



“Britannia Industries Limited Q4 FY19 Earnings Conference Call”

May 02, 2019



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Moderator: Good day, ladies and gentlemen and welcome to the Q4 FY19 Earnings Conference Call of Britannia Industries Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Piyush Bhandari, Investor Relations team. Thank you and over to you, sir.

Piyush Bhandari: Thanks, Margreth. Hello everyone, this is Piyush from the Investor Relations team. I welcome you all to the Britannia earnings call to discuss the Q4 18-19 financial results. Joining us today on this earnings call is our Managing Director – Mr. Varun Berry, CFO – Mr. N. Venkataraman, VP (Marketing) - Mr. Ali Harris, VP (Supply Chain) – Mr. Vinay Singh Kushwaha, VP (Procurement) - Mr. Manoj Balgi, VP (Dairy Business) - Mr. Venkat Shankar, VP (Adjacent Bakery) - Mr. Jayant Kapre, VP (International Business) – Mr. Annu Gupta, VP (Procurement) – **Mr. Manoj Balgi** and VP (CMI) – Mr. Manjunath Desai and VP (HR) - Mr Ritesh Rana.

We will start the call with remarks on performance by Mr. Varun Berry, subsequently we will open up the call for questions. Before I pass it on to Mr. Varun Berry, I would like to remind you that anything which we say that refers to our outlook for the future is a forward-looking statement which must be read in conjunction with the risks and uncertainties that the company could face in the form of general economic conditions, commodities and currency fluctuations, competitive product and pricing pressures, industrial relations and regulatory developments.

I would now like to pass it on to Mr. Varun Berry for his comments.

Varun Berry: Good morning and welcome to the Britannia analyst call. So, let us move to the presentation on Page #3, basically it has been one more quarter of consistent performance. Moving on, the topline growth is at a CAGR of 10% and incidentally this quarter is also at 10%. Improved operating profit continues, we had a 17-18 with the profit of Rs. 1,360 Crs which has gone up to 1,572 crores in 2018-2019. There we have a CAGR of 29% even in terms of share we have accelerated our share gain and we widen the gap with our largest competitor. Page 7, we were rated the number 1 food brand this year and we are very proud of that. Page 8, we also started the year by refreshing our identity and taking on a goal of becoming a “Total foods company” and I do think that we have started that journey.

Page 9, the same strategic planks that you saw last time as well. So, (1) Heightened Innovation, (2) New Category launches, (3) Distribution momentum to continue, (4) Cost Efficiency to be essential part of our DNA and (5) getting to adjacent businesses, which as a whole these 5 drive a profitable growth for us and obviously what drives this entire thing is the team which I think we have got a very nimble, homegrown, stable team which is doing a great job.



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Now getting to each one of these from an innovation standpoint, we have had a considerable thrust on new launches in Q4. So, we have launched the democratized version of our Center-filled biscuit, which is what as I had said the last time what we were looking at was a product which was everything that does not go into the consumer's mouth will be comprised but the product has to be superb.

So, we have cut down on the packaging cost and we have brought a product which is a fantastic product at a very good price and it is doing really well. We have also just launched a product called Treat Stars which is open-sandwich pop able kind of a biscuit, which is just going into the market and the initial reactions are very good. We did the Whole Wheat Marie and we also did Milk Bikis Chocolate Cream. From outside of biscuits, we re-launched our cake portfolio and this entire visual identity was done by a UK company and the entire cake portfolio now looks like one family. But we have also launched a lot of new formats in cakes. So, we have launched the Swiss Rolls, we have launched the Layer Cakes and we have launched Brownie and we are getting good traction on all these products.

Moving on to the next page, Page 12, which is about new categories, we have also launched new category products. So, we have launched Wafers, which are just about getting to all India launch. We have launched Milk shakes which are doing extremely well for us. Croissant, we did have some starting trouble with our plant but now we are at a stage where we have got this in modern trade as well as in the east as soon as we are able to get a full ramp up from our plant, we will launch this all across the country. So, it is not a full launch at this stage, but it is available in the modern trade stores across. Salty snacks which was launched in Tamil Nadu alone and this is the test market for us, and we are seeing very good traction. We have only launched one format yet. We have got 3 formats of Salty snacks which will be launched in the next month or so. And we will study this, and we will then look at taking this across the country.

