



“Britannia Industries Limited Q4 FY-21 Earnings
Conference Call”

April 27, 2021



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*Britannia Industries Limited
April 27, 2021*

Moderator: Ladies and gentlemen good day and welcome to the Britannia Industries Limited Q4 FY21 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 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 Ms. Dipti Sudhir from Britannia Industries Limited. Thank you and over to you.

Dipti Sudhir: Thank you Stanford. Hello everyone, this is Dipti from the Investor Relations team. I welcome you all to the Britannia earnings call to discuss the Q4 2021 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, Chief Supply Chain Officer – Mr. Vinay Singh Kushwaha, Chief Development and Quality Officer – Mr. Sudhir Nema, VP (Procurement) – Mr. Manoj Balgi, Ritesh Rana – VP (HR) and VP (Sales) – Mr. Vipin Kataria.

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 will now pass it on to Mr. Varun Berry for his comments.

Varun Berry: Good evening everybody. Really sorry for this. I think we got delayed because of some technical reasons. These are very tough times, and we are dispersed all across in different locations, so it's just been very difficult for the central team to co-ordinate this. So, extremely sorry for starting late.

Having said that, let's get to Page #3. So, if you were to look at the full-year results, we have grown revenue by 13%, we have grown profits by 39% with an overall profit percentage of 17.9% and we have grown market share for the 8th year in running. We continue to focus on the five strategic planks that we talk about; distribution, marketing, innovation, the cost focus that we have on our P&L, adjacency businesses and sustainability. I will take you through these in that order.

First of all, our planks continue to do quite well. If you notice that our rural distribution which was down March of 2020 has again come back from 21,300 in February 2020 to 23,500 in March 2021. Similarly, our direct reach which had dropped from 21 lakh outlets to almost 15 lakhs is back to now 23.7 lakh outlets. Our Focus State agenda continues with our focus states growing 25% more than the rest of the country and e-com business continues to grow very aggressively which is very important in times like this.

Next slide is on our marketing campaigns:



Britannia Industries Limited
April 27, 2021

Some of you must have seen the new Jim Jam campaign that we have launched. It's doing quite well. We have also got Milk Bikis Tamil Nadu campaign which is again doing quite well for us. I will come to the rest of India Milk Bikis in a bit. We have advertised Marie Gold, we have advertised 50-50, and we have also done a new campaign on NutriChoice Digestives, we have done a number of brand activations as well. We have done, Bourbon, Pure Magic Deuce, we have done Little Hearts, NutriChoice which was an e-commerce activation. And then, NutriChoice Cream Cracker in West Bengal and Assam and we did a Tiger Krunch with Sonu Sood.

Now coming to the Milk Bikis agenda:

As far as Rest of India is concerned so Milk Bikis has become a very-very important brand for us across the country. Till about a couple of years back, it was a large brand, but it was a regional brand. We were predominantly a Tamil Nadu and a Kerala based brand with a little bit of presence in other states. But now we have decided to take this aggressively across the country. We have launched a 100% atta product and the proposition is 'Doodh Roti ki Shakti'. The point really is that this needs to be a product which takes on from not just milk but also takes on from glucose because from a product standpoint, it's a much better product than any of the glucose products which are available in the market. While we have a 26% share in the milk category which is 105 crores a month or 1260 crores per annum, but we only got a 4% share of milk plus glucose put together and that's where the potential lies. We are looking at making this a large brand in the Hindi belt and in the other states out of the South agenda that we have currently. We have got a very credible endorser for this in Pankaj Tripathi, I don't know if you have seen this advertising but it's a very hard-hitting ad. If you haven't seen it, you will see a lot more of it as we go forward. We have done a very large visibility drive on this. We have got 14 lakh square feet of visibility across with 45,000 units to be deployed all across the country.

We are looking at this becoming a very large agenda for us as we go forward. We have got a very solid brand and we think that we can make a big difference with this. The other campaigns that we did on adjacency bakery and dairy. The Rusk campaign is doing extremely well and that's showing up even in the resurgence that Rusk is seeing as of now. Wafers, we have launched the Rs. 10 campaign which is doing quite well and Winkin' Cow which is On-the-go product but has seen some very good results in Q4; is the highest growth from a volume standpoint as well as from a distribution standpoint that we have seen in the Winkin' Cow brand.

