

THANK YOU
FOR MAKING US NO.1.

Analyst Meet
Q3'16-17 Results
Conference Call
14th February 2017



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This Quarter has been really tough...



*Just when market growth was
coming back... **demonetization**
was implemented*

Which has impacted the FMCG sector adversely

Demonetisation erodes over Rs 3.8k cr FMCG sales

John.Sarkar@timesgroup.com

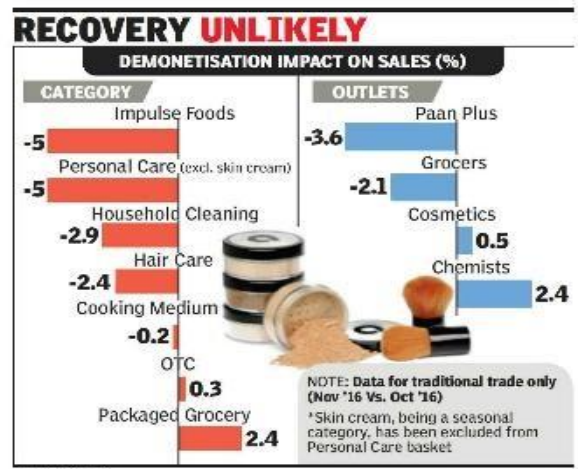
New Delhi: Demonetisation has hit the FMCG industry hard. And its hope for a recovery after a good monsoon seems unlikely at present.

While FMCG companies had been witnessing cautious consumer spending, latest data from market researcher Nielsen shows sales of the industry have gone down by 1-1.5% or Rs 3,840 crore in November, compared to October. "While 1-1.5% net impact of demonetisation does not look huge, considering the size of the FMCG Maruti reverses sales slump, P22

industry at Rs 2.56 lakh crore, this is a large drop in terms of absolute value," said Nielsen.

And, the industry's problems can become bigger. Data revealed that retailers are stocking goods lesser than ever before due to cash and supply constraints. Their purchase in November has gone down by 6.4% compared to October.

Purchase of personal care items such as, toilet soaps, toothpaste and shampoo has se-



en the steepest decline by retailers. The fall in offtake is driven by urban India (-3.1% Nov vs Oct), while rural India has managed to stay flat at 0.4% mainly due to smaller packs, smaller currency transactions and a flourishing barter system.

Chemists could ride out the impact because they grew in rural areas, according to Niel-

sen, and were allowed to accept old currency till November 24. On the consumer front, one out of five households reduced spending by 50% or more. While they have cut spends across categories, Nielsen expects a more cutback for impulse categories (biscuits/salty snacks) compared to everyday essentials (atta/rice/pulses/sugar).

Cash crunch hits FMCG sector

YUTHIKA BHARGAVA

NEW DELHI: Fast moving consumer goods companies witnessed a slowdown in spending as consumers turned cautious in November due to a cash crunch following the Centre's demonetisation move, according to a report.

As per latest data from market researcher Nielsen, sales across the FMCG category declined by 1-1.5 per cent in November as compared with October.

"While a 1-1.5 per cent net impact of demonetisation does not look huge, considering the size of the FMCG industry at Rs 2.56 lakh crore, this is a large drop in terms of absolute value," according to Nielsen. The drop of 1.5 per cent comes to Rs 3,840 crore.

The factors

The researcher pointed out that purchases by retailers are declining faster than consumer sales mainly due to "cash, supply constraints and retailers' own cautiousness." Retailer purchases for November fell 6.4 per cent month-on-month.

Impulse foods, such as bis-



HARD TO DIGEST: Impulse foods such as biscuits and snacks were most affected in terms of consumer offtake.

— FILE PHOTO

cnuts and salty snacks, and personal care products were the most affected in terms of consumer offtake loss.

Consumers stocked up on packaged grocery leading to a growth in the segment, according to the report. Personal care items such as toilet soaps, toothpaste and shampoo witnessed a steep decline in retailer purchases.

The decline in offtake, according to Nielsen, was driven, by urban areas (a decline of 3.1 per cent in November versus October), while rural consumption largely stayed flat.

"Rural trends may be attributed to the overall recov-

ery witnessed in the market post good monsoons. Additionally, rural has mostly operated differently with higher incidence of low unit packs, smaller currency transactions and barter system," according to Nielsen.

