



11th November, 2022

1. The Secretary
BSE Limited
Phiroze Jeejeebhoy
Towers, Dalal Street
Fort, Mumbai - 400 023

2. The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra- Kurla Complex
Bandra (E), Mumbai - 400 051

Dear Sir/Madam,

Sub: Transcript of Analyst Call for the quarter and half year ended 30th September, 2022

Ref: Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of analyst call held on 7th November, 2022 in respect of Unaudited Standalone and Consolidated Financial Results for the quarter and half year ended 30th September, 2022.

The transcript of the analyst call is also available on the Company's website at <http://britannia.co.in/pdfs/Presentations/Q2%2023%20Analyst%20call%20transcript.pdf>

This is for your information and records.

Yours faithfully,

For Britannia Industries Limited

T.V. Thulsidass
Company Secretary
Membership No.: A20927

Encl: As Above



“Britannia Industries Limited
Q2 FY2023 Earnings Conference Call”

November 07, 2022



MANAGEMENT: MR. VARUN BERRY – VICE CHAIRMAN & MANAGING DIRECTOR – BRITANNIA INDUSTRIES LIMITED
MR. RAJNEET KOHLI – EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER – BRITANNIA INDUSTRIES LIMITED
MR. N. VENKATRAMAN - EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER – BRITANNIA INDUSTRIES LIMITED
MR. VIPIN KATARIA – CHIEF SALES OFFICER – BRITANNIA INDUSTRIES LIMITED
MR. AMIT DOSHI – CHIEF MARKETING OFFICER – BRITANNIA INDUSTRIES LIMITED
MR. MANOJ BALGI – CHIEF PROCUREMENT OFFICER – BRITANNIA INDUSTRIES LIMITED
MR. SUDHIR NEMA – CHIEF DEVELOPMENT & QUALITY OFFICER – BRITANNIA INDUSTRIES LIMITED
MR. MAYANK MUNDRA – INVESTOR RELATIONS – BRITANNIA INDUSTRIES LIMITED



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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2023 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. Mayank Mundra from Britannia Industries. Thank you and over to you Sir!

Mayank Mundra: Thanks Steven. Hello everyone this is Mayank from the investor relations team. I welcome you all to the Britannia earnings call to discuss the financial results of Q2 2022-2023. Joining us today on this earnings call is our Vice Chairman & Managing Director, Mr. Varun Berry; Executive Director & CEO Mr. Rajneet Kohli; Executive Director and CFO Mr N. Venkatraman, Chief Sales Officer Mr. Vipin Kataria, Chief Marketing Officer Mr. Amit Doshi, Chief Procurement Officer Mr. Manoj Balgi, and Chief Development and Quality Officer Mr. Sudhir Nema. The analyst deck is uploaded on our website. Before I pass on to Mr. Varun Berry I would like to draw your attention to the safe harbor statement in the presentation. Over to Mr. Varun Berry with remarks on the performance!

Varun Berry: Good morning everyone. So let me just jump onto page three of the presentation. If you look at this you will see that we have had a very good quarter so we got revenue from operations, which has seen a year-on-year growth of 22% and a quarter-on-quarter growth of 19%. Operating profits have grown 30% year-on-year and 47% on quarter-to-quarter basis which is sequential. Market share continues to be a very good story, it is the 38th quarter of market share gains for us, which is a very, very positive story and this comes out of all the hard work that the team has put in not just building and nurturing strong brands but getting the distribution of all our products and more and more outlets across the country and I will come to those details in a minute.

If you move on to the next page this shows you what has happened from inflation standpoint so if you look at consumer food price inflation year-on-year Q1 was 8% and Q2 is almost in the same vicinity. We know what has happened to the Indian rupee versus the US dollar it is now at about Rs.82 while the wheat prices in the international markets have gone down a bit and similarly palm is giving some upsides to us as well, but unfortunately the wheat price decrease that we have seen in the international market has not happened in India and the reason for that is that we have had a lower crop which is about 12% lower than last year as a result of that the wheat prices have held fairly firm this quarter.

