third part is building the capability for e-commerce. So today, we have got a complete end-to-end model right from social listening and then building on what the buy box and the reviews are saying, also using the entire full funnel approach in terms of what is happening, the visibility and the investment that we are doing. And using the entire demand side platform, to build conversion.

So I think that's the track that we have taken in e-commerce. And therefore, the approach that we have is far more holistic. As far as the operating margin is concerned, I think today, we are in the investment phase. And therefore, we are investing so that our growths are pretty good.

Coming to market share, we have close to 500 points higher market share in e-commerce, which is a very good thing. So if you actually inquire about the market share, a lot of FMCG companies are getting through e-comm, you will realize that the market share in e-commerce is actually lower than their overall aggregate market share. So I think that is what one big plus that we have that our market shares are fairly good.

The other point that you talked about was on profitability. So the way to see profitability is that you need to sell a much better premium mix. And therefore, that is one KPI that we drive that how do you drive higher gross margin innovations and new categories and products. So let's say, if NutriChoice is more profitable, so how do you make sure that you build salience in NutriChoice and therefore, build gross margins and therefore, the flow-through is good without hampering any kind of investment. So I think that's our approach from a profitability point of view. So I hope I have addressed all 4, maybe not in the same sequence.

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

Ayush Agarwal: Thank you, everyone, for spending time with us on the call today. We look forward to interacting with you again in the future. Thank you, and have a good day.

Varun Berry: Thank you.

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