Moving on the next page, Page #13, which is the distribution momentum that has continued for us. So, from March 2018 to March 2019 we have gone from 18.4 lakhs to 21 lakhs outlets directly and as you can see, we have made great progress over the years. Our rural distribution also has grown. So, we have gone from 14,400 to 18,100 rural distributors and we have got penetration into lower pop strata villages in the rural hinterland of India. The Hindi belt also continues to grow faster than our average growths across the country and if you would look at it, Rajasthan still continuing at 22%, Madhya Pradesh at 19%, UP starting to grow faster at 17% and similarly Gujarat continuing to be at 15%. So, those growths are continuing and again that gives us a lot of strength in our weak areas.

Moving on to Page #14, which is about our cost efficiency programs these are all indexed to the year 2013-2014. But this year we have achieved our plan as far as cost efficiency programs are concerned.



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Adjacent businesses are doing well. Bread growth is in double digits with profitability improvement. It is a tough business, but I think we have learned how to do this profitably and we are looking at expanding this in the South as well, which is a very strong market for brand Britannia. Dairy growth is in double digits on the back of milk shakes launch and also the growths on cheese. International it is a single digit growth for us basically because of the slowdown in the Middle East. We have just commenced our Nepal operations in April, in this month, in the beginning of this month. So the plant is ready and we are starting to produce product there in Nepal.

Moving on to Page #17, so if you were to look at, we have had a reasonably strong topline and volume growth, albeit in the last 2 quarters we have seen a certain slowdown in our overall growth and I think it is not just us, every company is seeing a slowdown. I have been talking to many of my friends who are heading other companies and it seems that there is a general slowdown and even analysis of numbers is showing that from September to this quarter we are seeing a slowdown of about 5%, 500 basis points overall in the categories that we operate in. And a large part of that slowdown is coming in rural, while there is a slight slowdown in urban as well. But this rural slowdown is much higher. Now, it is very difficult to correlate it with the monsoon deficit states of last year but there is, if you were to look at it carefully there is some kind of a correlation which seems to exist. So, I think but it is a matter of feeling good and having optimism, etc. So, I think with the elections underway and hopefully the monsoons being normal, I do think that the growths could come back because we as Indians do not sort of feel down with anything that we face. So, hopefully the optimism will come back.

Now moving on to the commodity, which is Page #18, we have seen an overall inflation of 3% which was reasonable I would say. So, there was a high inflation in flour, there was a deflation in sugar. RPO again there was a deflation and milk prices were really down. So, basically this 3% inflation is coming broadly from flour, right. So, that is where we saw an inflation. But it is manageable, it is not over the top and hopefully the same kind of inflation, a slightly heightened inflation is expected as we move into the New Year. So, we get that takes us to page 19, which basically talks about consistency of performance. We have had a topline-bottom-line cost efficiency programs and fixed cost being under control which has taken us to a profit number which you see on page 20. And you will see that if you look at the 24-month growth we are still at 42% which is the last line on the page. So, we are still at 42% as far as growth is concerned, so profitability continues to be consistent.

And finally, on the last page which is Page #22, if you look at our algorithm net sales grown by 10%, profit from operations 10%, profit before tax 14% and profit after tax 13%. So, that is our algorithm for the quarter and the only, the big positive there is that our profit after tax is the highest that we have seen in as long back as we can see. So it is at 10.8%, which is the highest that we have seen.

So, that is all from me. I will open the call for questions.



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Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: My first question is the new categories which you planned to launch or rather probably right now you are doing pilot testing you saying, milk shake and salted snacks. Can you little bit give more color on how big these categories are number one. Number two, what will be your strategy to gain market share in this category because for example in salted snacks there are number of players and that Rs. 5 price point and everybody struggling because it is very difficult to scale this business beyond a particular point if I look at other listed players. So, can you give little bit more details into your strategy and your timelines by which you plan to enter into market more aggressively?

