



11th August, 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 ended 30th June, 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 4th August, 2022 in respect of Unaudited Standalone and Consolidated Financial Results for the quarter ended 30th June, 2022.

The transcript of the analyst call is also available on the Company's website at <http://britannia.co.in/pdfs/Presentations/Q1-23-Analyst-call-transcript.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 Q1 FY-23 Earnings
Conference Call”

August 04, 2022



**MANAGEMENT: MR. VARUN BERRY – MANAGING DIRECTOR,
BRITANNIA INDUSTRIES LIMITED
MR. N. VENKATARAMAN – EXECUTIVE DIRECTOR &
CFO, 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,
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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 Britannia Industries Limited Q1 FY23 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 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 Nirav. 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 Q1 ‘22-23. Joining us today on this Earnings Call is our Managing Director – Mr. Varun Berry, Executive Director and CFO – Mr. N. Venkataraman, 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 it 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 evening, everyone. Welcome to the Britannia Analysts Call.

I would jump into the deep end, if you were to go to Page #3, this is the story of the last six quarters and it doesn't paint a great picture from inflation standpoint. So, if you see Q1 has been from a consumer food price inflation which is published at about 8%. The US dollar has strengthened versus the Indian rupee but getting to the bakery industry, I think this is one industry which has faced the brunt of inflation during this quarter because wheat has been the single largest inflation for us. If you notice we've had inflation if you compare it or index it to Q3 of 2021, we've had an 80% inflation on wheat. Similarly on palm oil there's been a 90% inflation. The only difference is that on wheat the difference between Q4 of ‘21-22 and Q1 of ‘22-23 it's gone from a 50% inflation to a 80% inflation while palm oil has gone from 80% to a 90% inflation. So, wheat is really the largest part of the inflation that we have seen. The only good news is that towards the end of the quarter it's come down to a lower level than what we saw during the quarter. So which points towards a fact that maybe as we move forward things could ease up a bit.

Similar numbers on the next page, if you were to look at same six quarters, if you look at how the inflation has moved from Q4 ‘21-22 to Q1 of ‘22-23, you'll again see that there are certain ingredients, certain raw materials which are particular to the bakery industry. So, wheat flour has gone up considerably. Similarly packaging material and industrial fuels have gone up considerably. So, the key commodities are up and that's what we've seen. But hopefully things will come under control as we go up as we go through the balance of the year. The numbers are on top of the slide, basically wheat flour is a 20% quarter-on-quarter, industrial fuel is 15% quarter-on-quarter and palm oil is a 5% quarter-on-quarter which in effective terms is about 180



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crores of inflation in this quarter alone. How would we manage this, clearly our weapons continue to be the same. There is no alternative to price increases and we continue to take price increases. Second is obviously our cost optimization program. We've taken necessary price increases which are really not covering inflation at this point in time but a good part of this will be covered by Q2 of this year. Cost efficiency programs as you are aware, we used to do about 2% of revenues. This year we are looking at doing approximately 3% of revenues which will accrue to our P&L this year.

Moving on to the next slide which is slide #6; we have delivered consistent top-line growth and that continues. We have delivered market share gains for almost 36 quarters now. That also continues despite the fact that as market leaders we've taken the pricing before everyone else which proves that we have the capability of charging a premium on all of our competitors. Our revenue on a 12-month basis has grown by 9%, operating profits are down 11% because of what I just explained to you and market share continues to move forward in a positive way.

Moving to the next slide; this is a slide that you've seen every quarter and every time on our earning call. The five planks that we have for driving profitable growth - distribution and marketing, heightened innovation, developing and nurturing the adjacency business, enhancing our competitiveness in everything that we do and sustainability. I will cover these in a little more detail as I go forward. Coming to the first which is distribution; rural has been moving well for us while we hear differently from other companies. We have done well on distribution. Just to remind you, for us general trade is the most profitable part of our business and hence driving that is very-very critical. As far as rural is concerned now we have 27,000 rural distributors. Our growths in rural are 1.5x what our growths in all India are. Second the organized trade which has taken a hit during the COVID days has continued to move upwards. It moved from 20% to 21%, at plus 2% in terms of contribution and saliency and now it's moved even further by another 200 basis points as far as saliency is concerned. Our e-commerce business has moved to 8X of what it used to be in Quarter 1 of 2020. It's large enough, it's over 2.5% of our total revenues. We've embarked on a journey to make sure that we do this the right way. We partnered with a consultant who helped us structure this in a way that we ran it efficiently. That's helped us quite a bit in the last quarter.

