"Britannia Industries Limited Q4 FY20 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Britannia Industries Limited Q4 FY20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for 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. Yashwardhan Bagri. Thank you and over to you, sir.

Yashwardhan Bagri: Thank you, Zaid. Hello, everyone. This is Yash from the Investor Relations team. Hope you are all keeping safe and well. I welcome you all to the Britannia earnings call to discuss the Q4 2019-20 financial results. Joining us today on the earnings call is our Managing Director - Mr. Varun Berry, CFO - Mr. N. Venkataraman, Chief Commercial Officer - Mr. Gunjan Shah 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 is a privilege to be with you on this call. Hope you are keeping yourself and your family safe during these very uncertain times.

Now, just getting to the presentation. If we were to get to Page #3, which just gives a highlight on where we were in Q4 at the end of the second month. We had actually started to see pretty good growth and solid progress on all our building blocks, quite different from what we have seen in the first 3 quarters of last year. But, then we had COVID hitting us. As a result of that, there was about 7%-10% downside on our topline and bottom-line because of the shutdown in the month of March which led us to a revenue growth of 2% which translated to 24-month growth of 12% and a profit growth of 26% which was on a percentage basis 13.3% which was up 260 basis points.

Our market share was the story which was consistent. It continued to grow, and we widened our market share versus our other competitors in the marketplace. How we did it is similar story. I think if you been on this call last few quarters, you know that we have been strengthening our building blocks. So if you were to get to Page #5, that shows how our building blocks have been strengthened. Very steady increase in numeric distribution for the company, direct reach in February had reached 22.2 lakhs. Rural distribution was up to 21,000 rural distributors and market share gains continued in all of the 4 markets in the Hindi belt. So that was the story and also our focus marketing campaigns.

So, some of you must have seen the Good Day campaign which is the 'Khushiyon Ki Zidd' campaign with Deepika, that did quite well for us. We had a new campaign for NutriChoice

Arrowroot. Those of you who are in the East of the country must have seen that as well. Similarly, for Cream Cracker, we had a celebrity, a local star from West Bengal who was starring in that, that did quite well for us as well and similarly for Time Pass as well as cake. There were a lot of programs which were run on print and digital and we had some promotions to give the boost to some of our products.

Even our adjacent businesses, so now I am on Page #7. Even our adjacent businesses did, I would say, reasonably well. Bread continued with the high single digit growth and most important, improvement in profitability for that business. Dairy maintained its profitability despite sequential upsurge in the milk prices and international while Middle East, the economy was in a little bit of tough spot. The rest of international growths were double digits. So we continued progress on these businesses as well.

Getting to Page #8, our strategic positions in commodities helped us manage inflation, which was moderate, I would say on an overall basis, moderate. So flour was very moderate inflation at 2%, sugar at 5%, but there was a very high inflation on palm oil which was almost 18%. So palm oil prices had gone completely out of whack in that quarter and similarly on milk where the inflation because of the milk prices going up was almost 50%.

Now coming to disclosures on the impact of COVID-19. So frankly, first principle that we followed was that we should just not have any hindsight bias and we should take uncertainty very seriously because we did not know where we were going, right. Very clearly, it was one-off kind of an event which has hit the entire world, not just India, but the entire globe, every country, every company is under the same shadow. So we used a 4-pronged approach to overcome the overall business impact. So first of all making sure that we got all the approvals to operate all our factories as well as our distribution centers; second, running operations with very high level of safety and hygiene; third, making sure that we ensure fast ramp up with labor force which was much lower than what we ever had in our factories; and fourth, reviewing all our costs thread bare to drive a profitable growth. And I must say that the team did just a fantastic job of coming together, communicating, collaborating and making sure that our operations came back to normal very, very quickly.

