August 2, 2024

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Mumbai 400 051	Mumbai 400001	Scrip Code – **10000027 (Demat)**
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Sub: Transcripts of Conference Call pertaining to financial results for the quarter ended June 30, 2024

Dear Sir/Madam,

In accordance with Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we are submitting the Transcripts of Conference Call held on Tuesday, July 30, 2024, in respect of the financial results for the quarter ended June 30, 2024.

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

This is for your information and records.

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

Delnaz Dara Harda

Digitally signed by Delnaz Dara Harda
Date: 2024.08.02 22:49:34 +05'30'

Delnaz Dara Harda
Company Secretary & Compliance Officer
Membership No. ACS73704
Encl.: as above

TATA CONSUMER PRODUCTS LIMITED
11/13 Botawala Building 1st Floor Office No 2-6 Horniman Circle Fort Mumbai 400 001 India
Tel: 91-22-6121-8400 | Fax: 91-22-61218499
Registered Office: 1, Bishop Lefroy Road, Kolkata – 700 020
Corporate Identity Number (CIN): L15491WB1962PLC031425
Email: investor.relations@tataconsumer.com
Website: www.tataconsumer.com

"Tata Consumer Products Limited Q1FY25 Earnings Conference Call"

July 30, 2024

MANAGEMENT:	**MR. SUNIL D'SOUZA – MANAGING DIRECTOR & CEO** **MR. ASHISH GOENKA – GROUP CFO** **MR. AJIT KRISHNAKUMAR – EXECUTIVE DIRECTOR & COO** **MS. NIDHI VERMA – HEAD, INVESTOR RELATIONS & CORPORATE COMMUNICATIONS**
MODERATOR:	**MR. MANOJ MENON – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Tata Consumer Products Limited Q1 FY25 Earnings Conference Call 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 this conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you and over to you, sir.

Manoj Menon: Hi everyone, wonderful, good evening to all of you. Representing ICICI Sec as always, it's our absolute pleasure and privilege to host the Management of Tata Consumer Products for the Results Conference call.

Over to Nidhi Verma from the management for further proceedings, please. Thank you.

Nidhi Verma: Thank you so much, Manoj for hosting the call. Hi, welcome everyone to the Q1 FY25 Call for Tata Consumer.

As you would have seen, we have just announced our results this evening. For today's call, I'm accompanied by Mr. Sunil D'Souza – Managing Director & CEO; Mr. Ashish Goenka – Group CFO; Mr. Ajit Krishnakumar, Executive Director & COO.

What you see on your screen is the safe harbor statement. So, I want to draw your attention to that. As you might be aware, we are in the middle of our rights issue, which we recently announced, and the details of which are available in the letter of offer. But before we proceed, I just want to give you some context that as per the statutory guidelines issued by the regulator regarding disclosures and external communication, we would not be able to share any forward-looking statements and also not disclose any further details on the proposed fund raise other than what is shared in the letter of offer.

So, I request your cooperation to limit your questions related to Q1 FY25 performance. So, with that, I will now hand it over to Sunil.

Sunil D'Souza: Thanks, Nidhi. We announced our results today.

Our consolidated revenue was 16% in Quarter 1. Organic growth was 10%. Two acquisitions contributed to 6% additional growth. During the quarter, India beverages grew 6%, 1% of which was organic growth with flat tea volumes year-on-year. India Foods continues its strong trajectory with revenue of 30%, 14% of which was organic. Volume growth was 10%. ~~India~~ International Business recorded 10% revenue growth, 8% in constant currency with EBIT growth of 46%, driven by previously executed structural cost items and by significant pricing.

Now just as a perspective, when we are talking about India beverages, India foods, and International, for purposes of this discussion, we are calculating for Capital Foods in India foods, Organic India in India beverages because that is the way we manage the businesses on a day-to-day basis. And because the acquisitions were done with a substantial business in India, from a management perspective, it is easier for us to calculate it this way. So, therefore, you will probably find a bit of discrepancy between the statutory numbers versus what you see on the management commentary. For example, in the statutory pieces, you would see all the sales done for Organic India in the US calculated on the US numbers or Capital Foods done in the US calculated there whereas here, we are collating it into India. So, just wanted to clarify this because I believe there has been some queries about why the mismatches.

Now, growth businesses grew 20% organically. The ready-to-drink business was impacted by intense summer and our ready-to-drink business is primarily an out-of-home single-serve business. It is not a take-home business and that is why we saw the impact. Apart from that, there were some pricing actions, tactical pricing actions which were delayed during the quarter that also impacted the business.