On marketing activities, I have Amit here with me. We have had some very exciting product launches and some very exciting marketing campaigns as well. We've also leveraged digital quite well. I'll request Amit to comment on these slides.

Amit Doshi:

Hi everyone. Good evening. As Varun said we've had quite a few interesting initiatives and especially for our new products. If you look at the top of the chart, we launched Biscafe which is propositioned as a perfect accompaniment to coffee. We see coffee culture growing and that's a big part of beverage consumption today and this was our first digital only launch. We see Biscafe again reaching out to millions of coffee lovers. We had an interesting initiative in the east where we've launched Golmaal. This is the part of the market with differentiated crackers



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are growing very well and this is a regional product where we again leveraged regional celebrities in a really very creative way.

On the health end, we launched the NutriChoice seeds, NutriChoice herbs. These are two extremely differentiated products in the health market. This is to bring the benefit of superfoods in a really delightful format to help active consumers. And then another regional launching Jeera Marie which is a product which we've co-created with homemakers in Tamil Nadu keeping their local tastes and preferences in mind. If you see across businesses despite difficult weather, we've managed to invest in our brands, we've managed to keep them salient and we've tapped into a topical opportunity and build strong capabilities in using data and technology in doing more targeted marketing.

Varun Berry:

Moving to Page #10 which really lays out the various initiatives this quarter. Biscuits I don't know if you have tried it, but if you haven't I would urge you to try it. It's a first in India kind of a launch, a great product and we are seeing great traction. Amit has spoken to you about the other biscuit launches that we've done. Happy to report that croissant has now been finally launched. It's a national scale-up that we are doing. The initial reaction from consumers has been extremely positive. Again, would urge you to try this product. These we have it in three flavors chocolate, vanilla and mixed fruit, very exciting products, doing extremely well as we scale it up throughout the country. We've also launched a very-very exciting product in the wafers category. This is only in the south currently because we have limited capacity from our Perundurai plant. It's a cheese wafer which is just a very-very nice product with a melt in mouth kind of a feeling. Those of you who are in the south I would urge you to try this as well. At the bottom of the pyramid, we were not present in the Rs. 5 segment as far as cakes was concerned. It was a segment that was growing very fast. We've just launched a cupcake which is a Rs. 5 variant in the east and central regions. That's again doing very well for us, at least the initial reactions are very good and we've had the marble cake launch which is also a limited launch as of now but will be scaled up across the country.

The next slide on slide #11. If you look at our various businesses, as far as the bakery adjacencies is concerned, we've had a double-digit volume and value growth in cake. Cake was a business which was flattish for us during COVID because it was more out of home. But now with COVID opening up and also our new launches in this category, we are seeing a double-digit volume and value growth. We have continued our profitable growth journey in bread. As far as croissant, I just spoke about that. We are scaling it up nationally with great results. It's doubled in the markets where it was present which is Calcutta and Chennai but it's doing extremely well in the new markets as well. Our channels which is modern trade and e-com again doing very well. Dairy we've had another strong quarter with robust double-digit growths. Winkin' Cow where we really leverage the season has grown at 140% over last year. International we've extended our leadership in Nepal with another very-very strong quarter and middle east is coming back to a healthy double-digit growth now.



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Moving on to the next slide which is that of cost efficiencies. We worked very hard, basically because the bakery industry was facing the brunt as far as inflation was concerned. We've really double down on looking at all the cost efficiency measures that we could outline. Our CFO Venkat along with other members of all the functions have really taken this on very-very seriously. If you were to look at the big blocks out of this, distance to market we've reduced this by 4% in Q1 and this has been done by creating flexible manufacturing capabilities to house multiple products in most of our plants. Our truck utilization has become better. This has been done by leveraging technology and obviously very focused execution by our very-very skilled team which has helped us enhance the truck utilization by about 3%.

