February 3, 2025

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Sub: Transcript of Earnings Conference Call pertaining to financial results for the quarter and nine months period ending December 31, 2024

Dear Sir/Madam,

In accordance with Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), please find enclosed the transcript of Earnings Conference Call held on Thursday, January 30, 2025, in respect of the financial results for the quarter and nine months period ending December 31, 2024.

The same can also be viewed at https://www.tataconsumer.com/investors/financial-information/call-transcripts

This is for your information and records and treat the same as compliance with the applicable provisions of the Listing Regulations.

Yours faithfully,
For **Tata Consumer Products Limited**

Delnaz Dara Harda

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“Tata Consumer Products Limited

Q3 FY '25 Earnings Conference Call”

January 30, 2025

MANAGEMENT: **MR. SUNIL D'SOUZA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
MR. ASHISH GOENKA – CHIEF FINANCIAL OFFICER
MR. AJIT KRISHNAKUMAR – EXECUTIVE DIRECTOR AND CHIEF OPERATING OFFICER
MS. NIDHI VERMA – HEAD, INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

MODERATOR: **MR. ANIRUDDHA JOSHI – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Q3 FY '25 Earnings Conference Call of Tata Consumer Products Limited, hosted by ICICI Securities. 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you, and over to you.

Aniruddha Joshi: Yes, Thanks Yashashree. On behalf of ICICI Securities, we welcome you all to Q3 FY'25 Results Conference Call of Tata Consumer Products. Now, I handover the call to Ms. Nidhi Verma, Head of Investor Relations and Corporate Communications, to take the call forward. Thanks, and over to you, Nidhi.

Nidhi Verma: Thanks, Aniruddha, and thanks for hosting us. Welcome, everyone, to the Q3 FY'25 call for Tata Consumer. We've just announced our results, as you would have seen. As usual, we will take you through some of the key updates. I have with me Mr. Sunil D'Souza, Managing Director and CEO; Mr. Ashish Goenka, Group CFO; and Mr. Ajit Krishnakumar, Executive Director and COO. And over the next 20 minutes, we'll walk you through some key highlights, and then we'll open the floor for Q&A. With that, I'll hand it over to Sunil.

Sunil D'Souza: Yes. Thanks, Nidhi. If you would -- in summary, we had, I would say, a good quarter on the top line. Consolidated was 17% on the top line. If I net out the acquisitions, we were still 9% growth. India Beverages grew 16%, of which 9% was organic with tea volumes. I'll repeat volumes grew 7%. India Foods revenue grew 31%, 11% of which was organic. International business recorded 8% revenue growth, 4% in constant currency, but strong big time on profitability, which was 35% year-on-year.

India Tea, we have pressure on the tea prices, but tea is a cyclical commodity. And we know sooner or later, either price catches up or cost goes down. And therefore, we remain focused on building long-term competitiveness.

We have done a robust volume growth during the year. One thing I'd like to emphasize, it is not extra discounting. It is competitively priced, but we have driven execution, albeit there is a stress on the margin parameters. Calibrated price increases have been taken, making sure that we are competitive, but we are not falling behind.

Salt delivered a strong quarter. Traditionally, when we have taken up prices, volumes have been negative. This time around, we managed to grow even on the volume front, and market share has continued to go from strength to strength, another quarter of 110 bps MAT share gain. Sampann continued strong performance with 23% growth. YTD is now 28%, it's in the ballpark of the 30%, which we talk about Sampann.

Ready-to-drink business, we had issues with competitiveness last quarter, which we have corrected, and it delivered double-digit volume growth. The exit volume growth for the month of December was 39%.

Capital Foods and Organic continue to build momentum, and we expect Q4 to have a very good acceleration from here on. Consolidated EBITDA was flat, primarily as a result of the tea margin pressure. Assuming India Tea margins were at the Q3 FY'24 level, our overall EBITDA margin for the quarter would have expanded at least 75 to 100 bps.

Also, we made progress on building our sustainability credentials with improvements in the DJSI and Sustainalytics scores. Very quickly, 16% revenue growth in beverages, 31% food, international 8%, constant currency 4%. Non-branded had another strong quarter of 9% revenue growth. All in 17%, organic growth of 9%.

For the 9 months, again, revenue growth of 8% in India Beverages, 2% is organic. Remember, for the first 2 quarters, tea was under a little bit of pressure on the top line front. India Foods was 11% organic, total 30% growth. International 8%, non-branded 20%. All in, 15% top line, of which 8% is organic.

INR 4,444 crores of top line. EBITDA came in flat versus last year. Profit before tax, before exceptional was negative 20%. Group net close to INR 287 crores and now after the rights issue, we are now starting to spin in cash again. So we have INR 880 crores on the books.

For the 9 months, 15% top line, INR 13,000 crores of revenue, 11% growth in EBITDA, but remember for the first quarter or maybe -- and even the first half of Q2, we were sitting with older season teas, and therefore, there was not as much pressure as is building up now. Also, I'd like to -- in percentage terms, I think Q3 would be the peak of the pressure. Given that we've taken significant or decent amount of hikes as well. I think we would start to see the margin pressure ease off going forward.