Moving on to the next slide you will see what has happened in the last seven quarters. In the last seven quarters we have seen inflation of 32% so if you were to index Q3 of 2021 as from 100 we moved to 132% so that is a huge inflation in seven quarters and as you see that that it



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is not just year-on-year but also quarter-on-quarter it has been moving up and this if you were to look at the key components of this inflation wheat flour is 25%, industrial fuel is almost 40% and palm oil is on a year-on-year basis 10%. Overall this is the first time that inflation has not just been in one country but across the globe. What we do expect is that Q3 we do expect some respite on the back of palm oil. Milk prices continue to be on the boil, which has impacted our dairy profitability and wheat prices we do expect these to be firm in Q3 as well so that is the current situation and the outlook as far as commodities is concerned in a concise short capsule.

Moving on to the next page if you were to look at on the cost & profitability front the overall inflationary pressures have been this quarter as well if you were to look at sequentially over the last quarter we see an inflation of 3% in this quarter. We were the first ones to action price increases and we took it much ahead of the market and we have been able to accelerate our cost efficiency programmes as well, which I will take you through as we go through this deck. We also ploughed back into the business. The money is that for the last two years we have not fully spent, this year we have normalized our advertising and sales promotion spends as well, but despite all of that our operating margins have improved by 290 basis points on a quarter-to-quarter basis so just in a capsule 32% inflation in the last seven quarters which has impacted our profits by approximately 23%. We have mitigated this through about 20.5% of price increases that we have taken and we have got approximately 3% from cost efficiency programmes so that is the story of inflation and what it has done to our bottomline in the last quarter.

Moving on to the next slide which is slide 7, this you have seen in the past results I am not going to drain it but these remain our strategic plans for driving profitable growth.

Moving on to the next slide which is slide number 8, now this is a slide on distribution and truly a great job done by our sales team so if you look at it we have built our rural distributors which is the first bar chart on top from approximately 8000 distributors in March 2016 to 28000 distributors in September 2022, which has helped us gain more share in rural. The share gains in rural are approximately one-and-a-half times what they are in urban so that has helped us and a lot of companies have called out a slowdown in rural. As a result of our programmes we have not seen that slowdown in our business and if you were to look at it we have build our rural sales by almost four times in the last six-and-a-half years, which has given us the rural momentum as we said earlier as well rural has not been a stronger force for us we have always been slightly weaker in rural and that is what we are trying to fulfill. Now looking at the bar chart at the bottom of the slide we will see that these are the outlets that we distribute directly. These have gone up to 26 lakh outlets which is approximately 4 lakh outlets more than what we were doing till March 2022.



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Moving on to the next slide which is slide number 9 marketing activities have been fairly regular and almost back to normal. Some of the big campaigns that we have done Milk Bikis Atta, the Croissant campaign, which some of you would have seen, earlier launch in Biscafe which is very fine, very tasty coffee cracker, we have relaunched Bourbon, we have got 5050 Potazos on television, we have got 5050 Golmaal which is again a new product that we have launched and is doing extremely well in the east and we have done the Cheese campaign which is around the properties of protein. Besides that we have been doing digital activities and engagement initiatives on quite a few of our brands which we have enhanced after Amit Doshi joining the team and bringing experience of digital company we have started to look at this in a way that we look at how we can make our digital efforts secretive to all mainline media efforts.

Moving on to the next slide which is slide number 10 which shows some of the innovations that we have done and innovations that will fuel the next phase of growth for us. Biscafe was launched in Q1 it is almost three times revenue shift quarter-on-quarter, we have also done Nutri Choice Seeds, Herbs & Protein which were launched again in the first quarter of 2022-2023 and we have done approximately two-and-a-half times the revenue from Q1 to Q2. Similarly, Golmaal I have spoken about that it is east only launch for the time being and has done really, really well with 85% quarter-on-quarter increase in revenues. Treat Croissant has been launched nationally after a prolonged market research and figuring out what to do with the product, what to do with the package, etc., and I am very happy to report that we have seen amazing results as far as Croissant sales is concerned. We have seen a revenue growth of almost 70% quarter-on-quarter. Wafers again I would say a reasonable progress as far as wafers is concerned. We have got a new wafer which is a Cheese Wafer that we have launched in South. We have got limited capacity. We seem to be hitting the top of our capacity so we will have to look at more capacity into our newer plants, but I would say reasonable progress but tremendous opportunity for even better performance as far as wafers is concerned. Cake and Rusk are back. On cake we have done a lot of new products including what you see on the slide which is Marble Cake with a two times revenue shift quarter-on-quarter and Marble Cake has actually given us very good revenue growth as well for the cake business which has turned the corner and has started to do extremely well not just from a topline perspective but even from a profitability perspective.