Market returns which is a fantastic story. We were at our ever best in Q4 of last year but in Q1 we've reduced that even further by 15%. This has been possible by process changes that we've brought to the organization. On renewable energy which constitutes now 40% of the power consumption and obviously has a reduced cost which is 30% less than what normal power cost is, has given us great returns as well. Finally, we've worked on optimal power sourcing by rationalizing our DG usage which has led to a power cost reduction by 6%. So, some very-very good initiatives here and I've been asked many times in the past, how long has this cost efficiency journey going to go on? I've always maintained that this is a continuous process and this quarter and this year as we see, we are looking at even becoming better than what we've done in the past. So, from a 2% we are looking at providing a 3% savings to the bottom line.

Moving on to slide #13; big news here, we achieved a 100% plastic neutrality in this quarter. Sudhir, who heads R&D and Quality has worked very hard to make this happen. We've collected and processed more than 35,000 metric tons of plastic which has got us to this place, so very proud of that. Also, as you've seen we've released the sustainability report and we continue to work in terms of our ESS journey. We are only going to become a fitter, stronger as far as that is concerned as we move into this year.

Moving to the financials page slide #15; as I've already said our growth is 9% on the top line. The next slide is about the what it's done to the bottom line, unfortunately because of the severe inflation while we've grown 9% on net sales, our operating profit has dropped by 11%. That shows in all of the ratios as well, profit from operations is at 12.3%, profit before tax is that 12.7% and profit after tax is at 9.2%. All I can say is that this probably was the peak as far as inflation was concerned and we are pretty hopeful that things will become better as we go forward. So that's all from me. Happy to take any questions from all of you. So over to you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avnish Rao from Edelweiss.

Avnish Rao: My first question is on e-commerce and quick commerce. If I see your data, last year e-commerce had grown 100% and in Q1 it has grown 33% because 8X has moved on from 6X. Last year wave 2 was very severe in Q1, so it's a very good growth. My question here is, could you tell us



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how is the mix in e-commerce versus your overall company level? How are the adjacencies doing? Because you had called out that cake is extremely competitive in terms of overall but is it doing better in e-commerce and is the market share also higher in e-commerce quick commerce versus the overall pan-India number?

Vipin Kataria:

So, you're right, last year there was a multiple growth and we are clocking a pretty large wave and even in this quarter we have witnessed a pretty solid robust growth. As far as the split between e-comm and Q-comm is concerned, I think it's evolving every quarter. While the large platforms like Big Basket, Flipkart, Amazon, Swiggy remain a large part of it. But as we see there's a lot of consolidation happening in this space and therefore it is very hard today to say what's the salience or the growth separately because it's a very fast evolving space. I think the overall e-comm space is doing pretty well and like Varun pointed out we've partnered with some external experts and they've given us pretty good learning and we will build a capability here on. As far as the mix is concerned, the mix in these channels whether it is e-commerce or modern trade is far richer, better than general trade and therefore certain subcategories in cakes there are certain categories in biscuit or dairy which finds a natural higher salience in these channels.

Avnish Rao:

That's helpful. My second and last question is on wafers and croissant. You had called out in FY22 annual report that you want to take the leadership position here. So, want to understand where are you currently? I understand wafer is 750 crores category growing one of the fastest. Similarly, croissant you have doubled, so where are you currently and how much time you think, it will take to reach the leadership position?

Varun Berry:

Both these categories, we are trending towards over 100 crores kind of a mark on an annualized basis and which I think is a great start. There are a lot of things to do, so croissant we've got a very good fix on how we want to move forward. I think we've perfected the product. It was an international product and it was doing very well in other countries but we wanted to make sure that we tailored it to the Indian tastes because we had got feedback from multiple consumers in the beginning on how the bread could be slightly more different for the Indian consumer. Similarly, the chocolate was a little more European and maybe a little better for the consumer. I think we've perfected that; we've got a lot of innovations in the pipeline as far as croissant is concerned. On wafers we've still got a way to go. If you remember we had started the wafer business with a not a single cent of investment. It was done through contract packing and now we've just started to invest. We've got a small flat wafer line and a small sticks line in our Perundurai factory and because it's small and all of these lines they come in small formats; you don't have a massive capacity line for any of these products. So, we are looking at recipes, we are looking at formats. We are looking at launching some of these products, testing them out and scaling them up very-very quickly throughout the regions of India through investing even more. I would say croissants for us to obviously get to leadership, we're already leaders except for East where Bauli has been operating for the last 10 years but on all India basis we are already leaders. On wafers, it will probably take us a couple of years to get to that position.