Varun Berry: So the milk shake category, if you were to look at only milk shakes in drinkable format but that is not what we compete with, what we compete with is anything that can be drunk. So, it includes carbonated soft drinks, it includes juices and then milk shakes. If you would to take that market that is a huge market, it is a 65,000 crores market. But if you were to narrow it down to milk shakes, it is about 2,200 crores. But if you were to include lassi in it, so there are many ways to cut this animal. But it is about 10,000 crores if you were to look at the drinkable milk-based drinks, right. So, that is the kind of category that we are talking about and we have seen very good traction in the last 6 months. So, we are hoping that we will be able to carve out niche for ourselves in this. The salty snack category is about 25,000 crores on overall basis. But there is a lot of local salty in it and then there is the Indian salty part of it. The segment that we are operating in is about 8,000 crores. The Western salty total segment which includes potato chips, etc. is about 15,000 crores. So, it is a fairly large category and we are very confident that in this large category we will be able to make a mark but you have to remember one thing that salty snacks is a highly proliferated category with about 2,500 players in this category. So, it will take us time to make our mark and what we are seeing from our test results in Tamil Nadu is that we are getting the right kind of traction on this product.

Rajesh Kothari: So, basically just I am trying to understand is that when you compare Britannia versus few other large players, how you plan to further segregate the sub-segments of salted snacks, I am talking about and what difference you bring on table in terms of scaling up at a profitable margins? Because margins in these segments are not generally that strong compare to your existing product categories?

Varun Berry: No, so that is not true actually because the gross margins are accretive to the products that we sell. Second thing is that we are looking at differentiated product we are not getting into the products that are already in the market. We have got technology which is a superior technology, we have got a twin-screw extruder which gives a very different bite to the product. We have also got center-filled products which probably will be first to the market. So, we are trying to bring differentiation in our product as well as the way we market them. And obviously the gross margins are going to be certainly accretive to what we do.



- Moderator:** The next question is from the line of Arnav Mitra from Credit Suisse. Please go ahead.
- Arnav Mitra:** My question was on the margins. So, could you just disaggregate the overall margin performance because I remember last couple of quarters, we have had this bread business model change. So, on a year-on-year basis how the gross margin and other expenses are panned and despite relatively modest inflation why has the consolidated margin kind of not been expanded like it has been in the past few quarters?
- Varun Berry:** The bread model we did explained it in last time. But basically, what's happened is that we used to buy product from our contract packers and all of the cost used to sit in the cost of goods, in the material cost, right. So, as we have started to give the raw material for the products because obviously, we want to control the quality of raw material. Now the cost is getting bifurcated between material cost and other expenses. So, that is why you are seeing a change in the lines but otherwise there is no issue, both costs are within control.
- Arnav Mitra:** And overall at an EBITDA margin level, my second question was that you have not actually seen an expansion this year at the console, this quarter sorry, while the inflation is relatively modest. So, is it a gross margin related thing that you have not being able to expand gross margin despite your savings programs? Or is there an increase in other expenses due to maybe line commissioning or advertising or any other elements?
- Varun Berry:** So, there are 2 or 3 factors out here. So, the first thing is that we had a business called Daily Bread which we have taken a write off on the goodwill for that business. We have been initiated the winding down of that company, so there is a little bit of a hit there and obviously the new businesses that we have gotten into there was some scaling up of our manufacturing capacities. So, Croissants we had some scaling up costs, snacks we had scaling up cost and also we had in our Wafer business. So, there were those 3 businesses where there was some scaling up cost and the fourth was the Daily Bread write-off of the goodwill.
- Arnav Mitra:** And just last question was on the India business, if you could just share the volume and value growth for the India domestic business that will be the last for me.
- Varun Berry:** The India domestic business is, the volume growth is about 7% and there is a mix of about 1.5 and price of 1.5. So, that is the India business growth.
- Moderator:** Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy:** Sir, my first question is on the volume growth. You mentioned last 2 quarters there has been a slip. You also mentioned in Q3 concall that you expect double digit volume growth to come back. Would you still expect FY20 double digit volume growth?