Next page is Page #9 where we talk about the efficiencies:

We continue to sustain the COVID efficiencies so if you look at factory productivity, pre-COVID to post-COVID which is current productivity, we are 8% better, wastages we are 20% better than what our pre-COVID levels were so our wastage is down 20%. Our dispatches from factory directly to distributors are up 50% which saves us a transshipment and hence brings the efficiencies to the system. Our depo space, we have reduced by 10% and we are managing very



*Britannia Industries Limited
April 27, 2021*

well and that's because we have got direct dispatches so we can afford to save some depo space. We have created a very large digital platform for the future. So, we went live with S/4 HANA, our dealer management platform as well as our vendor management platform. So, S/4 HANA basically is going to give us a huge efficiency in material resource planning. We have also got a WMS working which will give us efficiencies from our warehouse management costs as well as from a profitability analysis standpoint, S/4 HANA gives a lot of muscle to what we can do with data. The plant maintenance system as well as the project management system; all this will be provided through S/4 HANA which is absolutely cutting-edge ERP.

Arteria is the dealer management system that we have which is going to give us real time data. It's also going to be an integrated system from a scheme management or discount management standpoint. It's also going to be very efficient from claim settlements with distributors and the pricing and promotion controls that we want, a really strong within this system. I think it's a state-of-the-art system which is giving us very good results as we speak in this month. From a vendor management system, again we want to get more efficiencies, we want the right sourcing, we want digital contracts, we want a catalog buying kind of an approach to whatever we buy and finally a lifecycle management which the vendor management system is going to provide which will help us cater to the (+500) vendors that we have in the system.

The next is about the ESG Agenda:

The journey began 7 or 8 years ago but now we are doing it in a very structured way. So, if you look at the chart on Page #11, the resources' part is what the environment that we are catering to, so we are talking about resource efficiency which is water, fuel, energy and bringing in more renewable energy. Food waste, we are looking at reducing defectives, making up lines more efficient, not having expired product and reducing factory wastage as well.

From a supply chain perspective farmer extension programs, sustainable sourcing and from a packaging standpoint, making sure that we reduce plastic and whatever plastic we are putting in the environment, we recycle that so that we are effectively zero as far as plastic is concerned.

From a social agenda, it's about the human resources and social responsibility. There from a health, safety, and wellbeing of our people as well as people connected with us, employee engagement, diversity, and inclusion; I must say that there is a lot more work to be done from a diversity standpoint, but we are working on it very actively. And then community nutrition, the work that we do through the Britannia Nutrition Foundation etc. that's going quite well. We also want to make sure that from an economic standpoint we add a wing to this ESG agenda. That's the total foods company, the global total foods company that we want to be.

And finally, from a governance standpoint, we would like to make sure that we are best in the business. So, a very nice framework has been created and this will be integrated into our



Britannia Industries Limited
April 27, 2021

companies and managers performance as well and we will publish our first sustainability report in June of 2021.

The next slide is on the Britannia Nutrition Foundation. There's a lot of work happening in various states, including Bihar, MP, Uttarakhand, Gujrat, and Karnataka which covers 75,000 direct beneficiaries of this foundation. We are very proud of it and we want to make sure that in trying times like this, we accelerate this and provide the facilities to many more people. The next one is on, are being awarded amongst India's Best Employers second year in a row. We are very proud of that. This is something that we had aspired for. We did it last year, but we have replicated the same this year as well. We want to make sure that we continue with this.

It's a very important slide. Ritesh is our (HR) VP so I would like him to talk about this.

Ritesh Rana:

Sure Varun. So, our employee engagement and employee support agenda is covered under Britannia Cares, Britannia Cares philosophy. We have looked at following initiative during the year. As the year started, there was a lot of confusion, anxiety and we launched a continuous feedback system which is an AI Chatbot which covered about (+2000) of our employees. And the key concern that were talked about was physical and mental stress that our employees are going through as well as there was a lot of fear and anxiety in their mind, and it was important to provide them the holistic wellness as well as a sense of belonging and community so that their fear and anxiety can subside, and they also get support especially on the mental stress side. So, we looked at a holistic wellness program, which was looking at all the four aspects of wellness, which is physical, emotional, social, and financial.