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- Avnish Rao:** A very quick follow-up here. Wafer #1 market share will be how much and croissant category size will be what 300 crores?
- Varun Berry:** Croissant category size currently is not more than 100 crores.
- Abneesh Roy:** And what's your size?
- Varun Berry:** Avnish, it's a completely new category. So, we are building it. We are building the category. Wafers would be probably 500-600 crores.
- Avnish Rao:** In your annual report you had given 750 crores size, my question was market share of #1 player will be what 40%-50% in wafers?
- Varun Berry:** No, wafers is a very fragmented category. The leader will be about 20%. It's a very fragmented category with lot of regional players and private label. This category is also in a very nascent stage.
- Moderator:** Next question is from the line of Avi Mehta from Macquarie.
- Avi Mehta:** With these price hikes in to cover the inflation and with cost saving benefits starting to focus clearly in place, would it be fair to expect EBITDA margin to normalize to pre-COVID levels in the second quarter or do you think it'll take some time more?
- Varun Berry:** No, I would think that normalization is around the corner.
- Avi Mehta:** I just wanted to pick your brains on the comments that you had made in the earlier quarters about price hikes, about the worry that you had about sharp price hikes hurting category growth as customers switch out. Do you see that or is there a change in that thought process? How would you want to kind of look at it now given that the increase is almost I think 10+10, so about 20% or so, please correct if I am wrong?
- Varun Berry:** You're right. The total price increase would be over 20%. Yes, the point is that there has been a drop as far as volumes are concerned. You know our volumes are in negative territory albeit a small single digit, very small single digit negative territory. But the number of packets that we sell is flat. We are hopeful that this will start to grow once again. So, what's happening really is that there is biscuits, there is bakery products and then there are other products as well. If you think about it, biscuits is the cheapest form of snacking. Even within snacks there has been a choice that the consumer is making and, in that process, we are probably ending up winning and that's why we are not facing the kind of drop that we were thinking we would face. I think now that we've got into the stage where we've had 2 clear years of price increase and we haven't seen a huge negative as far as volumes is concerned and we continue to see fairly positive revenue



growth. I think it's a good sign and it shows that we should be able to weather the storm in a good way.

Avi Mehta: Lastly with your permission on bookkeeping, the number of ICDs in this quarter that's all from my side. Thank you.

N. Venkataraman: As of 31st March, it was 740 crores and as of 30th of June it is 690 crores.

Moderator: Next question is from the line of Percy Panthaki from India Infoline.

Percy Panthaki: Just wanted to understand the volume, it's negative 2% this quarter. When do we see it reviving back, even in value terms the growth is around 9% which is little below what I would have expected. So, what driving this softness in growth?

Varun Berry: If you look at our last year base, it was a fairly high base, Vipin what is our 2-year growth? It's a pretty robust growth. We will just come back with that number. But it's a fairly robust growth that we have seen. If you look at a 3-year growth in about 11%. So that's a CAGR of 11%. We are in a good place there. I don't think there's any issue on the top line growth perspective and I think volumes will start to come back. I don't think the consumers have seen a 23%-24% price increase in 2 years or six quarters like they have seen it this time. So, it's bound to have some impact. There will be some impact but I think we are on our paths to recovery.

Percy Panthaki: On the price increases, have there been any in the last 3-4 months and are there any which you think you need to take in the near term, next 2-3 months?

Varun Berry: Yes. There have been. In fact, we were not so as I was telling you the total inflation that we faced from Q4 of last year to Q1 of this year it was approximately 180 crores only on the bakery business. We have to take and this was probably the steepest inflation quarter and we were not able to take the entire price increase during this quarter. We have taken some price increases in the first quarter and we will complete that in Q2 of this year.

Percy Panthaki: By Q4 I think on a YOY basis in Q4 you had a price inflation of about 10%. So, from that level how much incremental price increase you have either taken or is in the pipeline over the next 2-3 months?

Varun Berry: It's about so in Q1 and Q2 it'll probably be 6% or 7% price increase that we will have to take, 6%.