Varun Berry: So, Abneesh, I am a born optimist. I do think, our time will come. So the consumer, I think, in the consumer industry with India I do think that double digits is given. It is just that there are certain turbulences which has been caused by the monsoon as well as this whole process of elections, etc. So, I think there will be better times. But even these numbers high single digit growth number is a good number but I do think that we as a country will get back to a double-digit numbers.

Abneesh Roy: One related question to this is your market share has improved in FY19 and exit has further improved from the FY19 average. Could you quantify that versus the number 2 player? What is the amount?

Varun Berry: So, we do not talk about that Abneesh but I can tell you that in the last 4 months we have seen a very spectacular growth in market share which even points towards the facts that the category growths have been very small. So, that is what is getting us to feel that category growths are small and we have to make sure that we take the leadership position and drive the category growths to get back to the double digit growths.

Abneesh Roy: Sir, last question is on this 29% growth in other expense. Now, would you quantify what is the write off goodwill in Daily Bread and how much is the increase in ad spends in Q1 of this year? I am seeing much higher ad spends. So, that is why design because of the World Cup or ...

Varun Berry: No that this quarter but if you were to look at last quarter also, so in last quarter that 29% I just explained what has happened there. So, there is some shift which is happening between material cost and other expenses because of the bread business. So, if you would normalize that that 29% would become actually a 12% and the material cost would go up from the current 5.4 or whatever it is to 10%. So, it gets normalized, so that is not the worry. And there is a little bit of a shift from promotions that we did last quarter, the fourth quarter of last year and this quarter. So, we have shifted some moneys from promotions to advertising. So, promotions which are grammage promotions sit in material cost and advertising obviously sits in other expenses. So, there is a little bit of shift there as well.

Moderator: Thank you. The next question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: My question is on the Salty Snacks business. If you could just tell us the price points at which you have launched and the respective grammage as well as whether these products are baked or fried? And if there is any sort of positioning that you are taking apart from the health positioning if at all for these products?

Varun Berry: So, Percy while we are doing baked products, we are not taking the baked position. Because when consumers having salty snacks the first thing on their mind is not whether it is baked or fried but it is about the taste. So, while it is clearly mentioned on our packs that it is baked, we are not taking that position, that it is a baked product. Second, the price points are what everyone



has which is Rs. 5, Rs. 10-Rs. 20, right and obviously the largest is going to be probably going to be the Rs. 5 because there are going to be trials. So, it is a bake product it is differentiated, we have gone have a center-filled product. I let Jayant talk about anything else that he has, Jayant ...

Jayant Kapre: So, just to add to what Varun said, so the Rs. 5 obviously a big distribution driver for us. So, that is the segment we have gone in and to circle back to one of the earlier points on profitability we ensure that we are okay on profitability of 5, of each of these price points. So, we are not apologetic when we are selling more of one versus the other and the 5 has been, has a very good response. The products are differentiated as Varun said earlier and we will continue to develop products which are new to market and have a little bit of a twist to them but familiar kind of taste for consumers but in new formats and slightly different experiences.

Percy Panthaki: Jayant, can you tell me the grammage for the Rs. 5 and Rs. 10 packs and also Varun if anything can be shared on your vision of this category over a 5-year period, what vision do you have?

Jayant Kapre: So, the 5 is the 17-gram product, which is very much in line with other extruded products. The 3 segments just to remind everyone there is Namkeen, there is Potato Chips and extruded. So, this is very much good value for money for the consumer and likewise it scales up for all the price points. So, similar kind of price to kilo for all the price points, so I think in terms of value. The other aspect is of course the number of pieces in bag or trips to mouth as it is called in the category and even in that we are very much in line with the market and the initial feedback from trade and from consumer is that we have come up with a really nice value offering for consumers.