For physical, we started with providing medical support, medical counsellors desks were created. The doctors were made available 24X7. There was also nutritionist provided as well as, as physical activities were limited so we started with the digital physical fitness Friday, so which provided employees on how to remain fit even when they were in the lockdown. Most importantly I think what employees were looking at this point of time, was the emotional, the mental stress that they were going through, the anxiety that they were going through. So, we started Pan-India counseling services and we also launched few training programs around emotional resilience where we also involved ex-Army guys to talk about how they dealt with similar tough situations and how they were resilient in those situations which was quite inspiring for the employees. And we also provided expert connect, doctor calls, doctors talking about what to expect and also dispelling some of the myths that they might have which helped calm down their nerves.

We do run a volunteering program which Varun talked about that's part of BNF as well and we continued that even in this year, combining it with virtual as well a lot of distribution that was required for the migrant labor during the year. We organized programs like health challenge to address malnutrition. We participated in that as part of a global program that was being run. We also took employee contribution drives, where we tried making small stuffs in partnership with



*Britannia Industries Limited
April 27, 2021*

an NGO. But most importantly we made sure to provide biscuits and hot meals, so we cooked hot meals around our factories and provided in whichever location it was possible and it was a need to the authorities and helped migrant labor with the hot meals as well as we supplied food and the kit. That's what we did around holistic wellness, taking care of complete wellness.

For building sense of belonging community, we had digital connects, that were organized. There were town halls with leaders. Interventions were not limited just to the employees, but this situation also provided us to connect with the family members. We also focused on children because lot of children were looking at being engaged and parents wanted support on that, so we were able to organize some of those programs as well. Those are some of the initiatives which were taken to bring in the sense of community and belonging. The other actions which were taken were we have by and large in our offices continued on work from home mode with some flexibility. So, our offices were open for some time and whichever function or people needed to work; they could come in at their convenience.

We also created cross-functional self-help group at each of the region which could help employees in tough times like we are going through currently and where these groups are actually helping employees that whether it is beds, whether it is medicine, whether it is oxygen and obviously providing comfort that yes, there are a set of individuals on behalf of company who are working at this point of time to support them. The leaves that people couldn't utilize last year were carried forward and we also created a BCP plan in our Bangalore office by creating alternate offices. These were more focused on offices.

For specific functions, manufacturing, and sales where we have the largest of our workforce, we made sure that a proper COVID protocol was developed and BCP was developed so that we take utmost care on hygiene standards to ensure that our employees are not infected by COVID. So, a proper health screening was done. The touch-free attendance was launched, COVID sensitizations sessions were held with the employees, temperature monitoring was introduced, the transport was provided with one-third occupancy and proper quarantine policy was done and, in a case, where if any of our employee was infected with COVID, the proper tracing of primary contact and making all of them in isolation and in quarantine for 14 days was strictly followed. Even on travel we followed all the state regulations which were there.

Similarly for sales we have done similar things wherever possible which is managing even work from home; whenever there has been surge, even today we have taken that decision to work from home even in sales because of the surge that we see currently and we are doing, we had done it last year also, we have done this year also; we have extended insurance to our third-party employees as well going up to AW salesmen to ensure that if they need any of the insurance help, we are there to provide them with that support. As of now, as we move forward and we are all facing this wave 2 currently, we are pushing for vaccination of all our employees and we have managed to cover 76% to 80% of our eligible employees, which is (+45) and we are gearing up to ensure vaccination for employees below 45 years of age starting from 1st May. Company



Britannia Industries Limited
April 27, 2021

obviously is going to cover for cost of vaccination for all employees as well as third party employees again going up to the distributor, salesmen. And yes, we are trying to cover all our employees through vaccination in May.

These are testing times and things are changing every day and we are quickly able to modify our responses to meet with the challenges.

Back to you Varun.

Varun Berry:

No, these are very tough times guys and it's been very tough, I think not just for us but for most businesses, but we are trying to cope with this in the best way possible and keep our employees safe from the conditions that exist.

Moving on to Page #16, which gives the revenues. So, a revenue growth for the quarter has been 8% and it's trailed off from what it was in the first three quarters, but the volume growth is at 8% as well. The time has come through us to look at how are we going to take this back to a double-digit growth as far as volumes are concerned and revenues are concerned.