So now I will take you through each one of these 4 pillars that I have spoken about. So first was ensuring faster approvals. Now, this was even the government was caught on the wrong foot, because there were a lot of things which the Centre was mandating, but by the time had got to the States and by the time had got to the different departments in the State, it had a different meaning. It is such a large machinery; the government machinery is so large that communication there was obviously affected during this time. So we had to not just knock at the door of the Central bodies, but also the State bodies, the District Collectors, the local police, the District Magistrates etc. So in the first week, we got permission to operate all but 4 factories and 4 of our depots and we got 90% of our distributors to be ready to at least accept stocks. The current situation is that all our factories and all of our depots are operating with obvious manpower restrictions which are necessitated because of social distancing, the safety and hygiene SOPs that we have said. And we have got all of our distributors also operating with the same SOPs on safety and hygiene.

I must say that one, our team did a fantastic job of liasoning with the government, but also we got very strong support from the Central, State and Industry Bodies and also Local Administration for us to be able to operate to the extent that we are doing today. The second one was our focus on safety and hygiene which we spoken about. We had very clear SOPs which were spelt out for all of our premises, right. And we were making sure that the voice from the top was loud and clear on this and everyone was following this. And I must say, I am not going to go into the details of this. But some of them were, the way that the team followed this and the way they made sure that this was implemented was amazing. Because in certain cases, it was impossible to get workers to come from districts which were adjoining districts. So some of our factories made dormitories inside the factory premises and kept workers, fed them, and made sure that our lines were run. Similarly, there were lots of stories on how people managed the situation.

The third one was on making sure that we ensured a faster ramp up of operations from the sales perspective. People were enabling sales orders, making sure that there was a connect that was happening with our customers, whether it was with our own distributors or the distributors with the retailers, there was a connect at all points in time. There was also mass communication to all our distributors through a connect that we have through SMS. We also enabled distributor points which were pick up points for retailers for the time when the distributors were not able to take their trucks out. We also did direct supplies to distributors from our warehouses which does tend to be little expensive from a cost standpoint. But at that point in time, cost, while we were saving cost in other parts of the business, in this part of the business where we had to get our stocks to the distributors and to our customers, we were willing to make compromises and cost to get the products in there. So our distributor reach got to 100%. So we were reaching out to all our distributors with stocks within the first fortnight of the lockdown.

Getting to the third, which is the faster ramp up of operations which was our backend. This is every interesting because you can well imagine that most companies were struggling with backend and hence there was a lot of demand in the market. Whoever got to this first would reap the benefits of this in the long term and there was no computer program which could have predicted where we were headed. So we decided to first make sure that we were able to get to 100% of our own rated capacity. But we also decided that if we needed more capacity, we would reach out and connect with other contract packers, so that we would be able to ramp up our capacities even further. So production prioritization was very important because there was less labor and we had to prioritize on high throughput SKUs and brands and staples. That is something that we did. Driving productivity with limited manpower was also very important. So we made sure that we found a new ways of getting to 100% capacity with the number of people that we had. We ensured no disruption in material supplies and developed alternate vendor system, wherever necessary we also defined standard operating procedures to keep our employees absolutely safe.

The fourth one which is on Page #15 was a review of all our costs. While there were areas where there was a cost increase which was happening, safety requirements, there were no barriers as far as cost was concerned. Whatever had to be done, whatever had to be spent, we were spending on that. Whether it was on masks, social distancing, all of that, hand sanitizers and the works, the transportation because you couldn't fill the bus completely. You had to maintain the social distancing even in your transportation. So we left no stones unturned as far as safety of our employees was concerned. However, the truth was that there were areas where we could optimize our costs. So we looked at focused advertising, rationalized as much of the promotion and trade spends. We improved our manpower productivity, direct sales from factories happened which obviously gives you some efficiencies and we looked at how we can turnaround our vehicles faster, so all of that was being worked on while freights where are little high at that point in time because drivers etc. were not available. We also looked at reduction in fixed cost, renegotiation of some of our contracts and avoided some of our discretionary spends. Obviously, there were no travels, so that gives us some savings as well.