Percy Panthaki: Secondly coming on to your innovation pipeline and also your product mix, what I just wanted to understand is that versus pre-COVID is the product mix now more superior in terms of if I strip away the price increases and look at the ASP which would be only the mix impact; are you seeing it higher than pre-COVID level? Or is it that because of a huge amount of inflation



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generally in the economy as well as in FMCG products and biscuits that people have down traded and the mix effect is a negative versus pre-COVID level?

Varun Berry: No, we haven't seen a negative mix effect. Our premium segments have been doing fairly well and even the belly of the category has been doing well. It's not like that the bottom of the pyramid products are seeing a huge resurgence or anything like that. Amit, Vipin you want to comment on that?

Vipin Kataria: We also shared the organized trade which is moving up and that really helps in the mix. Our urban markets are doing fairly well and therefore we don't see any kind of adverse impact or down trading happening on the mix.

Amit Doshi: In fact, the premium categories are growing faster than the bottom of the pyramid. That's always a good sign for us. That's where our strength is.

Percy Panthaki: Even in terms of within the same brand is there any down trading to smaller pack sizes etc. or no?

Varun Berry: The small packs sizes are fairly large component of our portfolio but no it's not a visible difference. The contribution or the saliency of the large versus the small packs hasn't changed dramatically.

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

Shirish Pardeshi: In this slide what you have referred there was no mention about the international. Could you tell what is happening in the Africa and Uganda and Nepal?

Varun Berry: No, I did mention it's a part of the slides. It's doing really well. We've had a good quarter as far as international is concerned and I did mention that for us if you look at slide #11, if you look at that section of international, we have extended our leadership in Nepal and also Middle East is back, Africa we have a few irons in the fire. It's not with the kind of inflation that countries have seen there and also what kind of the protectionism that countries are bringing to the table has been an issue but despite that we have grown almost 24% in Africa and AGCC. It's a good performance all over as far as international is concerned.

Shirish Pardeshi: Just one follow up Varun here. We have put local contract packing in Africa. So, and also, we are exporting something from India. What is the contribution for the international ex of India?

Varun Berry: Just repeat that.

Shirish Pardeshi: What is the revenue contribution which we are drawing which is ex of India. I mean not sent from India.



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- Varun Berry:** It's very small currently. It's very-very small, inconsequential.
- Shirish Pardeshi:** But do you think right in the past maybe we have done few acquisitions in the Middle East and then later on it sizzled out but does this acquisition or maybe the contract packing management will have a significant revenue contribution in next 3-4 years?
- Varun Berry:** If you are talking about Africa, my comments are related to Africa. If you are talking about Middle East; Middle East we have got a significant part of our production happening there but Africa whatever we are doing with our contract packers is very-very small as of now.
- Shirish Pardeshi:** My second and last question on the dairy. Last call you have been guiding that there is a commercial production which we are going to take. What is the status there and maybe if you can say that when we see the significant ramp up of revenue?
- Varun Berry:** We have commercialized our spray dry plant. We produced the first bag of SMP there a few days ago but the total commercialization will be happening in stages. We will you know do drinks now that we have started the spray drying, we will move to drinks in the next 2 or 3 months. We will also start the raw cheese plant where we make cheddar. The processed cheese plant because of this semiconductor issue etc. is going to happen sometime in the first quarter of next year. So that's how the phasing is looking.
- Shirish Pardeshi:** Any further CAPEX you have planned on dairy?
- Varun Berry:** No there's no more CAPEX. Whatever was planned is already getting in and we are seeing very good traction. So, hopefully this is going to be a very good venture for us. We have seen a 40% growth as far as dairy is concerned in Q1.
- Moderator:** Next question is from the line of Varun Singh from IDBI Capital.
- Varun Singh:** My question is on Milk Bikis. So, we did a very high decibel marketing campaign and we were very much bullish for premiumizing the largest category. Any comment over here with regards to how the rollout in the Northern market is tracking and if you can also give some objective commentary with regards to milestones that we wish to achieve and where we are as of now?
- Varun Berry:** Milk Bikis has been one big success for us in the Hindi belt and in other parts, it was predominantly a Tamil Nadu product where we have a (+90%) share. So, we have been working at both ends. What we have done in, all the other markets we have rolled out our Milk Bikis Atta with a proposition of "Doodh Roti ki Shakti" which is doing really well for us. It's giving us, it's not just one state or two states is giving us very good results across the other states other than Tamil Nadu and that continues to be a big resurgence for us. We have also done in Tamil Nadu we launched a Milk Bikis Classic which is all about the nostalgia of the Milk Bikis when we



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were growing up kind of a thing which has also done very well for us. Between the two it's been a very good brand for us from a growth perspective. Amit, you want to comment.