Sales saw a positive growth trend as far as chemists were concerned. This could be partially attributed to the fact that chemists were allowed to accept old currency until November 24, 2016. "On the other side of the spectrum, Paan Plus stores, which typically make small but frequent purchases, appear to be hit the hardest," it said.



Our revenue growth also got significantly impacted with a sequential decline in excess of 10% in Nov'16



*We took requisite measures to tide
over this situation to the extent
possible...*

Actions taken by us to address the situation...



Focus on Market Working & Sales Efficiency



Selective Credit to channel partners

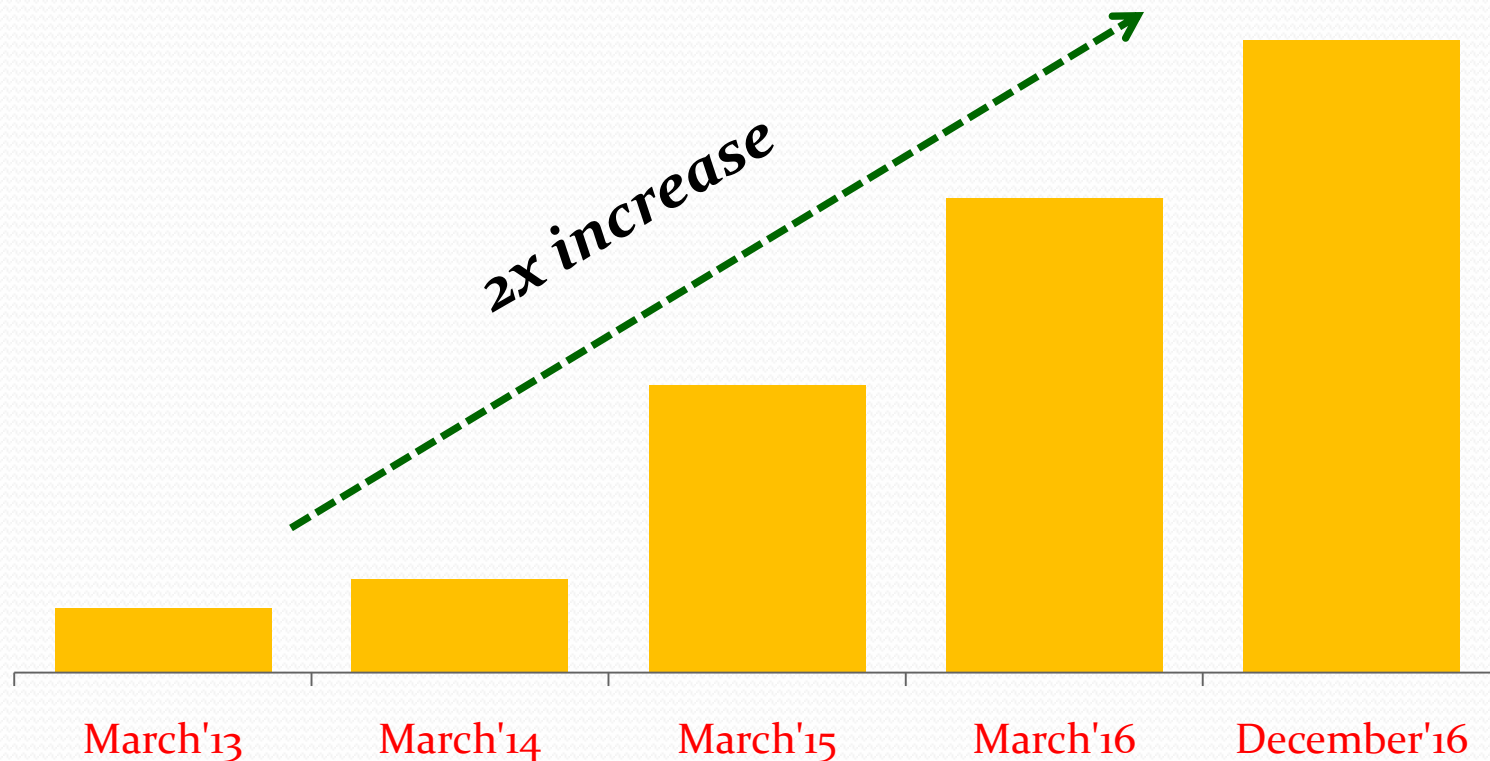


Revision of Production Plan to maintain freshness

Lower dependency on wholesale channel and continued focus on enhancing direct reach helped us during this time