So here's strategic priorities, very quickly, we have defined 6 set of strategic priorities, minor tweaks to that. So earlier, while we had strengthen and accelerate core, we've added strengthen and accelerate core and growth businesses, the ones which we already have in our bag for some time, like Sampann, Soulfull, etcetera, are featuring in that bucket.

The new opportunities is Capital Foods and Organic and keeping a look out for inorganic as well. The one big item which we have brought in is execution because now we've got a fairly decent sized portfolio in the business. We now need to button down our execution, including execution on cost takeouts. Balance remains the same.

A&P to sales, as I've said, we should be probably in the 7.5%. We were marginally down at 6.7%. Market share, salt continued to grow at 110 bps, minor movement in tea. We have guided for 30% of our businesses being growth businesses growing at 30%. We grew at 89%, and now they will contribute to 27% of our portfolio. Organic albeit, the growth businesses were 14%, and I'll come to the details.

One of the big reasons why we have grown decently compared to our peer group, at least from announcements that we've seen so far is we've continued to focus on building front-end execution. We've got roughly 10% higher distributors, 30% higher DSRs as well as expanded rural distribution through super stockists and sub-distributors. Our direct reach is now north of 1.8 million. Our front-end DMS and SFA is fully implemented, including across the super stockist network.

We are fully on the auto replenishment system, and therefore, the tail-end SKUs are also picking up wind. And in line with what we had committed on building out the food services and pharma, we have finished the pilots, proved the test case and are now going to expand rapidly.

Modern trade continued to deliver for us, 14% top line growth, e-commerce 59%. E-commerce now accounting for 15% of our top line, almost equal to -- actually slightly higher than modern trade.

Continued innovation, there was one brand on which we did not have a premium leg, which was Tata Tea Premium, on which we have built a 'care' variant. It's got off to a good start in the north. Tetley powder, which negates the bitterness that you see and the inconsistency, which you see with teabags also off to a good response. Ready-to-drink coffee is again started off very well. We brought in Jelly with a renewed focus with new flavors.

On foods, dry fruits is now INR 100 crore ARR. Cold pressed oils is INR 70 crore ARR. We are continuing to double down behind it. Apart from that, breakthrough innovation of Quick Cook Kabuli Chana, which is just put it in a bowl, put water, put it into the microwave and you've got ready to eat. No soaking, no overnights, no pressure cookers.

Capital Foods also continued to expand the portfolio with Schezwan Fried Rice Masala as well as veg Hakka Noodles. I talked about retaining an 'A' rating in MSCI's ESG index. DJSI score continued to improve. We are now 65 versus 56 and further improvement in Sustainalytics.

On the macro piece, I don't think I need to talk about the tea prices, which are about 25% to 30% higher than last year. Albeit, the Kenyan prices have sort of flattened out. Coffee, your guess is as good as mine as to where is this graph going. It is now -- I probably -- I mean, 40, 50-year high in terms of prices. Yes. So we just got to keep reacting to this pricing.

In terms of business, Packaged Beverages India volume up 7%, net revenue up 10%, marginal movement on market share. Coffee grew 28%. And like I said, we've taken calibrated price increases across the tea portfolio, probably compensated for about 40% of the tea price increase. The 60% is still out there.

Next, we had a 1% volume growth in salt. Overall, Foods organic revenue growth of 11%, 31% when I include the acquisitions, market share continued to go from strength to strength. Sampann had a strong quarter at 23%, YTD 28%. Value-added salts continue to outpace everything growing at 31%, and I talked about dry fruits and cold pressed oil.

Ready-to-drink portfolio, I'd point you to the left side graph where we had said that we will bring the trajectory back. Volume grew 39% for the month of December. Yes, value was slightly down because we have re-indexed our pricing to be competitive in the market. 14% volume growth for the quarter, close to INR 160 crores of revenue. Most importantly, Tata Copper, which is not at the focus of the entire competitive actions, continue to do well with a 21% top line growth.

Capital Foods and Organic India, trajectory is in the right direction, albeit this quarter was, I would say, more of stabilization from where we had. You will probably see the next jump coming in Q4 as we roll out the food service, pharma and the innovation portfolio as we go forward.

Combined gross margin of 47% in the ballpark of where we had said it will be. Yes. Non-branded business, strong revenue growth of 8%. Soluble business grew 2%, primarily driven by the very, very high inflation that we're seeing on the coffee space. EBIT margin was very, very strong, expanding 180 bps year-on-year.

Starbucks, improving quarter-on-quarter. Same-store sales growth better than where it was last quarter. Now, we are in 473 stores, having opened 16 more stores for the quarter in 4 more cities. Now we are present in 74 cities.

U.K., we continue to deliver strong performance, strong #2 share, Good Earth. Remember U.K., the growth is happening in fruit and herbal specialty, and we are focused on that. Apart from the Teapigs, now we are also finding tailwind behind Good Earth, which has now entered into Tesco. Fruit and herbal market share now 10%. We are the #2 tea player in the U.K. U.S.A., after a couple of quarters of pressure now back to performance, 5% growth on revenue for coffee, 4% on tea, and market share, at least for the last 2 months have started to trend up.