Moving on to the next slide which is slide Number 11 so again something that we have been talking about bakery adjacencies, objective being profitable growth, journey continues with bread which used to be very unprofitable business and is turning out to be heavy journey for us. Growths in Rusk & Cake are back. From Croissant perspective I have spoken about it we are growing at 250% versus last year. We have done aggressive national scale up supported by end-to-end marketing campaign. I would not say that we have found at certain level that we would like to be at from a numeric distribution standpoint, so there is a lot more to do and



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we are testing the bottle as we go and we are looking at how far we should go in terms of the width of distribution but what we have seen is that offtakes are very, very good, repurchase rates are very good so we are very, very happy about the performance that we have on Croissant. International we have just signed up for a joint venture with a controlling stake in Kenya. There used to be a brand called Britannia which had a different spelling from all Britannia and as a result of this deal we will have control over that brand so that we will not have infringer in Africa doing the same brand that we have in our door. Middle East growth continues and so does the Americas. The Americas has shown us a very good growth in the last few years and that continues especially in Canada. Dairy is a tough story although we have done some fantastic work of putting up collection centers, getting farmers to pour milk for us, and setting up the factory which is probably going to be commercialized in the next month or so. We have already commercialized the SMP plant but some of the other facilities that are going to be commercialized starting next month. The problem there is the inflation that we are seeing. Milk prices today are at Rs.41 a litre in the West and Manoj correct me if I am wrong it is Rs.58 a litre in the north for Buffalo milk. So there has been from about Rs.31 we have gone to Rs.41 so there is a very high inflation on dairy and while we are taking price increases this is turning out to be a lot more than what we had ever imagined so profitability remains challenge as far as dairy is concerned. So that is the story of our adjacent businesses but very happy about some of the progress that we made in each one of these buckets. This was a little bit of worry for us but I think we are slowly coming into our own with all of these products and starting to do well not just from the topline but from a bottomline perspective as well.

The next slide is about cost efficiency programme. You will see that from 1x to 8x from 2013 to 2022-2023 and in the last one year from 5x to 8x so almost 1.5 times the cost efficiency of what we used to get last year. The things are the same that we have been talking about so process automations, reduction of distance to market, optimal power sourcing, renewable energy, the sourcing strategy as far as our raw materials are concerned, vendor development to ensure full efficiency accruing to us, packaging initiatives that has been a big area for us, we have developed not just packaging from a sustainability standpoint but we have also been able to bring cost down, vendor's cost optimization. We have looked at various ways of optimizing this depending on our factories and what needs to be sent to our factories. Other areas have been market returns which has been this year the lowest that we have ever seen and we continue to optimize on that, that is giving us a very good feel of how high is high and how we can bring savings to the table. Commitment charges are charges that we pay to our contract packers because we take capacity from them and if they are not able to draw that material then we have to pay them some kind of commitment charge so we are reducing that by making sure that we optimize not just what we need from them but optimize the demand



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centers and sources for all of these demand centers that has given us pretty good savings. Fiscal incentives and also on media effectiveness we have done some major initiatives.

The next slide is about ESG. This has been a fantastic story for us. While we have been focusing on a lot of these programmes for quite a few years the issue has been that we were not doing it in a structured way, we started to do in a structured way about 2 years back and our Dow Jones Sustainability Index score in 2022-2023 has come out to be 52 which is the 91st percentile of companies in the sector and this has actually gone up from 11 to 37 to 52 so it has been great progress and we have made progress on all of our pillars on growth, on governance, on resource management, on sustainability, on packaging, and making sure that we get it from sustainable sources as well as on people which is about diversity. On the shop floor we have got great diversity. We still have to do some work in our management team, etc., to get diversity up. We have got great work on nutrition, employee engagement, we are top quartile of FMCGs as far as that parameter is concerned and finally reduction of incidents from accident standpoint we have been doing pretty well there as well. So as a result of all these programmes which are a part of the KPIs for the Excom team the progress has been remarkable as far as ESG is concerned.