Direct Reach - Britannia



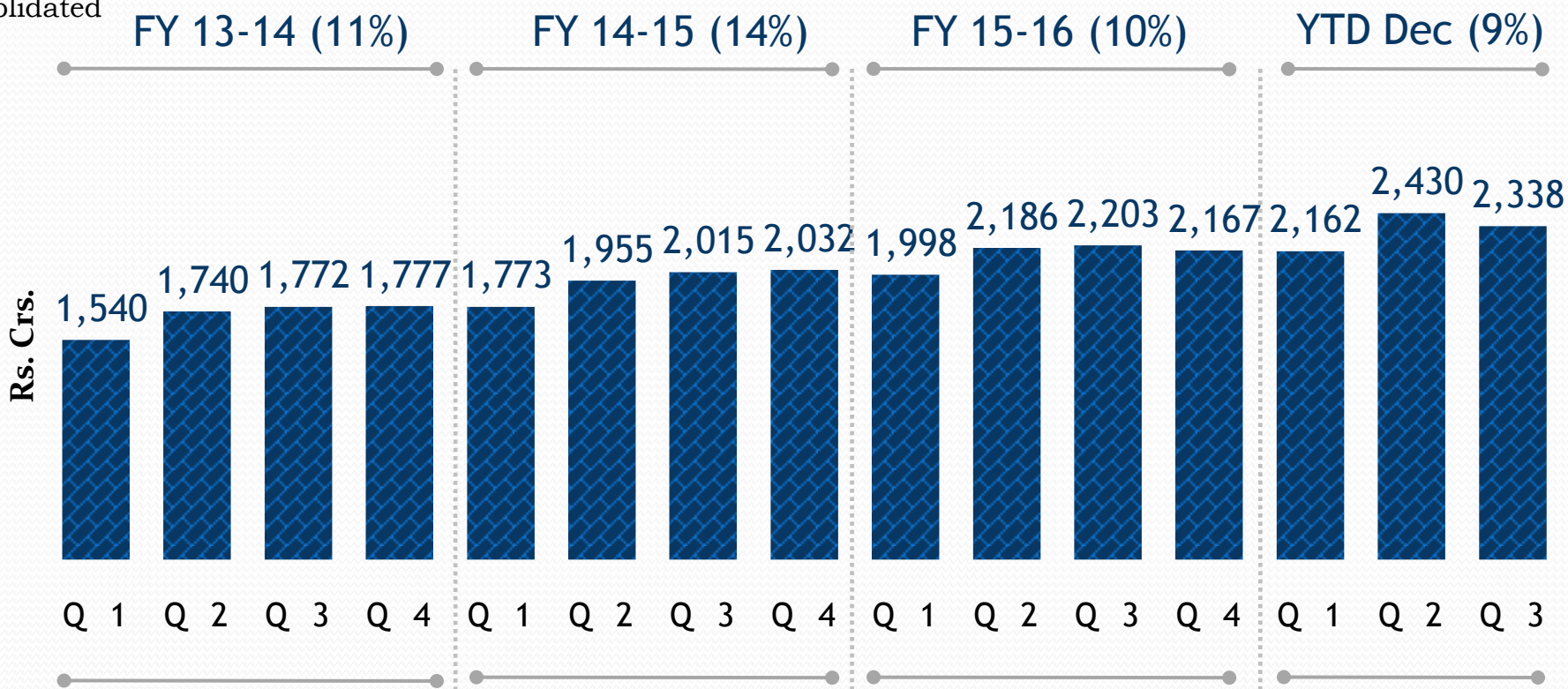


We were able to recoup our Revenues in the month of Dec'16...but this was still much lower than what we would have expected it to be

We however, outpaced the market and grew at 6% in Q3...



Consolidated



| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
|-------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Growth% | 14% | 13% | 10% | 9% | 15% | 12% | 14% | 14% | 13% | 12% | 9% | 7% | 8% | 11% | 6% |
| 24 months growth% | 28% | 24% | 28% | 21% | 31% | 27% | 25% | 24% | 30% | 26% | 24% | 22% | 22% | 24% | 16% |

Note: Numbers mentioned above have been re-stated for FY 15-16 & YTD'16-17 as per IND AS. While FY 13-14 & FY 14-15 numbers are as per earlier GAAP.