Varun Singh: I mean if you can give some guidance with regards what is the revenue size that we would have achieved under this brand and what are we aspiring for?

N Venkataraman: Milk Bikis we crossed 1,000 crores mark the last year and it looks like it will be well passed 1,000 this year.

Varun Berry: It's growing pretty well and at both ends the South business as well as the All-India business. It's been a very good story for us because it's a product which was a regional product but we were very proud of what it was and the thought was that if it's such a strong product why can't it become a national product with salience in every state and that's what we have been able to do.

Varun Singh: Last question on what percentage of our manufacturing is contract manufacturing as of today?

Varun Berry: Probably about 40%.

Moderator: Next question is from the line of Latika Chopra from JPMorgan Chase.

Latika Chopra: My question was if you could share some color on what is the salience of biscuits and the bakery adjacencies in your domestic turnover today in terms of both volume and value and also how do you think this is going to trend over the medium term?

Varun Berry: It should be about I would say just under 80% in domestic only but the smaller part of the business which is adjacency has been growing a little faster and we are hoping that in the next 5 to 7 years we can get this to be let's say 55% to 60% with 40%-45% of our turnover coming from all of our adjacency businesses.

Latika Chopra: And Varun would the profitability metrics at least on the gross margin level for these adjacencies, how do they compare against biscuits?

Varun Berry: We have got a very clear grid that we work on. We do not launch any products unless they are accretive to our gross margins. The overall profitability might not be there because these products require some amount of nurturing and advertising etc. But overall, all of our new products have a more accretive and a more attractive gross margin than our current gross margin on biscuits.

Latika Chopra: The last time you mentioned that the NPD contribution to your sales is about a 4.5%. Has that number stayed in this band or with a lot of new launches that we are seeing you think this number could trend up meaningfully?



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Varun Berry: No, it will definitely trend up as we go forward because this year after 2 years of focusing on the core, we have now ventured into a lot more innovations. I think that this number is only going to go up and probably will. We are looking at more like about a 5% revenue coming from innovation.

Latika Chopra: Just lastly on CAPEX. For FY23 are you still maintaining a 650-700 crores kind of a CAPEX and what's the amount that you incurred in Q1?

Varun Berry: So, CAPEX whatever has been committed will continue. In addition to that we are putting up three factories. I think I spoke about it last time as well. We are extending our Orissa factory. We are putting up a factory in UP which should be ready by next year beginning. We are putting up a factory in Tamil Nadu and Thirunelveli and we are also looking at one more factory which will be commercialized a little later which is in Bihar. These are the four that we are working on and obviously the work on Ranjangaon continues. But thereafter I think we are going to take a little bit of a CAPEX holiday except for innovation where we require some additional investments. But I think we are going to be in a very solid place with factories in the right places. So, and as you know that we are getting very good incentives for all of these factories so we are doing this in a way that we have production in the right place close to our demand centers which gives us efficiencies, which gives us fiscal benefits. At the same time, gives us the space to grow much faster than what we have been growing at.

Latika Chopra: That's useful but possible to put a number on the kind of investments which go behind these four factories and the timing of phasing out of CAPEX?

Varun Berry: The UP and the Tamil Nadu factory are going to be approximately 300 crores each. The Bihar will probably be slightly lower than that. The extension in Orissa is not going to be too much. Ranjangaon we have already committed 1,500. We are almost at about 1,200-1,300 now. That's the kind of investments that we are looking at.

Moderator: The next question is from the line of Chinmay Gandre from Reliance Nippon.