Moving to page No. 15 which is the topline movement, as you see our topline movement has been remarkable this quarter. We have grown by 22% versus Q2 of last year and on a 24 month growth basis also we have grown at 29%. If you were to look at even the 6 months Q1 and Q2 put together we have seen 16% growth.

Moving to the next slide which is on operating profits after what happened in the last seven quarters or so with inflation and making sure that we put all the right measures to beat this inflation we have come back. There were these three quarters in 2020-2021 where we seen huge numbers as far as operating profits are concerned but that was because we did not have capacities and we were able to sell whatever we produced due to COVID and the demand created at that time and we were able to get great efficiency as a result of that because we were running our lines flat out with one product and getting great efficiencies, but thereafter our operating profits have witnessed a lower number but this quarter again we have come to 15.2% which is better than what it was pre-COVID.

So moving to the next slide which is slide number 17 if you were to look at algorithm net sales has grown by 22%, operating profit by 30%, profit before tax at 26%, and profit after tax at 28%, so overall good results, quite happy with the progress and how we have been able to bounce back as far as our topline and bottomline growths are concerned. As a result of that you will see the percentages, the percentages have moved up if you look at 2019-2020 profit from operations was 14.5% that was the pre-COVID year and now we are at slightly better than what we were at in 2019-2020, so happy with that progress and hoping that we will be



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able to keep that trajectory. So that is all from me, very happy to answer all your questions. One more point we have Rajneet for the first time on the call. Rajneet joined us on September 26, 2022 and was on induction to understand the company and its operations. He has just completed that and just a few more sessions to go but pretty much on the ball now so over to you for any questions that you may have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy: Yes thanks and congrats on a very good set of numbers. If I see last five quarters sales has been stable at 3300 to 3600 Crores number quarter-on-quarter jump of 18% so I had question on that how much would be the pricing growth quarter-on-quarter plus biggest festive was earlier this time how much is one-off because of the inventory built up because of the festive season-related pipeline filling and when I refer to slide number 10 your new products have seen very strong growth quarter-on-quarter 70% to almost 2.9x quarter-on-quarter so is there inventory filling because of that because you are seeing good demand which could further accelerate if you could explain any one offs out here?

Varun Berry: There are no one offs Abneesh. Abneesh I must say that Abneesh from Nuvama sounds a little funny we are used to your Edelweiss so I was a little taken aback, but to answer your question first of all no one time at all it is all progress made from a zero base, we have seen very good demand, we have been able to do enough for our brands this quarter, we have taken a step back on that but we have gone back on it, we are supporting our brands and we have done a lot of innovation as I have spoken through the deck and that is giving us momentum with our customers and this is despite the fact that we had taken the price increase before some of all peers so that was your first question. What else did you ask?

Abneesh Roy: How much should be the pricing growth says quarter-on-quarter and Y-o-Y if you could give that number?

Varun Berry: Total pricing that we have taken is approximately 22.5% and this is in the phase of 32% inflation. Venkat what is the pricing that we have taken this quarter?

N. N. Venkatraman: Q2 versus Q1 has been about 7%.

Varun Berry: We have seen inflation of 3% but we had some catch up to do so we have taken 7% price increase this quarter. Go ahead Venkat.



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N. N. Venkatraman: Year-on-year is this question that Abneesh was asking so year-on-year is about 18% Abneesh, but what Varun was referring to is over a period of longer six or seven quarters is what he was referring, so year-on-year is 18%, quarter-on-quarter is about 7%.

Abneesh Roy: So does it imply 4% to 5% kind of volume growth, 18% Y-o-Y pricing?

Varun Berry: Yes approximately mid single digit volume growth.

Abneesh Roy: One related question Varun was on your direct fleet expansion which was extremely strong but I do note that in FY2022 it came down also sharply versus FY2021 was it just a COVID-related impact and now in the rural when I compare the market share between you and Parle could you give us some sense where is the indexation now versus say six years, seven years back when you started the focus on Hindi states where is the gap now?