*This was backed by a low single
digit volume growth in our base
business*



We also strengthened our market share in this difficult phase with focused execution

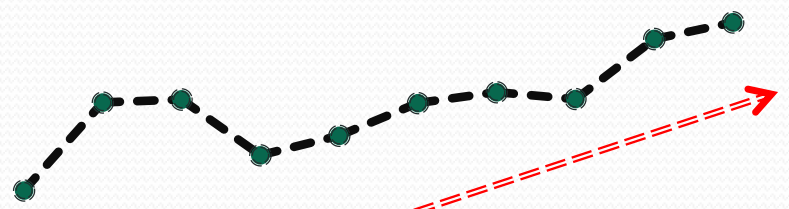


*Meanwhile, material prices
continued to firm up....with
Q3 inflation in excess of 10%*

Commodity prices continue to be firm...

Flour

Rs./kg

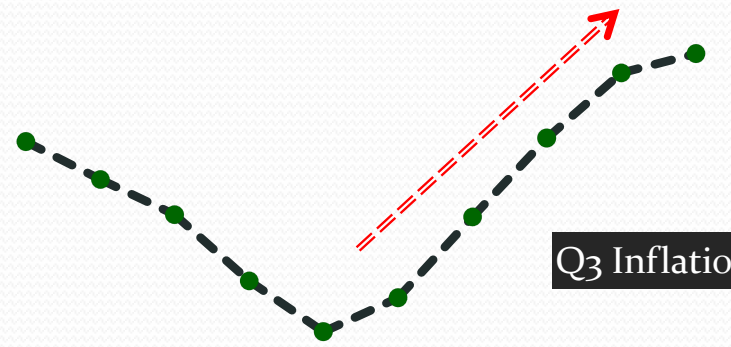


Q3 Inflation: 12%

12-13 13-14 14-15 Q1'16 Q2'16 Q3'16 Q4'16 Q1'17 Q2'17 Q3'17

Sugar

Rs./kg

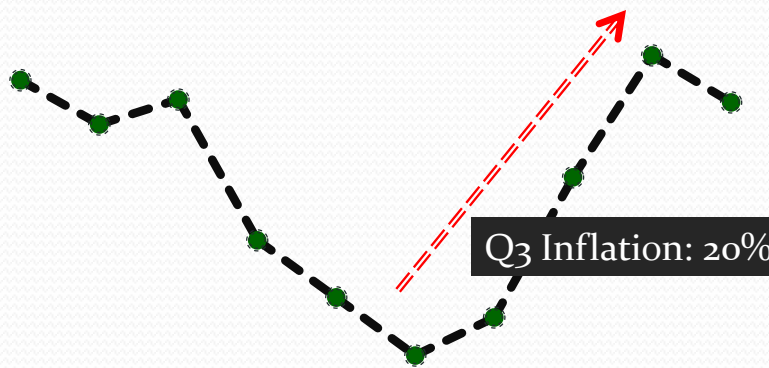


Q3 Inflation: 40%

12-13 13-14 14-15 Q1'16 Q2'16 Q3'16 Q4'16 Q1'17 Q2'17 Q3'17

RPO

Rs./kg

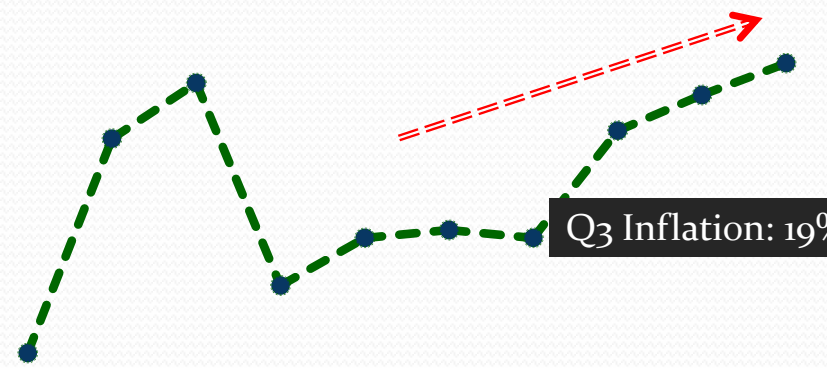


Q3 Inflation: 20%

12-13 13-14 14-15 Q1'16 Q2'16 Q3'16 Q4'16 Q1'17 Q2'17 Q3'17

Milk

Rs./Ltr



Q3 Inflation: 19%

12-13 13-14 14-15 Q1'16 Q2'16 Q3'16 Q4'16 Q1'17 Q2'17 Q3'17



Our pricing action has been limited due to impact of demonetization, however, our accelerated cost efficiency program has helped mitigate inflation to some extent