Varun Berry: So, the vision obviously both leaders in this market have taken their time to get to a certain revenue. So, in these times you cannot define a vision that in 5 years I am going to do so many crores, etc. But certainly, we would want to be at 500 crores kind of a mark in 5 years in this business and hopefully take that forward from there.

Percy Panthaki: My next question is on biscuits and the market share gain is that you have seen. Have you tried to do some kind of research on the source of the market share? Is it mainly distribution which is driving that or is there some other reason and why is the number 2 sort of, I mean why is he not hitting back? Or why he is not trying to gain back the market share?

Varun Berry: I think, it is always the combination and if you go to our strategic planks that actually says it all. So frankly, innovation is one obviously the distribution momentum that we have got and then being the lowest cost producers helps us we want to take cost leadership and everything that we do. So, being the lowest cost producers helps us to invest in our brands and make them even more salient. So, those 3 are the real factors for us surging forward. But it is not like, it is not always that we will keep surging forward at the rate that we have in the last 6 months. But yes, we want the momentum to continue at some rate. So, that we keep growing our share year-on-year.



Moderator: Thank you. The next question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.

Kunal Bhatia: Sir, just wanted to know how has been the ramp-up in our Ranjangaon plant. So, we did mention that by the end of 3 years with the 1,000 crores CAPEX we would be doing a 130,000 tonnes of production there. So, where are we in terms of production on it currently? And do we see that as this plant ramp ups it will give some help in terms of increasing our margins?

Varun Berry: So, I will just start and then I will handover to Vinay for him to comment. But good momentum as far as the commercialization of various lines in the Ranjangaon plant is concerned. I think we have got 6 lines already operational for biscuit lines and 2 cake lines actually 7 plus the Croissant line. And the plants looking lovely we already invested Rs. 600 odd crores in the plant with all the technology that we have brought in and there will be another 3 lines which will get commercialize this year in the next 4 months. So, I let Vinay comment on that. Yes, Vinay.

Vinay Singh Kushwaha: Yes, so our investment has been in line with our strategy which is in terms of providing whatever volume that we need as well as keeping pace with our commitments on CAPEX. In addition to what we have planned we also are investing in new technology lines for all the new businesses and the innovations, which is what will come along this year, which is what Varun referred to us in the next 3 to 4 months. Apart from which the organic expansion of our volumes through our biscuit and cake lines has been as per plan. The distance reduction and the benefits of lower conversion costs because of scale that we will have at Ranjangaon as something that we are targeting and looking at carefully. Our attempts to rationalize our manufacturing food print both nationally and in the west as a consequence of Ranjangaon scale up is also as per plan. So, we are very much on target.

Kunal Bhatia: And sir, finally at the moment what will total production in terms of tonnage there and just wanted to know Croissant, what will be our shelf-life for the product?

Varun Berry: Currently it is a 4 months' shelf-life. In terms of tonnages, we are still in the process of fully commercializing some of our lines but full-fledged capacity of that plant, Vinay what will it be?

Vinay Singh Kushwaha: So, in the biscuit lines we fully scaled up 2 lines which is as per our volume and demand plans for the western region. 2 more lines of biscuits are currently starting up and scaling up they started up last month trials and we are scaling up. That would take it to 4 biscuit lines there are 2 more which would come up for commissioning by about September. As Varun said there will be new innovation and technology lines that will also come up for commissioning around between July and between September. So, the total volume of biscuits that we are doing currently from that side is roughly an annualized rate of about 30,000 tonnes which is out of 2 lines, 2.5 lines. Cake 2 lines, we are doing about 500 tonnes a month which again is fully commercialized as demand picks up we will be able to ramp this capacity of cakes to about 800 tonnes to 900 tonnes a month. Croissant as Varun mentioned we are scaling up. We are currently at a low



utilization but as we expand our food print and troubleshoot on some aspects we should be able to scale up our Croissant line in the next 2 to 3 months fully.

Moderator: Thank you. The next question is from the line of Latika Chopra from J.P. Morgan. Please go ahead.