Now profitability continued to improve at group level. So, while our consolidated revenue has grown 16%, our consolidated EBITDA has grown at 23% giving us a margin expansion of 80 bps to 15.4%. Integration of Capital Foods, including cleanup of the additional channel inventory that we talked about last quarter, is complete. And the run rate is trending as expected. Integration of Organic India is moving as per schedule. We had committed to complete it in 100 days and we seem to be on track for that.

Starbucks, in line with our plans, opened 70 new stores during the quarter and therefore now we are totally at 438 stores at the end of Q1. We announced the rights issue. We expect to close on 19th August. And as announced, we will use the proceeds to repay short-term debt financing raised for acquisitions.

In terms of performance, India beverages, which I repeat, if you see the logos underneath, includes Organic India there, grew by 6% and delivered Rs. 1,523 crores of revenue. India foods were Rs. 1,346 crores of revenue with a growth of 30% which includes Capital Foods. Excluding Capital Foods was 14% growth for India Foods. India beverages was a 1% growth. International constant currency growth of ~~10%~~ 8% to 2% growth including Forex and therefore total revenue growth of 10%. Non-branded had a good quarter with a total revenue growth of 33%, all in Rs. 4,352 crores. Organic growth of 10% and total revenue growth of 16%. So, Rs. 4,352 crores 16% revenue growth translating into 23% EBITDA growth at Rs. 671 crores expansion of 80 bps.

PBT before exceptionals, just to draw your attention, PBT includes two items. One is amortization for the acquisitions, which was not there last year. And number two, the impact of using up all the cash that we had on books as well as drawing up on bridge financing which has resulted in interest cost for the quarter. And that's why PBT before exceptionals is negative at 6%. And group net profit before exceptionals is down by 11% versus last year at Rs. 302 crores.

All in, net profit at Rs. 289 crores and net cash, so for the last two quarters is when you would have seen a reversal. We used to sit on a similar number excepting in the positive territory. Right now, we are Rs. (-2,857) crores, which the rights issue would help us to repay and therefore remediate.

In terms of strategic priorities, in line with what we had already talked to you in Q4, we spent Q1 in adding feet on street. In all 500,000 population towns, we have two salesmen going to market. One salesman carrying tea, Organic India and Soulfull and second salesman carrying salt, Sampann and Capital Foods. Whereas in the still larger cities with a 1 million population and select 500,000 plus population towns primarily in the South of India, we have three different salesmen. The whole objective being as over the years from being a simple tea and salt company, we have grown into a larger food and beverage company. Our portfolio has got complex with multiple products, categories, and SKUs added. And therefore, to release bandwidth at the front end, we have separated out the categories so that the salesmen get more time to focus.

Modern trade continued strong growth at 28%, e-commerce continued at 61%, and in line with our announcements during the acquisitions itself of addressing the opportunities in the pharmacy channel and food service, we have initiated pilots in six cities for pharmacies and planned pilots in two cities in food service. We have invested behind our brands, our A&P to sales ratio has been inching up and you see it as 7.8% for the quarter. And our journey of innovation has now evolved into more breakthrough, more margin accretive, bigger, better innovations. We launched Tata Salt Panch Tatva, which is with added 5 vitamins and minerals.

One of the single biggest consumer pain points in using Millet Atta, that is Ragi Atta or Jowar Atta is a fact that you can’t roll it like you roll Wheat Atta and the R&D team has cracked the code on this one and we have launched Easy Cook Ragi Atta, by which you can make rotis as easily as you can make with atta from wheat. We have also launched Millet Oats Plus Dal Shakti, which is giving a completely different texture and taste to the product. And our launches online with cold press oils, for Tata Simply Better have done very well and therefore we have added one more SKU to it of olive oil.

We had committed last quarter when we finished the acquisitions that we will move our growth businesses from being 20% of the portfolio to 30% of the portfolio. We had also committed saying 20% of the portfolio was growing 30% and that 30% will grow at 30%. Unfortunately, we have been a little bit short this quarter. And like I mentioned earlier, it is primarily to do with NourishCo and the base growth portfolio grew at 20%. But if I add, and this is mathematics, if I add Organic India and Capital Foods, it now shows 66%. We have more or less completed our integration of Capital Foods including announcing the new organization and reporting structures. And we are on track as I mentioned to complete Organic India in 100 days.