Now, moving on to the next slide which is about cost efficiency programs. Last year we had a big incentive coming our way because there was between the VAT and GST there was some confusion so there was some extra incentives that we got for '19-20 so we had a one-time gain. But for the last 3-4 years, we are at about 4.6-4.7x what we used to do in '13-14. That's what we have done so we are on plan as far as cost efficiency programs are.

Commodities, it's been fairly stable as far as flour and sugar is concerned. We have seen a huge inflation as far as edible oil is concerned and on milk while versus last year same quarter it's not inflationary trend but versus the last three quarters it's inflationary on milk which takes us to the final slide on profitability. We have got a profitability of 17.9% for the full year. For Q4 it's 14.9% which is, and I am talking about the operating profit consolidated operating profits which is better than last year but it's below what we had for the first three quarters of this year. The reason for that, one is, the inflation from Q3 to Q4, there is approximately a 100 crores inflation. Second is the normalization of our advertising and sales promotion budgets. We had some savings as far as that was concerned because we didn't have enough stock in the first half of the year.

Now the inflation is leading us to a situation where we would have about 3% inflation, material inflation, which is basically coming from edible oils, dairy, packaging material and as well as the price increases which have happened in fuel, which is diesel. There's a 3% inflation that we are seeing and that's something that we have to mitigate as we go forward. That's all from me but just one more thing. The fact is that with a 17.9% profit margin, we keep doing a benchmarking versus other food companies in India and worldwide and it seems that we are above 90th percentile of profitability. We are amongst the most profitable food companies and



Britannia Industries Limited
April 27, 2021

the interesting thing is that we are amongst the most profitable food companies in the world by operating in a category predominantly which is a low gross margin category compared to any other food category, so I think it's something to be really proud of. I think this team has done a fantastic job in taking us to this level.

So, that's it from me. Happy to answer any questions that you may have.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Avi Mehta from Macquarie.

Avi Mehta: Just wanted to understand, from your last comment on the 3% inflation, have we taken any pricing change since to kind of take care of this? Or what are the thoughts to offset this going forward?

Varun Berry: We have started pricing action but as you would have noticed, our volume growth and our revenue growths are the same. So, versus the fourth quarter of last year, we haven't got any pricing but towards the end of the quarter we have taken some pricing and we are confident that as we get into the year, over the months, we will be able to get that target of 3%. 3% is not over the top while it is a large number but with choosing the right brands as well as the right SKUs, we should be able to take that pricing from the year perspective.

Avi Mehta: The comparable when we get through to 3%, the comparable gross margin would be the 3Q number that we would aim to reach at on a gross level. Would that be a fair way to look at the business?

Varun Berry: There was a lot of efficiencies there which we might not be able to replicate. I won't be able to give you a number for where we will get to, but the objective is that we would want to be certainly above where we were in '19-20 as far as margins are concerned. This year has been exceptional from a margin perspective, but we should certainly aim for a higher margin than what we achieved in '19-20 and what we have achieved in Q4.

Avi Mehta: The second bit was essentially about this near term. There is clearly a second wave out there, in that context, could you give us how are the consumer demand trends and also the competition trends versus what we saw in the last lockdown? Any comments on that.

Varun Berry: The trends are similar to what they were last year, but the only thing is that the world has gotten used to living through a pandemic. So, people are better prepared, and I am talking about producers, so producers are better prepared to manage their workforce and factories have not been lockdown like they were last year. From that perspective there is a better awareness of what needs to be done. However, there is some amount of pantry loading, there is some amount of trend towards home consumption products and that will continue because I don't think we are



Britannia Industries Limited
April 27, 2021

going to come out of this situation in the next 3 or 4 months. It seems to be that this year's COVID situation is worse than what it was last year.

Avi Mehta: The competitive angle would then not be the same in terms of that favorable, the unorganized impact that we had seen last time. That would not meet the same as because you said the production side is much more ready. Is that a fair reading of your statement?

Varun Berry: Yes, I think so. I think people will be better prepared but trends like people going back to their most trusted brand etc. will remain. We have to see how this pans out as we go through this. Frankly, these times you can't say what is going to happen tomorrow. Well, every day the situation changes, and we have lived through last year with so much of uncertainty; we don't know how the next month is going to be, the next week is going to be. So, the best thing is to remain on one store and do what is best to further the business and cater to the consumers.