We also looked at very seriously on wastage reduction in factories and our depots. And that was an area where we were able to get a lot of better results than we thought. So the objective was to adapt to this situation. That was very important learning for us. It was important to adapt to the situation and be very nimble on the feet as we went through this period and frankly, we used this crisis to build resilience within the team and productivity within our operations. And one objective which was coming through very clearly was that, supply chain had to be shortened during this period and I don't think it is just a Britannia thing, I think for all companies in all parts of the world, that is going to be a very serious need to be able to shorten supply chains till we get through this crisis completely. So those were the four platforms and I wanted to give you detail on that because I wanted for you to understand how we have dealt with this situation in the current times.

So with these efforts, we have resulted in a consolidated revenue growth of 24% in the first two months of Q1. Now, there are a few things which have led to this. Obviously, we were first off the block. So we reaped the benefits of that. Second, obviously human beings don't stop consuming food. They might switch from one to the other. So street food, eating out was definitely a no-no. So it was a home consumption. As a result of that, we are a home consumption product and we obviously got a benefit from that. Third in a time of crisis usually consumers drift towards the most trusted brand. So Britannia and some of our brands being the most trusted brands also helped us during this time to get consumers to stable and the fact that we were more available, I won't say that we were fully available. There was a still a huge number of gaps as far as distribution is concerned. But because we were more available than the others, we benefited from being the most trusted brand as well. So I think that is where we come out as a result of the COVID situation and frankly if you ask me, we found tailwinds within headwinds and which is something which has really helped us during this period.

Now moving on to Page #18, our revenue growth, you have seen, been 2% during this quarter with 24-month growth being at 12% which is much lower than what we have seen in the past. Our profitability has improved. So we have seen 4% growth in profitability, operating profit and we have seen a 26% growth impact during this time. So just going to the next slide which shows the summary of our financials. So we have had a net sales growth of 2%, operating profit growth of 4%, profit before tax of 2% and profit after tax of 26% and a profitability from a PAT perspective has gone up to 13.3% with a little bit of help from the amnesty scheme that we had taken on for all our tax cases of the past and obviously the corporate tax reduction that was given by our beloved Prime Minister at the beginning of this year.

Now coming to the most important slide, which is how the team really came together to deliver against a staggering humanitarian crisis that came out of this COVID issue. There were thousands of migrant labors who were caught on the wrong foot. They were in cities where they were very far away from home and they were out of their jobs, but they still couldn't travel back to their home towns or their home villages. So the team as well as the other group companies, the teams of the other group companies came together during this crisis really well. So we were producing and serving hot meals in 7 cities. Until now, and this is still on going, till now we have served 26.5 lakhs hot meals to the migrant workers who are affected by this situation. We have also given grocery kits in 9 cities of about 1.15 lakhs grocery kits have been given out. Biscuits, cakes and rusks we have been distributing in 19 states. There are about 90-lakh packs of biscuits, cakes and rusks which have been given out to these less fortunate Indians and there are 31 highway points where we are also serving 3 lakh people and it is thinning out a bit at this point in time. But we continue to do that. So if you were to look at it on an overall basis, the team has done a 1.35 crore meal equivalents during this period and 2.25 crores meals or snacks put together. So it is not just how the company does, but it is also how we serve the less fortunate in these circumstances and really it is heart rendering to see the passion within the Britannia team to do this and we will continue to do so till we are able to feel that people are out of this crisis. So that is all from me.

I will leave the house open for questions now.

Yashwardhan Bagri: I believe there is some disruption with the Chorus Call, so I will take it up. I will continue their part, I am Yash here from the BIL management team. So thank you very much. We will now begin the question and answer session.