Canada, after a bit of hiccup last quarter as we implemented our Andromeda packs, which is our most sustainable packs from the U.K., now back. Revenue growth of plus 5%. Specialty tea grew up 21% and market share overall -- remember, black tea we're close to 50%, overall market share for tea is about 27%. We're the #1 player in Canada.

For financials, Ashish, up to you.

Ashish Goenka: Thanks, Sunil. Good evening, everyone. I'll focus primarily on the consolidated financials. As Sunil mentioned, at a consolidated level, top line grew 17% on an underlying basis, that represents a 9% growth. Growth was fairly broad-based across our businesses and across geographies. India reported growth 23%, organic growth of 10%, led by the very impressive performances in tea and salt.

International contributed its good run with 4% top line growth and non-branded, we saw buoyancy continued because of the inflated coffee prices. So overall, a good 17% growth for the quarter.

EBITDA margins were flat versus last year, primarily on account of the impact in India of tea costs. [inaudible 0:14:38] business continues to improve and expand margins. India business was particularly impacted by the high tea cost, and we saw margin contraction, but international and non-branded business continued to deliver very impressive margin expansion. International is more structural and non-branded getting the benefit of high commodity prices as of now.

On a 9-month basis, consolidated revenue growth of 15%, again, growth across businesses and geography and we are seeing also EBITDA growth of 11%, albeit quarter 2 was partially and quarter 3 were significantly impacted by high tea prices in India. Rest of the portfolio continues to expand margins. So therefore, on a consolidated financial level, again, nothing much to call out. EBITDA remains subdued versus last year on account of high tea cost in India.

EBIT, again impacted by a flow-through from EBITDA plus the amortization impact on account of Capital Foods and Organic India, which is close to INR 60 crores on a quarterly basis. On PBT, we were impacted by higher interest costs versus last year, but that's beginning to improve now as we build on cash. As Sunil said, we have moved close to INR 900 crores of cash. And as we continue to build that, we will see significantly higher flow through from EBIT to PBT. So therefore, at an overall level, PAT came in at INR 282 crores, which is down 6%, largely because of the impact of tea, as I said, interest costs and amortization costs.

So with that, I think, let me hand over back to Sunil for the closing.

Sunil D'Souza: Yes. Thanks, Ashish. So, essentially, we'll continue to prioritize a longer-term competitive market position in the India Tea business because we know that if the incoming crop is normal, we will have prices move downwards and that will put margins back on track or if they don't, industry will take pricing up, and therefore, margins will come back to normal. But, that said, more importantly, the India business delivered robust double-digit growth, backed by strong volume, which is a multi-quarter high.

EBITDA margin overall impacted as I talked about, normalized for -- if I take out both the price increases as well as the cost increases on tea, our EBITDA margins would have expanded at least 75 to 100 bps. Foods, International and non-branded, strong quarter. Trade pricing interventions in the RTD business has revived volume growth. It's just a question of -- matter now before the revenue also starts to turn positive.

Having stabilized Capital Foods and Organic India, now focus shifts to accelerating growth with innovation and expansion of the food services and pharma channels. Incidentally, in the pharma channels, about 85% to 90% of the products that we are selling are Organic India, and therefore, a significant amount of uplift will come here.

Tata Starbucks, albeit a little bit under pressure because of demand, improved quarter-on-quarter, witnessed good growth and new initiatives that we've launched, driving affordability and traffic are showing promise.

So back to you, Nidhi.

Nidhi Verma: Yes, moderator, we can open up the floor for Q&A now?

Moderator: Thank you very much. We'll take our first question from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

Arnab Mitra: My first question actually was on tea margins. If you could just help us understand over the next 2, 3 quarters until the next crop comes in, what do you expect tea margins to do in terms of year-on-year impact? And do you think the industry will take sequential pricing? Or do you wait for the next crop where if it doesn't, as you rightly said, if it doesn't come off their pricing would happen then?

Sunil D'Souza: So let me answer your second part of your question first. I can't second guess the industry. All I can promise you that I will remain competitive. I will drive volume and value growth, yes? That's number one. Number two, like I said, the brunt of the price increases was felt in this quarter. As we go forward, because of the past pricing that we have taken, tea cost -- input cost is not going to change, but some of the pricing which you've taken towards the later half of the last quarter is going to -- and some of it which will take now will start to flow through, and therefore, it will get eased out. But it will remain under pressure.

We do expect this pressure to continue till probably end of Q1, early Q2 until the new flush comes in, assuming that it will be normal. But, yes, as a normative margins which the industry has operated in, we are roughly off by at least 60% of that. So I do expect either price increases in case the tea costs don't change or tea cost goes down and therefore, I mean, we get a little bit of more breathing space. But, Ashish, would you want to add anything?

Ashish Goenka: Nothing further to add. As Sunil said, we will see, I think, some pressure over the next 2 quarters albeit the maximum delta was this quarter, so it should start easing over the next 2 quarters. But since there are no fresh teas available, I think that input costs are pretty much locked in for the next 2 quarters. So, a large part of it will depend upon how the market prices move and b, how the tea season opens...