Varun Berry: Still a big gap Abneesh while we have made up it is too small to really make a big difference so just to give you an idea we are probably now about 18% share in a market like UP, large state of UP I am just giving you some rough numbers we would be about 18%, seven, eight years back we were probably 11% to 12%. Yes good progress but still a long way to go.

Abneesh Roy: Varun last question is on your overall group related and your long-term debt so I do see ICD is coming down versus six months back and quarter-on-quarter it is stable which is okay which is good but on the long-term debt 1000 Crores it has gone higher I understand capex is happening plus also the investor concerns on the group entity of Bombay Dyeing-related SEBI issues so if you could address is there a better way of financing this capex through the internal accrual rather than the long-term debt and on the group related could you address some of the concerns I know there is no direct impact but if you could address what are the concerns?

Varun Berry: Yes, I think this question was going to come up in any case so let me address that. So Bombay Dyeing they have already clarified while I am not on the Board of Bombay Dyeing but whatever we know is that Bombay Dyeing has already clarified through their press release that it is fully compliant and we exercise its right to appeal against the SEBI orders right and I also understand Venkat correct me if I am wrong I understand that the company has since filed an appeal with the Securities Appellate Tribunal as well right.

N. N. Venkatraman: That is right.

Varun Berry: What you have heard I have also heard the same. As the matter is subjudice I do not think it is right to comment on that any further than this but happy to clear if there is any more information that we get we will be happy to clear any other doubts that you may have on a



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larger basis. Coming to the debt that you are talking about we have taken debt yes, we have taken debt for our Ranjangaon expansion a lot of that in dairy the dairy plant is almost ready and should be commercialized soon, so dairy then we have got a factory coming up in Tamil Nadu, a factory coming up in UP to fund that and we have got the loan at a very low price. We have got a loan at what Venkat 5.8%?

N. N. Venkatraman: That is right. Correct.

Varun Berry: While our treasury is 250 to 300 basis points more but we do understand what you are saying. I think we have fairly measured in what we are doing, Venkat happy if you can comment on that as well.

N. Venkatraman: You covered them all. I think the borrowing currently is at about 5.8 and our treasury is yielding roughly 8.5% but the point being made by Abneesh is clear. Like you rightly said group ICDs have been coming down from what was about 740 Crores in March it is currently at about 590 Crores.

Abneesh Roy: Sure Sir. Thanks that is all from my side.

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

Kunal Vora: Yes thanks for a great quarter and thanks for the opportunity. My first question is on raw material so in raw material what would be the broad breakup between wheat, edible oil, sugar, fuel and how much wheat inventory do you typically hold and how does the wheat procurement work do you mostly acquire after the rabi harvest?

Varun Berry: Wheat, palm oil and sugar are the three largest components as far as we are concerned. Manoj do you want to comment.

Manoj Balgi: So wheat, palm oil and sugar roughly together would constitute about 65% of the value of procurement and wheat is typically procured during the harvesting season that is in April, May, and June.

Kunal Vora: What is your initial view right now, do you think wheat prices will ease up or any initial due there?

Manoj Balgi: Wheat prices are quite high and I think government is taking actions to stabilize those.



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Kunal Vora: My second question is on the management change with Rajneet joining what will be the role division between the CEO and MD, Executive Vice Chairman and should we expect any changes in the strategy?

Varun Berry: No I think it is going to be simple as management working so Rajneet will take full charge of day-to-day operations of the company. He will also use his digital e-commerce experience to build a pathway to bringing Britannia's digital quotient up and building digital interface which can make this company into a data driven organization so I think that will be a big part of his agenda as well. I will continue to have overall responsibility for the company as Managing Director. I will also focus on strategic priorities like building future categories, geographical expansion, strategic partnerships, JVs, M&A, driving the ESG agenda and obviously mentoring and guiding Rajneet through this process.

Kunal Vora: Okay understood. That is it from my side. Thank you.

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

Arnab Mitra: Hi Varun and team. My first question was on the commodity inflation you mentioned that 32% number given where palm is currently and the rest of commodities are how would you expect this to trend in 3Q, 4Q and in that context do you then expect your gross margins to continue to sequentially improve from where it is in this quarter?