Moderator: Thank you. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Contrats, Varun on extremely good set of numbers & the humanitarian efforts. My first question is on the demand post COVID extremely strong, 20% growth in the first month and 28% in the second. So, two-three questions on this. One is with such low capacity available at least in April, how were you able to meet the demand? Second is in terms of mix, is there a change, is the customer buying whatever is available or you are able to tweak the output based on customer demand because he is not able to go out, he is bored, so is he consuming more of the premium biscuits and why is there such a strong demand? Is it because of outside food not available? Second, the local players in biscuits not able to supply or third, it is a genuine demand increase because of the snacking or those kind of, which is the main reason, is it a market share gain or is it genuine demand of biscuits which has gone up?

Varun Berry: I actually answered it in my presentation, but I will take it again. So three reasons. One, we were first off the block. So, we definitely got our operations in order before other manufacturers were able to do that. So as a result of that, I think we benefited and maybe that benefit also is sitting in the numbers that you are seeing. Second, street food yes, eating out yes, is a no-no as of now and human beings do not stop consuming food. So home consumption, our product is not just the best, safe as well as it is the cheapest home consumption product as well from consumer standpoint. So we benefited from that. Third reason also is that we are the most trusted brand. So when in a crisis, people do drift towards the most trusted brand and I think we benefited from that as well. So those are really the reasons for the uptick. How long this uptick will go on, nobody knows, Abneesh. These are very uncertain times and we are also studying consumer behavior in consumer trends very carefully to understand which way this is going to go and things will change on a day-to-day basis and it is important that companies and individuals remain very nimble during these times and that's what we are trying to do. We have a daily connectivity with our teams to make sure that we understand what is happening in each part of the country on a daily basis so that we can adapt and incorporate that in our strategy as we go forward.

Abneesh Roy: And in terms of the mix and the supply, those bits are lesser?

Varun Berry: In terms of the mix, we started with the 80-20 prioritization. So what we said was we will focus on the 20% of our products and SKUs which give 80% of the volumes and because that gives us much more efficiency from a manufacturing standpoint. We can have longer runs and hence we can produce more. So till the end of last month, we were doing that, but at some stage, we had to go back to variety. So starting this month, we will slowly, steadily get back with our entire variety being back in the market.

Abneesh Roy: Right. My follow-up on the demand side, Jan-Feb, the HPC company said that there has been a deterioration for the first 9 months. You said and I think Nestle also highlighted that Jan and Feb, there was acceleration. So in your understanding what was the reason?

Varun Berry: Yes, the things are starting to fall in place. All the government initiatives were starting to sort of pay up and so we did see an uptick starting January. The other thing which really helped us was our rural initiative. Basically, we have really gone deep into rural. We were essentially urban brand, but we had made very strong efforts to get our distribution into rural and we had started to see revival in the rural demand during Jan and Feb. So those are the reasons and I do think that even today, the rural part of the business is less affected than the urban part of the business which is going to help us even in the future.

Abneesh Roy: Varun, my second question is you have this total food company strategy. So FY21 and 22 based on the COVID crisis and the first 2 months, how does that progress? And second, update on the Croissant and the healthy chips and the wafers, these are the new parts of your food business, so any update you can share there?

Varun Berry: So Abneesh, that is not your second, but your 20th question, but I will answer it. So what did happen because of our prioritization, some of these products because there was not enough labor available in the factories and we had to prioritize. So some of these products did take a backseat. But I would say our work into this whole world of total foods has been reasonably good. There are some products which are doing reasonably well, namely wafers and our milk drinks are doing extremely well. Croissants, we are still in test market in Tamil Nadu and in West Bengal and we are fine tuning it. We did see a bit of a setback because of this COVID issue because our Ranjangaon factory didn't have, that was in the heart of COVID territory. Pune was badly affected. So there was very limited number of people we could get as workers in the factory. So we had to prioritize. So it did take a little bit of a backseat and we couldn't do all our R&D initiative as well. But I think we are on the right path as far as croissant is concerned. On snacks, again we did get a bit of a setback during this time and we are still in test market there as well in the South, but we are getting back slowly. We have now resumed production and we are getting back there. So it is not going to be, we are not going to hit the ball out of the park on everything that we do, but we are hopeful that we will be able to hit the ball out of the park and get a much wider portfolio as we move through to normal times.