Latika Chopra: Yes, my first question was on revenue, could you share the contribution from new launches for FY19? And how does that compare against FY18 and looking at the current run rates that you are seeing across some of the categories that you launch in Q3-Q4? Where do you think this number would settle over next 2 years?

Varun Berry: So, our innovation contribution to our overall revenue is about 4.5% last year but this year we are looking at ramping that up considerably. So, we are taking almost the double that number for the current year that we have just entered. So, we are looking at this very aggressively.

Latika Chopra: And secondly on margin outlook, FY19 you would saw 50-60 basis point kind of EBITDA margin expansion through the year. Do you expect such level of margin improvement to sustain in the current year considering raw material inflation is likely to be moderate at 3%-4%? A&P spends may not necessarily increase too much given the pace of launches we saw in the second half of FY19. And also any thoughts on how you looking at savings for FY19 this was largely flat in absolute terms. Any thoughts on what you are planned for FY20?

Varun Berry: So, we are looking at bigger numbers, so, there will be increase in our savings from about 230 odd to 270 odd. So, we are looking at almost a 40 crores increase in our savings for the year. So, margin wise I think, see the way to look at it Latika is that, the products that we are launching are all accretive margins. That all our premium products, all our new categories are accretive margins. So, that is all we can tell you. It is not about giving you outlook or giving you but we are looking at that. How it pans out, it depends on how our launches go, etc. and we actually quite looking forward to making Britannia into a total foods company.

Moderator: Thank you. The next question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.

Aditya Soman: 2 questions from me. Firstly, on CAPEX any indication of what the CAPEX outlook for next year will be and is there any other sort of major CAPEX beyond the lines that you mentioned for Ranjangaon? And secondly on your growth for Britannia specifically, is there a big difference between the rural and urban growth?

Varun Berry: See, the CAPEX is approximately at the same levels 400 crores-450 crores is what we are looking at for this year as well. And it is going to be fairly similar to what it was last year, maybe slightly more than what it was last year. What was your other question, urban rural?



Aditya Soman: For Britannia specifically, what was the difference in urban and rural growth for both 4Q and for the full year?

Varun Berry: So, our rural growths have been really high. But we have also seen a flagging of the rural growths. Our urban growths are single digit and rural growths high double digits. But it is come down, both have come down from the levels that they were at about 6 months ago. But still very healthy, rural growths are still very healthy and it is basically coming on the back of our gaining distribution into the rural villages of India.

Aditya Soman: And this was one difference right, between Britannia and some of the other companies that you were still expanding to distribution quite nicely which was leading to faster growth. Do you think how far along that journey do you think you are at this point?

Varun Berry: It is a long way to go. There are still we have not even touched the tip of the iceberg. There are 650,000 villages, so there is a long way to go for us.

Moderator: Thank you. The next question is from the line of Naveen Trivedi from HDFC Securities. Please go ahead,

Naveen Trivedi: I am asking about the employee expenses?

N. Venkataraman: So, you are comparing it with the last year, I am assuming, right?

Naveen Trivedi: Yes.

N. Venkataraman: So, there is some one-off cost that we had the last year. Last year happened to be the 100th year, there was a centenary bonus that was declared in quarter 4 of the last year and so that is there. So, if you eliminate that then the increase it will be in line with normal increase that generally happens.

Naveen Trivedi: So, could you please give us that number, so can we assume like 8% to 10% growth if we exclude the one-off?

N. Venkataraman: So, that was roughly about 13 crores the last year.

Naveen Trivedi: And also if you can share the ASP number how has been the growth in that pie?

Varun Berry: So, that is fairly similar to what it was last year. So, while the breakup has change, so we have done some more advertising in the fourth quarter but for the year as a whole our ASP was fairly similar to what it was in the previous year, slightly more than that. So, probably 10 basis points higher than last year, for the full year.



Moderator: Thank you. The next question is from the line Mahesh Jain from LKP Securities. Please go ahead.