Avi Mehta: A bookkeeping question, the ICDs on book if and to the promoter entities if you could just share that number. That's all from my side.

Varun Berry: Sorry, I didn't hear the last one.

Avi Mehta: The ICDs on book, as on FY21 and to the promoter entity if you could share those two details.

Management: Group ICDs are to Bombay Dyeing and Bombay Burmah and they continue to be in the same range Avi.

Avi Mehta: Same range as at 520, correct. The 30 crores or so and the total ICDs would also flattish?

Varun Berry: Has been overall you are saying?

Avi Mehta: Yes.

Varun Berry: Yes.

Moderator: The next question is from the line of Richard Liu from JM Financial.

Richard Liu: I just wanted to ask you more about Milk Bikis strategy...

Varun Berry: I can't hear you properly. Can you just come a little closer to the speaker?

Richard Liu: Varun, I just want to talk to you about this Milk Bikis strategy. Obviously, a lot of work would have gone into it before you identified this brand to be rolled out nationally etc. But I just quickly ran through the pricing of Milk Bikis, the non-cream variant. I am not talking about the cream biscuit; I am just talking about the normal Milk Bikis. The pricing seems to be very-very close to what Parle-G sells at. And if I go back in time, I remember you and ITC, both of you together



other than Parle had always stressed on premiumization as an agenda for the category going forward. When you are looking at a big bang launch or relaunch of a brand or an extension of a brand, to really now go and target the Parle-G segment, especially when they are selling at very close to each other in terms of price point; are you going reverse on the premiumization agenda? And I know there will be scale benefit etc. but from an overall GPM perspective, how should one look at **(Inaudible) 34.39** and related to this is that, that if you are looking at growth by going into a segment which is actually sub-premium, is it an indication...?

Varun Berry: I get your question. In the interest of time, let me just clarify. It is not at the same price as Parle-G. It is at a sufficient premium to Parle-G in terms of pricing and you have got to remember that Milk Bikis is one of our most profitable brands. It is in fact our most profitable brand and we would like to keep it that way. There's no thinking in terms of how we wither away the profitability. We will certainly build on the profitability as we go forward.

Moderator: The next question is from the line of Prasad Deshmukh from Bank of America.

Prasad Deshmukh: First question is on capacity. Last year you had announced a CAPEX of 700 crores to be spent over 2 to 3 years. Just wanted to understand how much has been spent in FY21 and what is planned for '22? And follow-up is what is the current capacity utilization?

Varun Berry: We have got a very small headspace as of now. We have probably got less than 10% head space in terms of capacity, but we were supposed to spend; last year CAPEX was about 200 crores. So, we underspent last year and even this year because of the uncertain circumstances, while we are definitely going to put up a factory in UP, we have already contracted the land and we have already got the incentives from the government. Similarly Tamil Nadu, we have signed up the agreement with the Tamil Nadu government, we have outlined the land so all of that is done and similarly Bihar and expansion in Orissa is on the cards, but we will take these steps as and when required. If it means that we require it 6 months earlier, we will do that. If it means delaying it by 6 months or a year, we will do that. The only commitment this year that we have is on our dairy factory which also will be ready in 2022. So, we will play this by the year, and we will put capacities depending on how the situation is on the ground, but we are committed to putting up these factories. Does that answer your question?

Prasad Deshmukh: Yes, so just a follow up there. Then what is the current third-party manufacturing as a percentage of total and do we see in the meanwhile if there are couple of quarters like last year, I think Q1 you had 26% sales growth. If couple of quarters are there where pantry up stocking is there, then do we see the third-party manufacturing going up?

Varun Berry: Yes, if need be but as of now it seems that we have expanded a few lines. During the last year we put up a few lines in Ranjangaon, we have expanded capacity in a few places. With that we will have enough capacity but yes, if required we will look at third-party but at this point in time, our third-party number is about 35%.



Prasad Deshmukh: Second question on international. What is the plan for international in FY22 in the current context, COVID context?