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

Percy Panthaki: Varun, my question is you had given basically that 24% sales growth in the months of April plus May which is obviously your primary sales growth. But what would be your best estimate of the retail offtake during these two months?

Varun Berry: So the retail offtake is not very different from the primary numbers. Yes, there is a little bit of a stock billed because we were running absolutely dry on product in March. So we had run out of product and we were just sort of getting our act back. So there might be a little bit, maybe 2% or 3% which will be stock billed back in our distributor points. But the number is not going to be very different.

Percy Panthaki: Right. And secondly just wanted to ask Varun, it is very confusing because both theories can be argued well that there is an income effect and therefore people can argue that they will be downgrading across several FMCG categories. But on the other hand, things like biscuits for example, you are staying at home, consuming more, you are anyway cutting down on expenditure in movies, restaurants, travel etc., so there could be a premiumization in some categories as well. So what are you actually seeing on the ground?

Varun Berry: See, it is very easy to look at one category and then say that within that category what is more premium than the other. But if you were to look at food as a whole and then look at what are the categories within food, right, eating out would probably be the most expensive thing from a consumer's standpoint. Then there are chocolates and soft drinks, potato chips and all of that. All of these are definitely more expensive than biscuits or cakes or rusks, right? So I think the consumer in their mind is making these tradeoffs in food as a whole rather than within biscuits and even if they get to premium biscuits, it is still better than what they were consuming at that point in time. And then the brand effect is very solid and the most trusted brand helps us a lot. So, I think that's where we are getting little bit of benefit from how the consumer looks at it.

Percy Panthaki: So your portfolio in April plus May has preimmunized or how has sort of overall ASP, average selling price has moved up or it is stable or gone down?

Varun Berry: So, we actually have sold whatever we produced. So it was not about consumer choice during this period, it was whatever we were producing, whatever we were prioritizing was selling. And within our portfolio, and obviously we were producing more premium products. But as we go forward, we will have to see how the play within biscuits works out. But at this point in time, this story is about being efficient, being adaptive and making sure that we produce as much as possible and get it to the market.

Percy Panthaki: Right. And last quick question is, this has been touched upon earlier, but I didn't really get a very clear answer. Obviously, both factors are at play, one is the overall biscuits industry consumption has gone up, but on the other hand Britannia would have gained market share from organized scale brands as well as unorganized. Which of these two effects is the larger effect in April plus May?

Varun Berry: Well, very difficult to say. We don't even have share numbers right now because even agencies like Nielsen have not been able to do their field work. But I would think that it would be evenly distributed between the two.

Moderator: Thank you very much. The next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: Compliment to the entire team for exceptional performance on post COVID period. So my first question was on the supply constraints on the competition which you alluded to that you were first off the block. So as we are now into June and at least from what we hear from most of the supply constraints and many industries are now behind, are you on the ground seeing a return of supplies from large competitors as well as small competitors or would you still say that there is a shortfall in terms of what market offtake or what can be sold in the market versus what is being supplied on the competition side?

Varun Berry: So, the momentum is there. Very clearly the momentum is still there. But the consumers are now seeking variety. So we will have to change our strategy and compromise a little bit on efficiency and get back to the entire portfolio and even the small products which are the favorites in certain parts of the country. So we will have to change our strategy and get our entire portfolio out to the market.

Arnab Mitra: And on the competition side, are you seeing their supplies small as well as big competition come back compared to what you saw in April-May and therefore it will be a little more competitive going ahead versus what you would have seen last two months?

Varun Berry: For sure. I think everyone has got the act right by now. So it took them some time. But everyone has got their act right, but you always get rewarded for being the first mover. So we are hoping that remnants of that will stay with us.