Arnab Mitra: Sure. That's very helpful. My second question was on the RTD business. You've seen a good improvement here with the changes or the actions you've taken. Wanted to understand, is the competitive environment here stable? Are you seeing further intensity from some of the new entrants? And do you think what you've done is sufficient to get you back to revenue growth, let's say, a few quarters down the line as you see it?

Sunil D'Souza: So here's the couple of things on the RTD business, right? The reason why we are in the cups business at INR 10 is because the unit economics work. I'm not sure -- at least I don't fathom, and I can't understand how unit economics will work in any other package with a large capex and large freight, right? And therefore, I remain convinced that we've got to stick to our strategy and continue to execute.

Now, beyond INR 10, I mean if you expect consumer -- competitors to really go below that and say more aggressive, it's possible, I'm not sure that will happen. So we are geared for the long haul to fight the battle at INR 10 and move the business into profitability, and we will do that.

Arnab Mitra: Got it. Understood. And my last question was just on the international and the non-branded business. While year-on-year margins are up a lot, it's slightly tapered off sequentially. Do you expect at least the non-branded business to now start moderating? Or do you expect in the near term margins to remain healthy in both of these?

Sunil D'Souza: If you can tell me where coffee prices are going to go, I can promise to tell you the margins. The whole problem is every time we think that we hit a peak and therefore, we're going to contract, it takes another big leap, right? So the only pressure point on the non-branded business is at some point, there is going to be an impact on the demand, and that is going to flow through, and that should be the trigger for pricing.

You are right, coffee prices, sorry, yes, 5,400 and $3.5, right? Robusta and Arabica. These are 50-year highs. Not sure, I mean, where it is going from here. We remain very, very cautious on the inventory front, not wanting to be too long on the commodity.

Moderator: We'll take our next question from the line of Abneesh Roy from Nuvama.

Abneesh Roy: Yes. My first question is a follow-up on tea. So, normally, we see, Sunil, that whenever sharp raw material inflation happens in any commodity of 25%, 30%, say, which is very sharp, FMCG sector takes price hike in 2 tranches. So now why would you rule out one more price hike because we are talking about Q4 being soft, it may improve versus Q3. Q1 also being soft and Q2 almost also getting impacted, so it's almost 3 quarters. So is it fair to rule out one more round of price hike given it's largely a 2-player market? There are multiple local players, but what is preventing one more round of hike given 2, 3 quarters of pain?

Sunil D'Souza: Abneesh, you are absolutely right. So 2, 3 things, I would say, right, a 25%, 30% price hike. The one thing different from the past is this has happened gradually, I think from August to October, November. So the local players have had time to adapt to the new prices, and therefore, not being starved of working capital overnight. So that's number one. And therefore, you've not seen the spikes of market share that you saw during the COVID times, A.

B is nothing prevents industry providing every player is rational and wanting to take up price. Let me just say in markets where we think we can lead with price, we have already led with price, and we'll continue to lead. It's not necessary two – I'm willing to take it 5 times, right? But I am not willing to be go too much ahead and leave a gap, which competitors can exploit.

Abneesh Roy: So one follow-up here. So would you say that market share gain versus local players is something a bit difficult in the near term, given what you mentioned staggered impact? I'm not mentioning against the number -- the other larger player, because I think both can do well.

My question is more on the local players. Is there an opportunity in next 2 quarters to see a real market share? See, let's ignore the Nielsen market share. Is there an opportunity to gain market share in the real term?

Sunil D'Souza: No, no. I absolutely think so. Because, Abneesh, I don't think industry has grown 7% volume right? And my price index to local has not changed dramatically. But as prices have gone up, I think slowly, slowly the oxygen is getting thinner. So I would definitely say market share will go up.

Abneesh Roy: Sure. That's helpful. My second question is on Sampann and salt. So salt, low single-digit volume growth, and Sampann, Q3 growth is lower than the H1 growth. Now both are big premium players definitely versus rival, and urban slowdown, is there Sampann clearly the urban business. So given the urban slowdown, how do you see volume growth in salt where you are a premium player and Sampann where clearly you are urban player?

Sunil D'Souza: So Abneesh, number one, urban slowdown, I think I am probably seeing a different picture than everyone else. If you do not count modern trade and e-commerce and only count general trade, my urban growth is low single digits, rural growth is close to double digits. If I add back modern trade, which is primarily urban and e-commerce, including quick commerce, which is primarily urban, then my urban growth also is close to double digits. I am not getting tea growth of 7% if urban doesn't grow as much.

Now the point about salt, very clearly, historically, as I said, when earlier, we have taken price increases for at least one quarter, we've had negative volumes as trade has down stocked. This time around, I think I would like to credit my team with execution, planning, thinking, whatever, we have grown on volume as well. And remember, we've taken a 7% price increase after 2 years. I mean it doesn't sound too much over 2 years. But remember, if we've taken one shot, it was a bit of a shock. So I would say on salt, I'm pretty happy with where we have come out.