Varun Berry: We are looking at starting up two factories, one in Egypt and one in Uganda. These are not our assets. These are contract factories that we have set up through our contract manufacturing partners in these two countries and we will use these for the countries itself and countries in and around and these are reasonably; for example, just to give you an example, the factory in Uganda is capable of giving us a turnover of about \$11 million and the one in Egypt even higher than that. These could become hubs for us to create businesses in these regions. That's the plan for this year as far as international is concerned. Besides that, we are looking at entering more countries through our export model and establishing ourselves in those countries.

Moderator: The next question is from the line of Mangalam Maloo from CNBC.

Mangalam Maloo: I just wanted to know little more on the way the first quarter is gone when you say that the situation is similar to the last time, you mean the COVID situation or do you mean the demand situation. Because same time last year you saw on your profit 20% surge of course that a large part of that was also a spillover from the previous quarter, but this time around is a lot more normalized what is the sense that you are getting?

Varun Berry: Mangalam, we don't share the numbers for the next quarter, but we definitely see a surge in demand. As I said that people are more organized and last year, we were first among equals in terms of making sure that we hit the ground running. This year, I think everyone's smarter, but there is definitely a surge because of the situation that we face on the ground.

Mangalam Maloo: What's your sense on the industry itself, last time you said that whenever things settled you would still be 300 basis points better than what you were pre-COVID, has that number changed?

Varun Berry: So, I said Mangalam, we can make as many forecasts we want, this economy and this situation on the ground takes a life of its own. And clearly our forecasts are not as accurate as we think. I do think that the demand situation is going to improve as we go forward. We've seen the second half of the year to be fairly slow I guess, once the situation on the ground became better. There was the impact of the economy as people had suffered during that time that came to roost. But I think slowly and steadily over the next two or three quarters, I think situation is going to become a lot better from an economic standpoint and hopefully we will get back not just to these booms and busts, but a regular life which takes the demand back to where it used to be a single digit high category growth. If you are getting shared and you can get to a double-digit kind of growth, that's the situation that we hope to get too soon.

Mangalam Maloo: Just a quick follow-up on that, when you said that you believe that consumer sentiment is likely to revive etc. Your thoughts on the way the consumer sentiment is currently because some time



*Britannia Industries Limited
April 27, 2021*

ago we there have a word with RF Sodhi, and he did say that lower consumer income is beginning to tell on demand. Do you see something similar?

Varun Berry: We saw it in the second half of last year, but you know these are all necessities. These are not high value items, so I guess it's a short-term impact which slowly withers away. We are hoping that as things become better, people will get back to normal consumption.

Moderator: The next question is from the line of Aditya Soman from Goldman Sachs.

Aditya Soman: So, just back on Milk Bikis now, one of the things we also noticed in your presentation was that the number two player has gained market share at least sequentially. So, would this to a certain extent of this extension of Milk Bikis would just be a product to counter that market share gain in the Hindi belt and would Parle-G be the main target. And just to add to that, when we think of the market share gain by Parle has it been in Parle-G or has it been Parle-G dropped the market share again?

Varun Berry: Yes, so there gain is Parle-G, but that's not the point. The point is not that, we are just looking at, it's not like we are targeting Parle-G. Parle-G is too large for us to target. We are just looking at the market and we are saying that is there a potential to upgrade the consumer, who is at the base of the pyramid. Who is consuming, let's say Tiger or Parle or any of the other glucose biscuits to get to a product which is Aata, which is got a good proposition like Doodh Roti ki Shakti which resonates really well with a Hindi belt consumer and if there is a premium, that's fine but if he can provide a product which is a tastier than the base product and it's also providing some benefits versus the base product? When can we get the consumers to upgrade? So, that really is our objective. If you think about it, if you combine those two segments, we only got a 4% share. Even if were to take this 4% share to 8%, we are talking about a big number, right. So, it's not I don't think it's going to impact Parle-G. Yes. There's big daddy's out there. So, in ratio of their share of that segment, they will get impacted to an extent if we are able to make the inroads. But we are yet to see, I think we've got a very good proposition. We've got a great product. We really worked hard on making sure that we get the product and the proposition working in conjunction. We are hoping that we will be able to get the right kind of effect from the consumers as well.