Arnab Mitra: Right. And my second question was on the non-biscuit portfolio. So things like bread and dairy, which are small but still decent contribution, did you see significant uptick there also, more than your average sales growth or how would you qualitatively look at the growth there in the last two months?

Varun Berry: Yes, we saw uptick there as well and certain parts of those portfolio saw bigger growths and so we didn't see an uptick till about a month into from the shutdown, but thereafter once we got our distribution right and got these products into the market, we have seen similar upticks there as well.

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

Aditya Soman: Congrats again on a great performance. Just a couple of questions. One is on the balance sheet side. Was there an increase in the ICDs from September to March because we see that the loans have gone up in the month?

Varun Berry: What I will do is, I will get Venkat to answer that in detail. But just to give you a broad answer, ICDs are about at the same level as they were a year back and on the loans, Venkat can answer that in a little more detail. Yeah, Venkat?

N. Venkataraman: So like Varun mentioned, ICDs as of March 20 remained at around the same levels of the last year, right. What you see otherwise as investments are non-group investments including non-group ICDs. The overall investments of the company as of March 20 stands at about 4,200 crores.

Aditya Soman: Thanks, Venkat. Just a follow-up on that, there were two line items, right. One is investment and the other is loans, loans given out by Britannia. So we see an increase both YoY as well as especially from the September quarter in both of these amounts, specifically the loans number which has gone up from September quarter. So any insight into what those loans exactly are?

N. Venkataraman: So these are ICDs to non-group companies. There could be the likes of Bajaj, HDFC etc., these are typically AAA rated companies that we invest in. These range between 6 months to a year, typically.

Aditya Soman: Understand. And just related to broader strategy. On one hand, we see obviously the gross debt has gone up. We are also seeing these loans and investments going up and last year for example, we saw the dividend being converted into debentures and in this year we saw an increase in dividend. So is there a change in sort of the CAPEX plan going forward or what is the reason for taking a loan when we have such a high cash balance.

N. Venkataraman: So if you look at the breakup of the loans borrowings, 720 crores is the bonus debenture, which has moved from reserves into borrowings. 500 crores is commercial paper borrowing primarily for managing working capital requirements. These are largely for buying commodities in the season. Third is about 280 crores is the total amount of borrowings that we have in the subsidiaries of Britannia both Indian and foreign subsidiaries with a weighted average borrowing rate of about 2%. So that is broadly the breakup of the entire borrowings.

Aditya Soman: And just on the CAPEX, any change in the CAPEX plan especially outlay on dairy, any sort of further clarification there?

N. Venkataraman: Last year, the CAPEX has been about 225 crores. So in the normal course, it should be in the range of 200 to 300 crores unless there are some new projects that come up. So that is the plan as of now, but we will have to wait and see what happens. If there is a need for expanding capacity, probably we will look at that option as well.

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

Latika Chopra: Hi team, Congratulations on a great performance. My first question is on the margin outlook, if you could share your views on how the raw material environment is trending incrementally. Also you have talked about significant cost cut measures that you have undertaken including advertising. So how should we look at different elements of the P&L going forward?

Varun Berry: In the fourth quarter, we did see reasonable inflation as I had said. So two commodities where we saw very high inflation where palm oil as well as dairy which caused some sort of a downside as far as profits from that angle were concerned, but as we moved into Q1, things are looking better. So from all commodity standpoint, the two which had really spiked up are trending downwards. So palm oil, the total requirement of palm oil from a world perspective is down, so prices are down and milk prices are at a very low level currently. So we are seeing reasonable inflation during Q1 as well.

Latika Chopra: And one would expect the cost optimization measures, you would have figured out lot of productivity opportunities right during this tight period, which might sustain?