Sampann, I think it's a question of commodity, some of the commodity spike for which we had to take pricing up. And it normally takes a bit of time for trade to react because we take it as quickly because we don't sit with huge inventories and play arbitrage, and therefore, we translate immediately. So Sampann, I wouldn't worry too much about, as I said, for the first half, we've delivered 28%, which is in the ballpark.

Abneesh Roy: Sure. Last quick question on Organic India and Capital Foods. The first is what has not worked till now because we have seen in other companies, in other categories distribution change happens and it becomes counterproductive. In your case, you have pointed a lot of things which have worked and Q3 is stable versus Q2 sequentially.

But if you could tell us what has not worked, both in terms of margins and distribution. And given urban slowdown and on the other side, pharma expansion, pharma outlet expansion, FY '26, how does it look? Could you give us some clarity? I'm not asking about numbers because given current scenario, but if you could discuss on a holistic basis, where are we in these 2 businesses?

Sunil D'Souza: Yes. So okay, what -- so we've had a lot of learnings through the last, I would say, 2 quarters, right? Number one, as we took over the businesses, there was a bit of softness simply because the team which was selling knew that they were going to sell the businesses and they're going to move away, right? So from that perspective, I think execution slipped a bit in the market. So we had to, A, bring it up to that level and then improve from there on.

So that's number one. Number two, categories like frozen, we have never handled frozen, and we have never done exports. And we've never done exports and frozen with a place where we had to drive the agenda for the international retailers like Patel Brothers or a Mustafa or a Sabrini, right?

So that took us a bit of time. So we've probably lost a quarter on that piece. Number two was in categories like ginger garlic paste, where commodity price moves rapidly, making sure that we've built a playbook with 10 recipes to adapt to the conditions, that was the number two.

Number three, the fact that there was an active channel which catered to all the street vendors for chilli sauces, et cetera, we needed to figure that piece out. We had factored in food services to be a faster growth. I think by the time we set it up -- recruited and set it up, it took in a little bit of more time than what we expected. That was on the Capital Foods front.

On Organic India, a significant amount of growth was built on the pharma channel. And we took again a bit of -- remember, Organic India, we closed only in April. And probably for the first 30 days, we just took back stock and because we didn't want to -- so actually, we got going by June. So we're about 3 months behind Capital Foods, even in Organic India. There, again, because the team was moving on, they had moved on.

Organic India, let me say my single biggest learning was while we had 2x -- actually not 2, we have 5x of where they were in terms of expansion, in terms of outlet distribution. I think the big learning was we need to go with those big outlets for massive depth. And therefore, we are now going to go after a very specific set of outlets, build displays, build promoters, build sampling, build consumer education out there and rapidly expand the pharma channel.

Food services, we piloted in 2 cities. We are going to be in 16 next year. We are already in the phase of rolling out to 16. Pharma, we piloted in 10 cities, we're going to be in 40 next year. So you're going to see a substantial jump shift, I would say, at least in the next 90 days, if not in the next 30, 60 days.

One more last thing, last thing was innovation, right? By the time we figured out, at least it took us 3 to 4 months to understand the categories, understand the consumer, what are the big gaps, where can we bring value to the table. So I think you've started to see the start of innovation. I think you'll see some rapid stuff coming in, in the next probably 1 to 2 quarters.

Moderator: We'll take our next question from the line of Aditya Soman from CLSA.

Aditya Soman: So 2 questions. So one, are you seeing, in tea when you mentioned that some of the smaller competitors, they've had more lead time to adjust to prices. But is there also a sense that some of these players are also benefiting from easier access to the market whether it's because of modern retail or quick commerce?

Sunil D'Souza: I'm not sure. I mean, the access -- modern retail, I don't think things have changed significantly. Quick commerce, I'm not sure you're seeing all the tail-end SKUs coming. So -- and that was always there. So it is not -- yes, it could be, but I don't think we're seeing anything dramatically different in that front. In fact, e-commerce, we are the #1 player, and we continue to be the #1 player, and we are expanding market share as we speak. So I'm not sure we're seeing what you mentioned.

Aditya Soman: No, very clear. And the second question on the Beverages business. So would it be fair to say that now the product is a lot more competitive from a pricing perspective and which is what is driving up the volumes?

Sunil D'Souza: Absolutely. So if I divide the ready-to-drink business, there are 3 parts of the business, right? Himalayan was unaffected. It's on a different planet, if I may, in terms of image, premium, type of outlet, et cetera. That's number one. So, number 2 was Tata Copper Plus, which we showed you the revenue growth of 18%. That's on a strong wicket going from strength to strength.

Tata Gluco Plus was the one impacted where -- while the INR 10 price was matched by competition, they had gone significantly deeper on retail margin, and that is what we've matched. And like I said, the critical thing is to make sure we build momentum back under the business and then figure out how to improve profitability there on.

While, like I said, in December, top line -- I think for December, we exited at a 39% volume growth. For the quarter, it was 14% because it is accelerated month-on-month. But the 14% volume growth translated into minus 2% on revenue, primarily because as we re-indexed retailer margin that has had an impact on revenue. But here is the thing. First, guys, as long as my unit economics works, and I have question marks on the other side, and therefore, what exactly is going to happen in the future, my game is to stay in the market, build momentum and build profitability from here on.