Chinmay Gandre: Just wanted to understand your thought process in this thing in more detail with respect to your earlier stance of the overall consumption was supposed to get impacted but now we are putting out that maybe we have more confidence in terms of the consumption and you see fairly decent growth rate despite of the inflation and we have taken a decent like 20% kind of a price hikes, right. So just wanted to understand the chase in, thought process or change in how we are looking at things?

Varun Berry: No, so your right whatever you said is absolutely spot on. We were nervous as we saw inflation year-on-year but as we have continued on our agenda, we were still a little nervous but as we are coming to an end as far as price increases are concerned and we are seeing the results on the ground, we feel definitely more confident than we were in the last 6 months so feel positive. I



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think the consumers today have the capability to absorb these kind of price shocks and that's what they are reflecting in their purchase behavior.

Chinmay Gandre: My second question is with respect to your price increase. So, when we initiated the price increase last year so for us it is 10% price increase because almost like 6 months from Q3 onwards wherein till Q4 we took around 6 months or more. And I presume I mean now we are at 20% so another 10% odd price increase we have kind of implemented or are in process of implementing but this time I mean you are fairly confident that by Q2 more or less this would be effective. So just wanted to understand this?

Varun Berry: Yes. By Q2 we would be almost where we would want the pricing to be. And we will also be able to understand where the inflation story is going. I'm fairly confident that from here on its only going to get better. So, but one step at a time, you can't be sure in today's world. We will see how it unfolds as we move forward.

Chinmay Gandre: This time you are able to implement the price hikes faster. I mean because last time you took much more time in terms of adjusting your pack sizes and more from that perspective?

Varun Berry: No that's absolutely right. I think that team came together really-really well and they just did a fantastic job of implementing the price increase.

Moderator: The next question is from the line of Alok Shah from Ambit Capital.

Alok Shah: Varun, my first question is on the margins. On one side there are signs of RM inflation abating and then potentially moderating and on the other side there are plans to increase the cost optimization to 3% now versus 2% earlier. So, in that context wanted to check when you get to see this margin expansion, what will be your priority in terms of spending? Would you like to sort of reallocate this towards the spends marketing etc. would the spends would be to?

Varun Berry: I have understood the question so let me try and answer because your voice was not coming through. There's something wrong with your line but I have understood your question. Yes. We would want to as pricing normalizes, as profitability normalizes; we would like to spend some more money in supporting our brands, our innovations, our new products. We would normalize our advertising and sales promotion spends as well which will give us some muscle on our brands, new products and new categories.

Alok Shah: Just a follow-up to that. While you are pushing your adjacencies and the new products, is the thought process more towards doing the trade general spend that gives you a better ROI or is it more to do with the media in the initial 2 years is what I wanted to know?

Varun Berry: No, we do not support trade spends. My Head of Sales is sitting here and smiling. We will do a consumer-oriented spends.



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Alok Shah: Lastly, just wanted to check if you are open to commenting on your news speculation of about appointment of CEO etc. Just wanted to check if you are open to commenting on that, any views?

Varun Berry: No, I think it's a little early but we will comment on that. I think I will comment once we have done all of that internally and we followed whatever are the regulations for the announcement so we can chat at that time.

Moderator: We will take the last question from the line of Hasmukh from Star Union Dai-ichi Life Insurance.

Hasmukh: My question is on growth from Hindi belt. So, we are constantly increasing presence over there but this time let's say monsoon looks to be weak in the parts of UP-Bihar etc. So, do you think this will have some negative impact on us in the coming quarters?

Varun Berry: Not really, we have had during COVID, we did have a little bit of a setback in a few states. Set back not in terms of growths. We still continue to see good growths there but some setback in the kind of targets that we had set for ourselves because supervised distribution was not possible during that time but we are coming back very strongly. We continue to do really well in UP, in Gujarat, even in MP we had a little bit of a setback but we are coming back reasonably strong, Maharashtra is doing well. We are still struggling a bit in Rajasthan but it's a very small state for us. Bihar is in any case a very strong state and we continue to gain muscle there, even Orissa is a very strong state. We have become dominant market leaders there. I think it's looking reasonably good, barring Rajasthan where we will need to do a lot more hard work. I think the other states are looking very robust.

Moderator: Thank you very much.

Varun Berry: Thank you guys, thank you very much.

Moderator: I now hand the conference over Mr. Mayank Mundra for closing comments.

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

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