Varun Berry: I do think that prices are going to stabilize. Palm oil has already shown some signs of stabilizing, it actually went down quite a bit before surging a bit upwards thereafter, but in wheat because the country has produced less wheat I think that is going to remain a little firm till the time the next season comes through. As far as sugar is concerned we are seeing a little bit of upside as far as sugar is concerned and I have already spoken about milk and milk products that is on the complete boil so I do not think it is going to cool down substantially but yes it is going to be stable to slightly cooling down I would say in Q3 and Q4. Venkat and Manoj if you want to add something please do so.

N. Venkatraman: No you have covered it.

Varun Berry: That is how we see it. I do not think there is going to be complete cool down happening in the next two quarters because there are fundamental issues. Wheat has an issue of availability, sugar is not an issue of availability the government is trying to keep the prices firm so that farmers, etc., can get the right amount of return and palm is out of our hands but seems to be coming at the right level so let us see. I think things will be equal to or slightly better.



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Arnab Mitra: Thanks Varun for that clarity. My second and last question was on your volume growth. You have seen this sequential 7% price increase and yet volume growth has actually probably slightly stepped up in a relatively weak macro environment so from what you have seen on the ground are you reasonably confident that the price hike has been well absorbed and there will be no negative effect on volumes going ahead and therefore there is complete step up in the quarterly run rate any concerns that could kind of slowdown as pricing starts affecting volume?

Varun Berry: Arnab the point is that pricing has affected volume. We were seeing a lot more volume growth. Yes we have come back reasonably well in this quarter but still I would say at the lower end of volume growth and the result of that really are the price increases that we have taken. Now the question that you are asking is why is that we are obviously doing a little better than what other categories and other companies are doing the answer to that are two one is the execution which is the distribution build, etc., that we are doing which is keeping our share up we are getting more shares but share is one part of it, the second part is that even the category is growing and the reason for the category growth is that it is a category which is the cheapest form of food and when there is inflation which happens across different categories obviously the impact on the higher categories, etc., will be a lot more and because we have the cheapest form of food and we are wholesome and tasty as well. I think we have been slightly better than all the other categories and we probably benefited out of that so those are the two reasons.

Arnab Mitra: Okay thank you so much Varun. That is it from my side.

Moderator: Thank you. The next question is from the line of from Shirish Pardeshi from Centrum Brooking. Please go ahead.

Shirish Pardeshi: Hi good morning. Hearty congratulations Varun for becoming Vice Chairman. I think two things just one observation on slide 10 you have seen so many new products so I was more keen at least the trade is very positive on Croissant so maybe if you can help me what is the number we look at this year and maybe next year specifically for Croissant?

Varun Berry: So we are looking at exit rate of about 150 Crores which is I would say a reasonable number for a product which has just been launched.

Shirish Pardeshi: Okay and you normally used to give the NPD contribution what was the NPD contribution in Q2?

Varun Berry: It is approximately 3.5% of the revenue. See the thing is that our overall revenue has also been growing pretty fast but this is in our definition. If you were to look at the total NPD



contribution it will probably be about 5% because we look at a shorter period that is why it is 3.5% but overall it will be about 5%.

Shirish Pardeshi: It is interesting to see that last year we started with Potazos and in this slide I am not seeing Potazos any comment so is that product still on or it is low focus for us now?

Varun Berry: No, it is doing quite well for us. We have spoken about it so we do not want to repeat what was done earlier otherwise it will become a very long session with you guys.

Shirish Pardeshi: My second question is on the growth path, you normally used to give 3 year CAGR so I am more interested what is the 3 year CAGR volume growth?

Varun Berry: Three year CAGR volume growth will be quite substantial. I would hazard a guess it will probably be 8% Venkat would you have that number?

Shirish Pardeshi: Meanwhile let me ask the last question on the dairy part you mentioned that dairy has now gone up and I think somewhere last two quarters you have been indicating it is about 550 Crores so may be if you can spell it out what are the new categories product distribution and what number we should model in FY2023 and 2024?