Aditya Soman: Understood. And just a follow-up on that. So it's fair to say that the margins for that business, the Gluco Plus business aren't impacted? Or would there be an impact where you've taken down margins as well, but you're okay with the new level of profitability? Is that what you...

Sunil D'Souza: So we have taken down prices and that has had an impact on the revenue line and the margins. But, a, remember there is -- Tata Gluco Plus in perspective is 2.5% of my total revenue as a company. And if that is a business which I'm sure is a longer-term, bigger bet, we need to grow, I have a competitive advantage, so I will stay the course and I will build the business. We will figure out how to compensate that margin pressure from other businesses.

Moderator: We'll move to the next question from the line of Mihir Shah from Nomura.

Mihir Shah: Congrats on a very strong performance. Sunil, if you can just throw some light on the divergent trend that you're seeing in your urban versus the peer set that we are seeing. Would it be a function of the categories that you are present in where there is a higher composition of unorganized players, and because of the price hikes have been limited versus them, that is leading to formalization? Would it be one key reason for you seeing better urban growth versus peers?

Sunil D'Souza: So number one, my price hikes are not more or less than competition. It's almost like-for-like, right? Either I move first, competition moves later, competition moves, I move. We don't -- I don't think we're going to win the game by leaving money on the table or discounting, right? So I'm not a believer on that piece, A.

B, I would say, a lot of work has gone into driving better distribution, A. You see the larger feet on street. I've got 30% more DSRs with a very focused set. There is a guy who's selling beverages plus Organic India. There's a guy who's selling salt plus Sampann, and there is a person who is selling Soulfull and Capital Food. So we have brought in focus on all those categories. I think that is working, number one. Number two, we've got auto replenishment systems, which means every single SKU is available. Number three, we've got the new DMS and SFA implemented at the front end, which means it is far more analytical, far more data-oriented.

Number three, for -- and this is I'm going beyond urban, we have expanded our number of super stockists and therefore, we're close to 10,000 sub-distributors now, which operate primarily the below 50,000 pop strata. And yes, so that's about it. Like I said, if I don't count modern trade and e-commerce, I'm low single digits. If I count modern trade and e-commerce, I'm double digits, right? So I'm not sure I can comment on other players, but I can talk about my numbers.

Mihir Shah: Got it. On tea, kind of volume growth, I don't remember when are we seeing this kind of volume growth. Clearly, I don't -- do you think that these are the sustainable volume growth for the near term at least? And what is the level of pricing that you have taken along with the industry or tea specifically?

Sunil D'Souza: So let me comment about pricing. We've probably taken 40% of the cost into pricing so far. We've still got 60% to go, which is a gap as we enter this quarter, A. B, in terms of overall growth rates, I -- we've always guided saying mid- to longer term, we will see mid-single-digit beverage growth, and we stick by it.

Now, it's also -- it could be a fact that we have put more focused A&P power. We have probably executed better. We've got a better pack-price strategy. So I wouldn't exactly want -- I have a detail on why we are growing 7% and others are not. All I can say that I do think we pull in every single lever to make sure -- if there is margin pressure, if not anything, we will make sure we are on a strong wicket when the margin pressure eases.

Mihir Shah: Understood. Okay. Lastly, on food margins, would it be incorrect to assume food margins has seen a material expansion, and what would be the key reason for the same? Would it be largely from salts or the price hikes that you've taken? Or it will be a contribution a bit from all the categories that you are investing in?

Sunil D'Souza: So in Foods, there are multiple set of factors playing out there, right? In salt, we've taken a 7% price increase, but it has put us back exactly where it should be in salt. So I don't think there's a margin expansion there. Sampann was a little bit of a margin dilution, if not anything simply because, in a few categories like pulses, et cetera, I think the costs went up before we took pricing, but that's very, very marginal.

Capital Foods, as we had said, one of the big reasons for acquiring it was that the margins were probably 50% higher than where our margins were. And as that plays in the portfolio, I think the overall Foods portfolio, you will see the margins go up. It's more a question of mix and growth rates of all the different parts of the portfolio rather than just pricing or cost advantages.

Moderator: Next question is from the line of Percy Panthaki from IIFL Securities.

Percy Panthaki: Just a follow-up on the pricing, which Mihir asked. You mentioned 40% of the inflation. So, does that mean that because tea cost is up, let's say, 25% that the price increase you have taken is 10%? Is that the correct way to read it?

Sunil D'Souza: Ballpark, yes, Percy.

Percy Panthaki: Okay. So this quarter, we have seen only like 3% of the pricing come in. Is that because of -- is it because of mix? Or is it because that the pricing was taken through the quarter and did not affect the entire quarter?

Ashish Goenka: So there were 2 impacts. One, of course, the full impact of the price increases will flow into the next quarter. But also, there is an adverse mix playing out because of -- and given the dynamics in the tea category currently, of course, we -- while we have seen growth across the portfolio, the economy and popularity is growing faster than the premium segment. So there is also a function of mix.