We also *rationalized our A&SP spends* considering the *ineffectiveness of this medium in the wake of demonetization and endeavoured to leverage our fixed costs* to aid our operating margins to the extent we could



*Update on our subsidiary
businesses*

Subsidiary businesses - Update

❖ Dairy business:

- *Topline growth impacted due to demonetization.*
- *Bottomline impacted due to:*
 - *High milk prices*
 - *Normal tax payable (out of MAT)*

❖ International business:

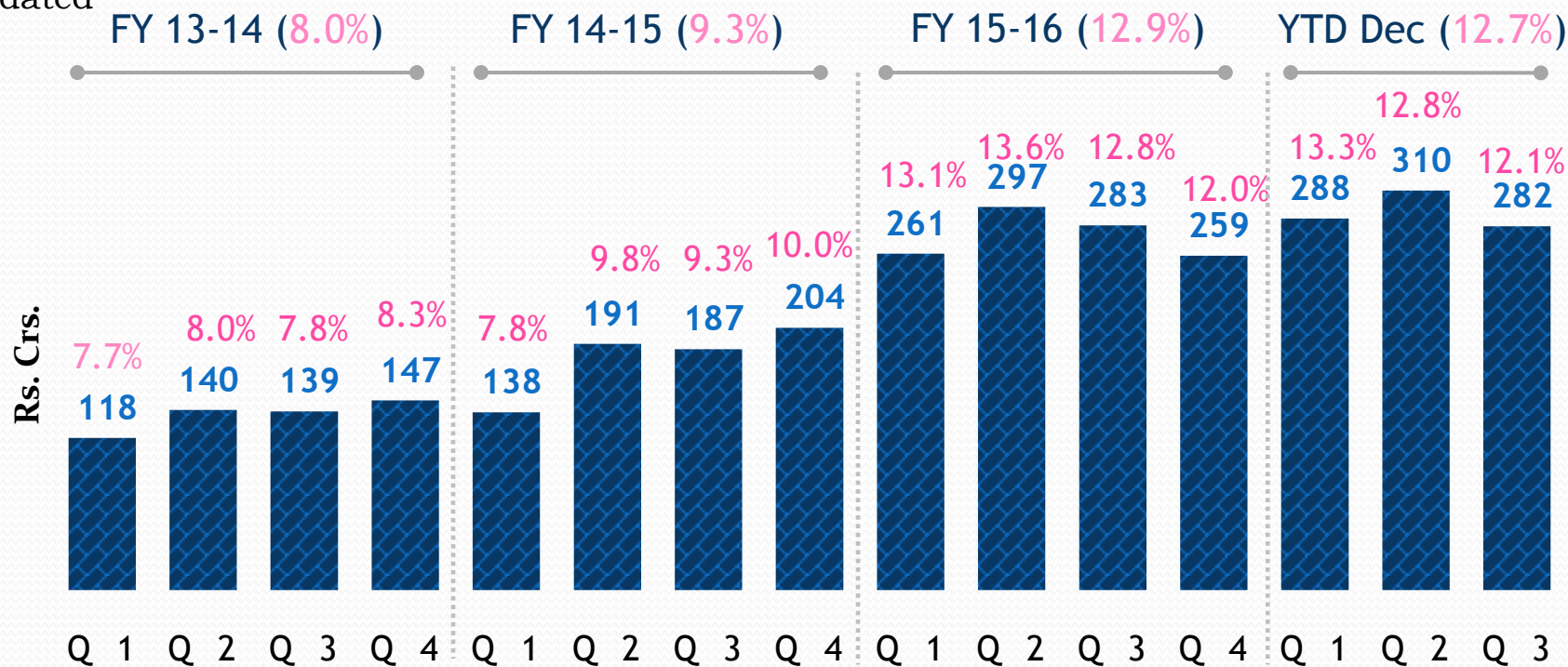
- *India Exports:*
 - *Topline & bottomline performance have been relatively strong*
- *Middle East business:*
 - *Topline continues to be under stress considering the market environment and currency/forex issues in many countries*
 - *Profitability impacted primarily due to lower topline*



Our bottom-line performance has been robust considering the hyper-inflationary environment and the economic situation that we are operating in...