Aditya Soman: Just a follow up there, I mean in terms of contribution or net contribution, what would it be the difference between say Tiger and Milk Bikis for you? If you could just tell us the index number and secondly in terms of price point, would this be at a similar price point at which Parle-G is? Maybe the Gram's is different, but the price point will be the same, right?

Varun Berry: Yes. The price points will be similar, but Gram's will be lower, and the gross margin would be two and a half times what it is on glucose.

Moderator: The next question is from the line of Kunal Vora from BNP Paribas.



Britannia Industries Limited
April 27, 2021

Kunal Vora: On the three digital transformation projects would you able to help us quantify the impact on revenue as well as cost during the quarter?

N. Venkataraman: Quantifying will be a little difficult at this point in time. But certainly, we are looking at every critical lever that it can help us on, right from order generation to order servicing to maintaining lower inventory in the company, reducing write-offs and reducing market returns etc. The functionalities that Varun spoke of, they address all of these and we have some numbers as targets for each one of this. But we are going to monitor this, and we will have to ensure that these benefits come through to the company.

Varun Berry: An overview in terms of fill rate because today we have gaps in our fill rates as well. So, with a new dealer management system I think, our fill rates will also definitely go up and our ability to analyze and provide the right data to a Salesforce for them to make the right decisions on the ground, that will also be impacted. But we've got some targets internally. We will monitor those on a regular basis and make sure that we get some efficiencies to the business. But I can tell you that the expense was not large, the savings can be very-very large.

Kunal Vora: The revenue impact this quarter was not meaningful, is it fair to assume that?

Varun Berry: No, the revenue impact because of this, we had to close our quarter about three days in advance because, we had to go-live, and factories has to be shut and dispatches has to be shut. So, that created a little bit of impact, but yes, that's a very small impact which is not a secondary impact but a primary impact for us.

Kunal Vora: And just one more question. Can you share your thoughts on PLI on food processing and whether you expect to benefit from this, also who is helping your international business, whether that gives some additional benefits to your Ranjangaon plant whether it gives any benefits in domestic side as well? So, if you can just share your thoughts on PLI on food processing.

Varun Berry: PLI has still not been officially announced, but ready to eat food is covered under PLI scheme and biscuit and most of the other products that we are manufacturing today are also getting covered under PLI, basis the draft that government has shared so far. We are hopeful but it will go through and we should be able to quantify as in when government is able to come out with a scheme. But there will be benefits that should accrue to companies like Britannia.

Kunal Vora: So, fair to assume that both domestic sales as well as international plans could see good benefits?

Varun Berry: Yes. The draft says that domestic of course there will be the benefit. It also says that to the extent they are manufactured India, subject to certain conditions being fulfilled will also be eligible for benefits over and above the incentives. We are talking about reimbursement of some of the expenses on advertisement that can also add.



Britannia Industries Limited
April 27, 2021

Kunal Vora: So, there could be some benefit for the Ranjangaon plant as well because it's a work in progress right now or it will be for the new project?

Varun Berry: It will apply for Britannia as a legal entity, the way it is worded currently.

Moderator: The next question is from the line of Abneesh Roy from Edelweiss.

Abneesh Roy: My question is on distribution, so because of the wave 2 again there is a lot of pressure on the shelf space in Kirana. So, again is any SKU rationalization required and similarly chemist shop, home and personal care companies are targeting quite well. Even chemist shops are open for longer hours, so is there something you can do there in the chemist shop?

Varun Berry: Well, Abneesh, the point is that in times like this we are actually asking of salespeople not to go to the market. So, again we are going to see a down trend as far as our distribution is concerned. There will be a lot more sale on telephone and there will be a lot more wholesale trade during this time and it's unfortunate because you build your distribution and then something like this happens when you have no choice, but to trade on the side of caution as far as your employees are concerned. Because this wave seems to be a very-very vicious wave of COVID. It just seems to as we speak; we've lost three of our sales colleagues because of COVID and all three of them were young. And as I speak to other counterparts and other companies, every company have facing the same problem. So, what we've done is we've told people not to step out of the home to this happen. We don't care if distribution drops; we will work harder and build it back. But this is not the time to think about targeting outlets and putting our products. This is about making sure that we produce products and send them to the distributors and send them to the wholesalers so that we can keep the shelves full. As we get out of this situation, then we'll start to fine tune once again and start to look at which outlets and what outlets and how do we target them etc. But you're right from a long-term perspective it seems a good strategy to go after chemist shops.