Mahesh Jain: So, I was looking at the standalone numbers. The last quarter you have said that there was some Middle East business was getting served from the domestic factories over here. Did we assume that current growth still factors that in or that was one-time has been done in the last quarter only?

Varun Berry: No, so it was heightened in the last quarter. There was some amount of sourcing from India even this quarter. So, we have started the Mundra factory, which is a SEZ factory. So, there will be some amount which will be credited to the India business in any case but the last quarter we had actually taken a shutdown in our Oman factory and hence there was a big impact. Now onwards it is going to be a small impact.

Manish Jain: So, if I were to break up your topline growth of 11.6% on standalone basis you said 7% volume growth and the balance then is 5% price and mix, right?

Varun Berry: Yes, so it will be about 2% mix and the rest is price.

Moderator: Thank you. The next question is from the line of Surbhi Prasad from Cogencis Information Services. Please go ahead.

Surbhi Prasad: Actually, wanted to know how many new launches will be seeing in FY20?

Varun Berry: I will have to count them now. But there will be quite a few. I think, Ali, can you comment on that?

Ali Harris: There is significant number of innovations. We have done quite a few in this year which was last year. Now we are looking at multiple innovations in all our key categories which has been premium cookies, premium creams we will see a lot of innovations, Health segment is going to see innovation, then crackers, which is the bridge between biscuits and snacks that is going to see a lot of innovations. So, we will ensure that we have a good mix of innovations both in extent and in disrupt categories across our brands.

Varun Berry: And in addition to that there is going to be some very interesting innovations in the adjacency business which Jayant handles and also the business which is the Dairy business which Venkat handles.

Surbhi Prasad: Also, are you looking at any price hike in this quarter, April-June?

Varun Berry: Yes, we will have to take price hikes slowly steadily we will start to take price hikes because the inflation will have to be mitigated. But it is not going to be one shot price hike. We will



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opportunistically take price hike, different SKUs, different brands, different regions as we go forward.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Sir, this again this year our cash profit will be 1,300 crores more than that and CAPEX will be 400 crores, if we consider 400 dividend it still we will be having 500 crores more. And besides this we are having 2,000 crores in our loans and in our investments. So, what is the long-term planning of investment of that fund there? So, big fund with us?

N. Venkataraman: So, currently you are right. There will be 400 crores to 500 crores of cash that we will get generated. So, these are invested in terms of the current investment policy of the company into some which are short term and some which are long term. The yields are in the region of about 9 plus percentage and that is where we are using it currently. But then as we see some opportunities whether it is in terms of CAPEX or any other opportunity that may come our way, we should be able to use these funds.

Varun Berry: So, these opportunities could be within the country or there could be certain small opportunities which are outside the country and countries where we have a right to succeed. So, we are evaluating it. The only thing is that we are very careful with what we do with our money. So, we are not going to make any rash investments. Only if the deal is sweet and we see a long-term potential will be take that step. But as you see while the M&A stuff we are not going heavy on that but from our internal innovation standpoint and our internal investments into new businesses we are doing a lot of work and we are investing in lot of technology for all the new businesses that I spoke about and we will continue to do that as we go forward.

Ravi Naredi: Varun ji, I asked last concall also because that fund is going to your associate concerns, so it is very concern to shareholders. Why are you not keep in this liquid fund or anything like this? And why are you diverting this fund to our associate concern? This is the main point.

N. Venkataraman: No, this we had replied in the past as well. So, we keep constantly evaluating various opportunities and the risks associated with them, yes and after doing that is when we decided on the investments. Currently our investment, overall investment is almost about 2,700 crores-2,800 crores. And what is there with the group companies is less than 25% of the total.

Ravi Naredi: It is okay, but any buyback in the plan or anything right now at this stage?

N. Venkataraman: So, that is something that keeps getting evaluated on a constant basis by the board now and a decision will be taken appropriately by the board.



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Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Piyush Bhandari for closing comments.

Piyush Bhandari: Thanks, everyone for spending time with us on the call. We look forward to interacting with you again. Thank you.

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