Our endeavor would be to sustain the level of profitability we have achieved...

Consolidated



| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
|-------------------|------|------|-----|-----|------|------|------|-----|------|------|------|-----|------|-----|-----|
| Growth % | 87% | 89% | 64% | 17% | 17% | 37% | 35% | 38% | 89% | 56% | 51% | 27% | 11% | 4% | 0% |
| 24 months growth% | 209% | 140% | 85% | 90% | 119% | 158% | 121% | 62% | 121% | 113% | 104% | 76% | 109% | 62% | 51% |

Note: Numbers mentioned above have been re-stated for FY 15-16 & YTD'16-17 as per IND AS. While FY 13-14 & FY 14-15 numbers are as per earlier GAAP.



*As we progress on our journey, we are confident of keeping our momentum going by **working on multiple opportunity areas** that we had laid out in last quarter presentation ...*

Update on Adjacent categories under focus

Cake & Rusk

- Working on new, indulgent & differentiated formats
- In-house manufacturing line for Rusk commercialized

Dairy

- Supply chain integration plan still under review
- Evaluating potential partnership opportunities

Inter-national

- Focus on countries with Indian diaspora continues
- Nepal business plan – own operations being set up

New product

- Actively working on launch of a new product category
- Evaluating potential partnership opportunities

We are also evaluating a large manufacturing hub to be set up in Maharashtra which will house some of our Innovation & new product lines other than serving the demand requirement of our base business.

THE BRITANNIA PROMISE



Financials

Key Financial Lines - Consolidated



Rs. Crs.

| Particulars (Consolidated) | Q3'16-17 | Growth % |
|----------------------------|----------|----------|
| Net Sales | 2,338 | 6% |
| Profit from Operations | 282 | - |
| Profit Before Tax | 320 | 2% |
| Profit After Tax | 220 | 5% |

| Particulars (Consolidated) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | Q1'16-17 | Q2'16-17 | Q3 16-17 |
|----------------------------|---------|---------|---------|---------|---------|----------|----------|----------|
| Profit from Operations % | 4.6% | 5.7% | 8.0% | 9.3% | 12.9% | 13.3% | 12.8% | 12.1% |
| Profit before Tax% | 4.9% | 5.8% | 8.3% | 12.2% | 14.3% | 15.1% | 14.4% | 13.7% |
| Profit after Tax% | 3.7% | 4.2% | 5.8% | 8.9% | 9.6% | 10.1% | 9.6% | 9.4% |

Reconciliation - IND AS v/s earlier GAAP

| NSV Reconciliation | FY 15-16 | Q1'15-16 | Q1'16-17 | Q2'15-16 | Q2'16-17 | Q3'15-16 | Q3'16-17 |
|---|----------|----------|----------|----------|----------|----------|----------|
| AS per IND AS | 8,554 | 1,998 | 2,162 | 2,186 | 2,430 | 2,203 | 2,338 |
| AS per earlier GAAP | 8,607 | 2,003 | 2,176 | 2,191 | 2,432 | 2,224 | 2,337 |
| Variance | (53) | (5) | (14) | (5) | (2) | (21) | 1 |
| Reasons for variance: | | | | | | | |
| Trade Loads, Discounts etc. re-classified from A&SP cost to NSV | (282) | (61) | (70) | (63) | (71) | (79) | (72) |
| Excise Duty reclassified from NSV to a separate cost line | 229 | 57 | 56 | 58 | 69 | 59 | 73 |
| PAT Reconciliation | FY 15-16 | Q1'15-16 | Q1'16-17 | Q2'15-16 | Q2'16-17 | Q3'15-16 | Q3'16-17 |
| AS per IND AS | 825 | 194 | 219 | 221 | 234 | 211 | 220 |
| AS per earlier GAAP | 806 | 190 | 209 | 219 | 225 | 208 | 221 |
| Variance | 18 | 4 | 10 | 2 | 9 | 3 | (1) |
| Reasons for variance: | | | | | | | |
| Fair Valuation of Investments | 20 | 4 | 10 | 2 | 10 | 3 | (1) |
| Others (ESOP cost etc.) | (2) | (0) | (0) | (0) | (1) | (0) | (0) |



invrl@britindia.com