Abneesh Roy: Currently it will be negligible right for you?

Varun Berry: Yes, it will be small; we do have some of our products like Nutri Choice which are available, but not for the mainline products.

Abneesh Roy: My second and last question is on the three-digital project, so will the benefit start immediately after the wave 2? So, can second half of the year see some tangible benefits from this and does this give you a lead over the number two player because they are more of a mass player, so will it be industry leading in terms of these capabilities?

Varun Berry: Absolutely. I will let Venkat comment on that. But yes, to my mind it definitely will give us an advantage over all our competitors and the trick will be in making sure that we deploy this efficiently and monitor it and reap all the benefits that we put on the paper that we made on this when we were starting to conceive this idea.



Britannia Industries Limited
April 27, 2021

N. Venkataraman: No as we speak, we are able to see the benefits. Frankly, 20 lakhs outlets real time data in terms of what they are buying from our distributors and that getting convert it into orders on a daily basis by end of the day from the depots is something that we are able to see right away. But it will take little more time for this to completely get converted into a top-line and a bottom-line benefit to the company which I think is a matter of few quarters in my view. Because some very large systems have to be established in every single factory and depot, so those are while they have all been implemented, they have to do it on the ground. So, that is something that in my view will take a couple of quarters.

Abneesh Roy: One small follow-up on this, so primary billing what was the impact, and will it get reversed in say Q1 or Q2?

N. Venkataraman: We had three days of a shutdown that happened for the transition to happen that happened in the month of March. So, secondary is continuing, so logically it should happen.

Moderator: The next question is from the line of Shirish Pardeshi from Centrum Capital.

Shirish Pardeshi: I just wanted to understand that in this quarter and taking a cue of whole of FY'22 and I think you started saying that there is a cautionary thing happening in the market because of pandemic. But would you give us some sense how the category is performing? Because you have taken lot of actions, so the reason why I am asking is that if things are going to be all right in a second half of FY22, your new product favorite agenda can come back and can you give us some journey, some roadmap how we should look at FY22 in terms of top line?

Varun Berry: I won't give you a number on that, but what I can tell you is that last year innovation agenda was not as strong as we would have wanted it to be and for the right reasons because, it was important to decide on your priorities and go full out on producing products, which were the main line products. But, as we get out of this pandemic, I think, we are also itching to get back to our innovation agenda. We've got a pipeline of products, which we've been working on for quite some time and we would like to get that out into the market. So, I definitely feel that once we are in normal times, God knows when those normal times are going to come. I had someone asked me last March, when is it going to be normal? I would have definitely said that it will be normal before it actually is becoming normal. But think about it, it's already 15 months and we still don't know when normalcy is going to be back in the system. So, let's hope for the best, but clearly as things get back to normal, we'll have a lot of ammunition to take us back into a very different playing field.

Shirish Pardeshi: See the reason why I'm asking, and I need some answer on that, if you have that growth agenda with the new product will it give us some sense where we have settled for our ad spend in a FY20 and then what should we look at in a FY22?



Britannia Industries Limited
April 27, 2021

- Varun Berry:** We don't give forward-looking growth. So, I would not like to comment and frankly I don't think there's anyone in the world who can comment on what's going to happen.
- Shirish Pardeshi:** How much we have spent on advertising and marketing in FY'21?
- N. Venkataraman:** I'll take that, the spent that we have done in '20-21 has been roughly 1.5% lower than of net sales lower than the previous years. However, we started coming back to the normal levels in Q3 and we did a little more than the normal levels in Q4 if that answers your question.
- Shirish Pardeshi:** Just last question, we have raised some 700 odd crores through CP in last one and a half months, would you be able to help us to understand what is this money, which we have raised through commercial paper?
- N. Venkataraman:** This is essentially for because April to June happens to be our commodity buying season and you'll see this as a pattern every year between Jan and April is when we will start doing this. So, wheat buying happens from April to June and this is essentially for the commodity price.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Ms. Dipti Sudhir from Britannia Industries Limited for closing comments.
- Dipti Sudhir:** Thank you everyone for spending time with us on this call. We look forward to interacting with you again. Good night.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of Britannia Industries Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.