Sunil D'Souza: But that said, I mean, the initial days when the price increases happened, we saw lower part of the portfolio fire better. But now, getting into January, February, the trend that we are seeing is, now the middle to higher part of the portfolio is also performing as strongly.

Ashish Goenka: Yes.

Percy Panthaki: Understood. So would it be fair to assume, given the price increases already under the belt, is not even counting anything more that Q4 should see at least a high single-digit pricing growth even considering some little bit of mix deterioration. Is that a fair assumption?

Sunil D'Souza: So Percy, all I can say is we'll continue to focus on volume growth. A, we have taken 40% pricing, and we remain committed to taking any other pricing opportunities that there are in the market, yes.

Percy Panthaki: Understood. Understood. Coming to the international portfolio, I just wanted to understand the margins. Are they -- I mean, of course, there is a coffee price impact there. I don't know how to look at it because for the international business, the coffee price would actually be like input cost inflation and despite that international margins are healthy. So what is driving that? And what do you think is the stable state international margin? Will it maintain at this level? Or is there a chance it could go up or down?

Ashish Goenka: So Percy, if you see the portfolio of international, the large part of the margin expansion is actually coming out from U.K. and Canada and because we have taken structural interventions in these markets. U.K., of course, we talked about it earlier. We did a lot of structural interventions, which are playing out now. U.S. margins are actually lower and largely...

Sunil D'Souza: Improved.

Ashish Goenka: Improved versus last year because overall coffee impact has not been that material in that market.

Sunil D'Souza: So -- but that said, I think I will put back a certain amount of margin improvement in the U.K. into brand building now. Now that we've got the business on steady footing, whether it is in terms of the manufacturing, sustainable packs, product quality, fully biodegradable tea bags, execution at the front end, got fruit and herbal, specialty, all firing up. I think it is high time to start building the brand to a stronger position.

So we will start giving this off. But international overall will be in the ballpark of the margins because while I give U.K. off, the U.S., I would expect to improve from here on as we improve 2 or 3 things. A, is the big opportunity of K-Cups is what we are pushing for. That is a better margin than bags. We have a significantly lower market share in that, number one. Number two, availability is a big opportunity. The team is focused on that.

C, smaller customers whom we're not focused on, who are more profitable from execution standpoint are getting focused on. And, D, most importantly, in the U.S. while earlier, our entire sales system was based on third-party brokers, we have now taken control of key accounts with putting in an in-house team to manage all the big accounts like Walmart, Kroger, Publix, et cetera, directly.

Percy Panthaki: Right. Got it. So just -- I know it's a very short-term oriented question and apologies for that. But do you think that we could have a couple of quarters where the India margin is still under pressure on a Y-o-Y basis, whereas the benefits of Unbranded and International on a Y-o-Y come into the base, and therefore, on a consol level, there is a lot more pressure on the EBITDA than what we've actually seen this quarter. Is that a possibility?

Sunil D'Souza: So Percy, if you tell me what is happening to coffee prices, if you tell me what is happening to the coming tea crop, and if you tell me what is happening to competition in the local market on the tea prices, I will be very happy to do that computation. Unfortunately, the only thing I can do is react to the market. If players are rational, and if they put in -- I mean, behave rationally on cost, prices, et cetera, as I said, if I had computed my margins, net of tea cost increase and price increase, my EBITDA margin would have expanded 75 -- at least 75 to 100 bps, right? So if anything, I think we should start seeing expansion rather than contraction.

Moderator: We'll take our next question from the line of Sheela Rathi from Morgan Stanley.

Sheela Rathi: I have 2 questions. So my first question, Sunil, was on the point, which is made in the presentation that with respect to prioritizing long-term competitiveness in the tea portfolio, is there a way we can think of that 7% is kind of a new narrative on the volume growth? Of course, we cannot make such projections, but how should we think about the volume growth trajectory in terms of what you are saying here?

And the second question is, I think Tata Consumer is the first company to call out that e-commerce is bigger than modern trade for us at 15% e-commerce and modern trade at 14%. Just want to understand is what part of our portfolio is driving this, or we are going all in? Because a lot of consumer companies say that they have a different portfolio for e-commerce vis-a-vis how are we different here? So 2 questions.

Sunil D'Souza: So let me answer the second question first. Sheela, as a consumer, will you buy a different pack on e-commerce than what you get in your kirana store or modern trade, that I'm not very sure, right? We do play pack price from time to time, but broadly, categories, etcetera, I would go all in, A. We -- my philosophy is I will be where the consumer is shopping, right? I will not try to balance my margin profile and my channel profile basis how my mathematics works out. I will be where the consumer is and then work backwards to figure out how do I fit my profit profile. So that's number one.

Number two, on the tea margins, if this was the number, I would use that term on a lighter note if wishes were horses Sunil would ride, right? So 7% volume growth, I wish, but I think longer term, it is mid-single digit that we're guiding for, and we remain committed to that.

Moderator: We'll take our next question from the line of Bhavdeep Vora from Franklin Templeton Asset Management, India.

Bhavdeep Vora: I have 2 questions. The first is could you comment a bit on this recent news of -- on the snacking business about the tie-up with Pepsi for the Kurkure? And what does this entail? And are there kind of further such plans in the pipeline?