Varun Berry: Yes, that is a very good question. Frankly, we are ourselves are quite surprised with our productivity during these times and frankly, these hit you in the face because we have been doing cost efficiency programs for 8 years now and we have obviously seen very good returns from those cost efficiency programs. But during this short period of 3 months, we have seen a lot more come to the table. So we certainly will look at these very seriously and we are creating a group which is going to look at all of these and then decide which are the ones which we are really going to hit hard and get to the bottom of. So just to give you an example, on our distance traveled, we have taken 8 or 9 years to get from 650 kms to 370 kms and during this short period of 3 months, we got from 370 to 280 kms. So obviously, everything is not going to stay because there is variety, there are smaller SKUs which have to travel a longer distance etc. so that will go up from that 270-280 which we are at currently. But, we will have to see how we retain some of that and bring that to our bottom-line. Similarly, there are lots of other initiatives like this.

Latika Chopra: Understood. And my second question was just taking a step back into what happened in Jan and Feb. You talked about 7%-10% impact on revenue growth ex COVID. This suggests we are back to high single digit, low double digit revenue growth. If it was not for COVID, do you think we were on a path of mid-single digit that you are tracking for last 3 quarters coming back to these levels and was this just driven by rural or was there more, if you could just elaborate a little more on that?

Varun Berry: So I think certainly we were looking at moving back to high single digit kind of growth, even low double digit kind of growth. Certainly, the month of March had started quite well and we were looking at a double digit growth in the month of March, but it is very difficult to really forecast what would have happened etc. We do think that things were improving and it was a little bit of rural economy coming back into play, the purchasing power becoming a little better. That was one of the reasons, but I do think that we had improved our competitive position in urban as well which was helping us. But anyway, let bygones be bygones and now we are in the reality of COVID and we have got to see how we post COVID we get to the kind of momentum that we were at and make sure that we keep growing our business at the rate that we have always wanted to take it up by. So that is where we are at. I guess postmortems are not important at this point in time.

Moderator: Thank you very much. The next question is from the line of Vivek Maheshwari from Jefferies India. Please go ahead.

Vivek Maheshwari: I just have two questions. First is a lot of HPC companies are talking about delay their launch pipeline and in some cases are actually looking to launch something different from what they originally planned. In your case if you are seeing such a strong growth, do you think there is a case in your case also to kind of accelerate the new pipeline from next 12-18-month perspective compared to what you thought let us say until 6 months back for example?

Varun Berry: Yeah. So we will have to start to do that. Now that things are getting back to, while I would say certainly not normal but getting towards normal. I think normalcy is not going to happen for another year or so. But yes, we will have to start to look at our innovation funnel. We will have to start to look at some new products. Recently, we have launched our Winkin Cow Yogurt drinks, lassi in the east as well as in parts of the north and it is doing quite well. So similarly, we will look at some new products in certain parts and in most parts of the country for certain products. So we will start to build our innovation funnel, but slowly and steadily.

Vivek Maheshwari: Right. And from a CAPEX perspective, I know this question was asked but I have a different question, is there a need perhaps to actually therefore invest more in capacities, let us say most HPC companies will not, but in your case given that the demand is so strong and you are back to pre COVID levels in terms of utilization and you have seen 25% growth in the first two months. Do you envisage any CAPEX being advanced into let us say FY21 itself?

Varun Berry: Well, FY21, see what we are doing currently is, in our board meeting as well, we spoke about the need for capacity. But we want this situation to settle down. I don't think we want to make any forecast with two months behind us on this growth. So there are a few projects which are already happening. So Ranjangaon expansion is already happening. We had already started to build factory in Bihar which I think will come back to stream. We had decided to postpone it, but that will come back to stream. We had also planned factory in Tamil Nadu because that is our strongest state and we had looked at some incentives there as well which the government was willing to offer. So that will come back to stream. What is really emerging as a big one for us is the state of UP. UP has always been a weak state for us. It is the largest biscuit market in the country and it has always been a single digit or a low teens kind of a share for us. But we are seeing tremendous momentum there, so there will be at some stage a need to put up capacity in UP as well. So those are the things which are on the table. But we will make sure that the demand side settles down and in the mean time we do a long-term capacity plan in house to make sure that we are not doing anything which is completely out of whack. So we will be absolutely pragmatic about it and do it when we are absolutely sure about where we are heading.