Varun Berry: Growths are reasonably good in dairy. We have been seeing reasonably good growths but we are working on some very strategic measures as far as dairy is concerned and hold on in the next 15 days or so we will come back and chat with you on what we are looking at as far as dairy is concerned. The pressure on dairy is not topline at this time. The pressure is bottomline because of the milk prices going from Rs.30 to Rs.41 so that is the big pressure as far as we are concerned and obviously as we start to commercialize our dairy factory again there will be a momentum but we will have to make sure that we do it all in a way that it all becomes the way we conceptualized making this business a very large part and as I have promised we will be back discussing with you in the next 15 days or so on how we are looking at making this a very solid business for us in the future.

Shirish Pardeshi: All the best to you Varun and Rajneet welcome to our interaction. Thank you.

Moderator: Thank you. The next question is from the line of from Percy Panthaki from IIFL. Please go ahead. As there is no response from the current participant we move to the next question from the line of Manoj Menon from ICICI Securities. Please go ahead.

Manoj Menon: Hi team very impressive performance given the context so I got one clarification on the sales part of it and the other one on the marketing part of it and if time permits just also want to understand 5.8% loan it appears extremely good so just was wondering if you could tell us



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where it is available if it is PP or something like that, anyway so the first thing is on the sales side of it Varun could you just help us understand the exact modalities which you are actually using to get this sort of outcome, for example you talk about 28% if this sub stockist or is it actual distributors, point number two is it just a classic case of awareness higher than availability and you are just driving it?

Varun Berry:

These are distributors but they are not as organized as our large distributors. They are appointed in a smaller area, they cover anywhere from 40 to 100 outlets in their area. These are all small areas which are rural, small town, villages, etc., 10,000 kind of population kind of areas. Now what we have with them we do have handles and we do get data their sales, etc., we get all of that data but obviously the quality of supervision, etc., tends to be I would say much below what we do with our larger distributors. It is a hub and spoke model that we do because we have to break bulk as far as the distributors are concerned so we will create CNFAs who then distribute to these smaller RPD so it is a different model. It probably cost us a percent more but it gives us a long-term sustainability in that area or in that village and the way it works is that after they become larger so let us say they start with 30 lakh a month kind of business or 20 lakh a month kind of business and then they get to larger size as we see them graduate to a larger size then we can start to service them directly, then we cut out the C&FA, we make them distributors so the evolution continues. I am just trying to simplify things so that you understand what we do.

Manoj Menon:

It seems actually a very much repeatable sort of model. One linked question on the sales side of it is that when I look at the direct touch points which you have comfortably more than two million currently which also happens to be the best in class let us say largely at par with lever the question automatically which comes is maybe there is another lever which will have is let us say more line selling or extracting more from the current set of outlets any colour on that?

Varun Berry:

So that is the KPI as well. I will actually let Vipin answer that but we have this KPI of how many lines that we sell to each one of the outlets so actually the way we look at it is that in urban the objectives that we have is to get depth of distribution and in rural it is about width of distribution because we want to start in rural, we want to get our products into those outlets. If the outlets do stock our product but they buy it through a wholesaler or something then half the time they will not be available, those products will not be available, the wholesaler is not trustworthy as a direct distributor going to those outlets so we try to make sure that we go there directly, we deal with the customer directly and we put our products in there so that is how we look at it but over to Vipin.

Vipin Kataria:

Hi Manoj so there are a few things that we do to increase our range and Britannia as you know more is a range driven organization right so we have got 25 odd brands, so I think the first thing which Varun explained is using the entire technology which is handled and various



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app. Now these handles and app are basically predictive as well as prescriptive analytics right which basically tells that this needs to be cross sell or up sell to the outlets right so that is the first principle that we apply. There is a lot of empirical data through the tech basically predicts that this is going to be the forecast for this retail or the wholesale outlet and therefore that is the active selling that we do. The second part is that our distributors or super stockist they have got these stock norms which basically ensure that the entire range availability is there at that point in time right and therefore that can be then connected with the retail market right, so therefore it is a fairly full driven system. The third is that in rural we have a got a fairly large foot on street team which is taking these orders directly right and therefore we keep impacting the range. I think the fourth and the most important is that the range selling is also part of the trade term or the margins that we give to our super stockist and RPDs and therefore it is a self motivating commission which basically helps us sell this entire range. So these are the four principles basically we apply and therefore it is a scalable model for all the states.