Sunil D'Souza: So the single biggest thing that we believe for Capital Foods is that, for example, Schezwan Chutney. We've got an 89% share of the segment and the game is to grow that segment. The easiest way to grow that segment is sample the product. Because I would find it very, very difficult to believe that someone sampled it and didn't buy the product, right? And therefore, you need to find a vehicle with whom you can partner with to do that.

So by partnering with Kurkure, we've got the Schezwan Chutney flavor with the Ching's bottle on the pack in front of every consumer who is picking up Kurkure. So for a very cost effective, I would say, execution, I've got -- A, I have got an ad, which has yet to come out, right, which you -- I mean, I think will be a breakthrough when 2 brands are coming together, A. B, we have got sampling across the entire Kurkure range going on, and therefore, I expect my entire tailwind to come in into the Schezwan Chutney and Ching's portfolio.

Bhavdeep Vora: Okay. So does this kind of -- this is more of a partnership for kind of building the brand profile and this thing? I mean is there any further investments involved in this?

Sunil D'Souza: We will put in a little bit of money on A&P. Pepsi will put in a little bit of money on A&P. But if your question is, is there a commercial angle to this, is there a royalty, is there this thing? No, there is none. I mean it is more of a branding and sampling exercise for us.

Bhavdeep Vora: Okay, fine. The second question is on the kind of profitability aspiration for the Sampann portfolio. If you could comment where are we? And over the next 3 to 5 years, where do you plan to be in that part of the business?

Sunil D'Souza: So when we had started off Sampann was zero or slightly below water, I would say. Over the past 4.5, 5 years, we built it to close to very high single digits, close to double-digit margins. I don't see a reason why gross margin and our gross margin is defined as including variable freight. I don't see a reason why, over a period of time, it can't go to 12% to 15%.

Moderator: We'll take our next question from the line of Jitendra Arora from ICICI Prudential Life Insurance Company.

Jitendra Arora: Sunil, just wanted your qualitative comments on how our market share spanning out across channels, especially in quick commerce versus, let's say, GT right now?

Sunil D'Souza: So I like Abneesh's comment on Nielsen market share, right? So if you're asking for Nielsen market share, I would say compared to last December, we've narrowed our share gap in GT. In modern trade, we remain constant. And in e-commerce, which is the fastest-growing channel, we're continuing to maintain our market share, I mean, #1 position. Incidentally, Nielsen doesn't put e-commerce into its market share calculation as well, right? Though they give you a market share on e-com, but when they reported, they only add modern trade and e-com -- modern trade and GT, don't put in e-com at all.

Jitendra Arora: Okay. But basis, your own assessments given that the company will be getting the feedback with an e-commerce companies? How do you think they are, if you want to comment again?

Sunil D'Souza: I wouldn't comment on specific things. All I can say is, while I reported close to double-digit value growth. I think my closest competitor said low single-digit value growth.

Moderator: Next question is from the line of Lokesh Gusain from BOB Capital Markets.

Lokesh Gusain: Right. So my question is on tea pricing. So you mentioned 40% of the 25% inflation is through. So is that the net pricing inclusive of the mix impact? Or is that the list, I mean, pricing across the portfolio?

Sunil D'Souza: This is net -- including all the mix impact.

Nidhi Verma: Operator, can we go to the webcast for maybe one last question, please. Yes, I'll just read it out. There is a question from Jay Doshi at Kotak. He's asking is there any benefit of split route implementation now reflecting in your numbers? And yes, maybe first answer to that.

Sunil D'Souza: So split route implementation, I think by the time we got implementing it was end of the quarter, I think we're still -- there are still certain percentage of vacancies that I see on a daily basis. I think that's fully not there, A. Jay and the second thing is, I think putting in the salesperson is the easier part. Getting the confidence of the retailers, getting the product knowledge up, building the relationship and making sure execution happens at the front end is going to take time. So I would say it will only build up from here.

Nidhi Verma Yes. The second question is, has sales and distribution now geared up and is the demand environment conducive for 25% growth in Capital Foods and Organic India?

Sunil D'Souza: So Jay, I wouldn't comment on the demand environment because I do think both Capital Foods and Organic India are small. I mean -- and the runway remains huge. So irrespective of demand, I think we should have significant growth, A.

And therefore, our course to grow: A, understanding the categories completely; B, making sure that we have enough innovation to make sure we're leveraging the brands and powering them;

and C, making sure that we build out the new channels that are required to make them grow, the pharma channel for Organic India or the food services for Capital Foods. And the other thing is building the brand into stronger places.

So I do think the growth rate is achievable irrespective of the demand environment from the simple fact that we've got a long way to go.

Moderator: Thank you. Ladies and gentlemen, we'll take that as a last question for today. I would now like to hand the conference over to Ms. Nidhi for closing comments. Over to you.

Nidhi Verma: Yes. Thanks, everyone, for joining. And I understand due to paucity of time, perhaps we haven't been able to address everyone's questions. So you can reach out to us for any remaining questions. On behalf of the management, I want to thank you all, and thank you, ICICI Securities.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.