Vivek Maheshwari: Sure. And a small question for Venkat. Venkat, can you quantify the ICD number because last year it was 685 crores and I think September-December it was 450 crores. Can you give the absolute number of ICD to related party?

Varun Berry: So it is lower than what it was last year. It is in the same ballpark approximately, but 600ish.

Moderator: Thank you. The next question is from the line of Krishnan Sambamoorthy from Motilal Oswal Securities. Please go ahead.

Krishnan Sambamoorthy: Varun, you mentioned about disruptions in the Ranjangaon mega facility. Can you just update on the situation as of now and are they still points of worry there?

Varun Berry: No, absolutely on stream. We are now back to complete normal operations. Yes, we are operating with lesser number of people but we are operating at full capacity.

Krishnan Sambamoorthy Okay, thanks. And Venkat, this is again on the accumulation of cash as well as accumulation of debt. At times when there are worries over investments in general and does it really make sense to have both and do you have plans to wind down the debt over the course of the next 6 months?

N. Venkataraman: Yes, so of the debts, I just now explained, roughly 50% of the borrowings is bonus debenture which will get redeemed…

Krishnan Sambamoorthy: Just on that, this was there in September also, right? Even over September there has been an increase in the debt level.

N. Venkataraman: Yeah. This has to do with some discounting limits which keep going up and down depending on the working capital requirement. Otherwise, the broad elements are what I explained to you. 700 plus crore on bonus debentures, 500 on TP, two were there in September also, they are here even today. The rest of it is really about the working capital requirement.

Varun Berry: And it is a very attractive number on interest which helps us keep our money in investments and at the same time get this at a very reasonable rate.

Krishnan Sambamoorthy: Okay. So you are saying that the debt is likely to be at similar levels over the course of the next 3 to 6 months?

N. Venkataraman: It depends on the requirement, first of all.

Moderator: Thank you very much. Ladies and gentlemen, we will take our last question for today now. It is from the line of Prasad Deshmukh from Bank of America. Please go ahead.

Prasad Deshmukh: Varun, I had two questions actually. One, many companies including you were trying this direct to retail format where online partners like Dunzo and Swiggy were involved. So what has been performance or to say experience with these formats and do you think these will sustain once things normalize? Is there any scope for them to sustain?

Varun Berry: Well, the impact of these to volumes is very low. If we are able to facilitate deliveries to some consumers who prefer that, it just helps in delighting certain set of consumers. So that is why we have done it and I don't think it is ever going to be a big channel for us while e-commerce will be a big channel, I don't think that the Dunzo's and Swiggy's of the world are going to be a big channel for us as we go forward. But yes, in these times it helped us reasonably to get our products to the consumers.

Prasad Deshmukh: Sure. And second is on available industry capacity. I understand like large players are still well positioned. Smaller manufacturer especially the one district or two district kind of local player, is there any chance that a lot of such capacity will be available for acquisition and Britannia would be interested in something like that?

Varun Berry: See, today's environment is such that more states are giving investment incentives. So it will make sense, if there is a large chunk of capacity required in the long term, then it will be important for us to get large factories in the states where we are getting these incentives and where we don't have capacities in the past. So we would not look at very small factories in spread out areas because one, quality standard; second, incentives not being available. So we will look at consolidated capacities whether it is through contract packers or who are own investments, that is going to be a part of the strategy that we are developing. But we will not look at fragmented capacity.

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

Yashwardhan Bagri: Thank you, 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 today's conference call. Thank you all for joining us and you may now disconnect your lines.