Manoj Menon: Thank you so much Vipin, Varun for the exhaustive response. I had a question on marketing but I will come back in the queue but just quickly if I may request Venkat on the 5.8% loan some more colour on it given that it seems to be very low and very attractive?

N. Venkatraman: Essentially our including bonus debentures that we had issued the last year. It also has some borrowing that we have done in respect to the dairy project through our funding arrangement which is available with the animal husbandry. The third is the normal term loan and I think we have managed to borrow it right in time.

Manoj Menon: Understood. It is a blended rate okay sure.

Moderator: Thank you. Ladies and gentlemen we take the last question for today from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Hi Sir. I just wanted to ask on the margin side clearly we are seeing while input costs have risen you have been able to kind of pass them on quite effectively we are arguing that input cost remains quite stable and are likely to kind of moderate down in that kind of context would you say that a path forward to reach back to the 18% to 19% EBITDA margin exist?

Varun Berry: Listen I think we also dream like you. Those numbers were reached during COVID. Yes obviously we would want to endeavor to get to higher numbers but I think it is important that we make this as gradual as possible and create funding opportunities for new products or new categories and we support these new products and get them to be of a certain size. The problem is that it is not a problem actually it is actually a good thing but the base business is so large that 150 to 200 Crores kind of innovation becomes a drop in the ocean. So we have to create much larger pieces of innovation as we go forward and that is what we will endeavor



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to do as we move forward. We will try to see how we can make each one of these categories fairly large. There are three innovations which are over 100 Crores, milk shakes has become 100 Crores plus last year, Croissant will become 100 Crores plus this year, wafers is headed towards 100 Crores plus this year as well. So there are three or four categories which are going there and similarly products like Biscoffe, products like Potazos are becoming very close to that number as well so as we start to create these kind of innovations and we take them to scale I think that is the time when it will all start to show on the adjacent category growth and that is really what our endeavor will be. So yes we will try and maximize our profit as we go forward and we have shown you that while managing to make sure that we gain our market share and we also grow our topline but we also want to support all of our existing products.

Avi Mehta:

We have seen another quarter of market share gains in this year congratulations on that but that I was trying to reconcile it with the fact that things are opening up you highlighted biscuits being the cheapest so price is an aspect and we have taken sharper price increases so in that context is it that the competition still not back to normal and probably they have structurally impeded to a lower level is that the reason I am just trying to kind of reconcile because what you said is biscuits will be cheaper and pricing would be the aspect but you took higher price increases?

Varun Berry:

You are right. So see the point is that what hits us hits other competitors more than us because we got scale right so all other competitors can do is take short term advantage of getting prices below us for 4 months, 3 months, 6 months, 8 months whatever it may be and that they have done already and it has not really impacted us in any big way. Yes in pockets it did impact us and we took whatever action was necessary to make sure that we get back to what our plan was but at some stage it all comes back to normal. Now I would say that 95% at least the A players are at the same level as they were pre the inflation. Yes the smaller players sometimes take their time and they will continue to sell their product in a small territory at a much lower price, etc., but it all normalizes. Finally it impacts everyone and as I have said in the past as well everyone has got used to profits. Biscuits were not a profitable category so people were not really making big profits and they were living with whatever conditions they were in. Now everyone got used to profitable existence and why not it has to be a profitable company to be able to become more successful in the future and everyone is on that path now which is very, very good thing and frankly I am very proud of the fact that we have been able to garner that in some way. We have been able to guide the entire industry to look at competition in execution way rather than pricing advantage so I think it will all get back to normal. I do not think there will be any big issues on that front.

Avi Mehta:

Got it Sir got it. Thanks a lot for this and wish you lot of luck for the future.

Varun Berry:

Thank you Guys. Thank you very much. Good night all of you and we will see you soon.



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Moderator: I now hand the conference over to Mr. Mayank Mundra for closing comments. Over to you!

Mayank Mundra: Thanks everyone for spending time with us on this call today. We look forward to interacting with you again.

Moderator: Thank you. Ladies and gentlemen on behalf of Britannia Industries Limited that concludes this conference. We thank you all for joining us. You may now disconnect your lines.