Key commodities for the quarter. The only thing I would urge you to remember is that commodity prices in the quarter do not impact the quarter necessarily, could impact different quarters. Tea prices have been hovering between 15% to 20% higher in North India because of the impact of drought and therefore the reduction in crop in North India. Similar story for South

India but the impact has not been as high. It's roughly around 10%. The good news on the other side is that prices have been largely benign for us in the Kenyan market. On coffee, they have been on a secular uptrend, whether it is Robusta or Arabica. Robusta prices are roughly 50% higher from where they were just about 2 quarters back.

In terms of business performance, India packaged beverages impacted by a very high heat and summer wave, volume growth flat, revenue growth of negative 1%, volumes are flat, category impacted by intense summer. Coffee, however, we continued to have a good run, albeit a relatively smaller base and we grew at 28%. We did have a few launches including Tata Tea Chakra Vita Care which was launched in Tamil Nadu, and we did put A&P money behind the brands.

On foods, volume growth came in at 10%. Organic revenue growth at 14%, but total including Capital Foods revenue growth at 30%. Salt revenue grew 9% driven by 8% volume, which is probably one of the stronger volume growth that we have seen in sometime. Value-added salts also grew 35% in line with our premiumisation agenda Sampann continues its strong trajectory growing at 37%.Ready to drink- Copper Plus did grow at 22%, but overall, we had softness on the Gluco Plus, which is a single serve part of the portfolio and therefore revenue came in at only 7% and Rs. 311 crores for the quarter.

Capital Foods combined gross margin of 48.4% between Capital Foods and Organic India which is accretive to the India portfolio. Organic India revenue came in at Rs. 71 crores, Capital Foods Rs. 164 crores, which is more or less in line with what we expected. The identified synergy benefits, meanwhile, have started flowing in and we can already see it in EBITDA margins for the quarter itself.

Non-branded business, we had a very strong quarter of 34% revenue growth, primarily driven by very good coffee prices. Plantations also recorded growth of 34%. EBIT margin for the non-branded business probably hit a record, expanding 600 basis points. Starbucks opened 17 stores, now it's present in 65 cities with 438 stores. Traffic was a bit of a challenge given the heat wave during the last quarter.

UK continued its strong results, growing revenue 14%. US, while coffee revenue declined 4%. Tea revenue grew by 8%. Canada continued its strong performance with 12% revenue growth and more importantly, 17% growth in specialty tea as Canada continues to look to expand beyond Everyday Black.

Financials, Ashish?

Ashish Goenka: Thanks, Sunil. I think Sunil has largely covered the key financial highlights for the Quarter. I will just make a few key call-outs.

One on the standalone results, the growth in revenue was 21%, and EBITDA growth was 8%. Consolidated revenue, as Sunil mentioned earlier, was 16%, and on an underlying basis, also

16%. We had a strong EBITDA growth, growing at 23%, and our margin expansion, consequently, was about 80 basis points.

On the financials at a consolidated level, I think a couple of call-outs. One is on the depreciation and the amortization line. You would have seen a significant growth versus last year. Large part of this is contributed by the amortization charge that we're taking on the recent acquisitions of Capital Foods and Organic India. The approximate quarterly charge is about Rs. 55 crores here.

Then on the net interest income line, again, you'll see a big swing that is impacting the profitability by almost 200 basis points. That, again, is on account of 2 factors. One, we have sweeped up the cash that we were carrying to fund for the acquisition. And we have a bridge finance of Rs. 3000 crores that we will be taking out once we have the proceeds of the rights issue. And that is impacting the profitability at a PBT level this quarter. So, with that, the PAT growth came in at minus 12% and the group net profit, therefore consequently came at minus 14%.

Segment performance, nothing much to call out as Sunil has already explained. The way we are reporting our segments are inconsistent with what we have followed in the past, which is to account for the businesses as per their geography and therefore you will see a bit of a diversion from the way we are explaining the numbers to make it more understandable versus the way reporting it in our segment reporting.

Sunil D'Souza: So, if I conclude; A) the intense summer in many parts of the country impacted demand especially for hot beverages which is primarily our Tea business in India and out of home categories. Within international, demand remains stable in UK and Canada. Coffee category in the US continues to face some headwinds and high volatility in terms of coffee prices. Erratic weather patterns have affected tea production in India, leading to volatile prices. While packaged beverages, ready to drink, and Starbucks businesses were impacted by the heat wave which I have talked about, India Foods, international and non-branded delivered a strong performance. Growth businesses accounted for 29% of the India business, that's including Capital Foods and Organic India. The international business continued its strong momentum, growing 8% in constant currency with a significant expansion in EBIT margins of 420 bps, led by structural interventions of the past as well as tactical pricing.

Non-branded business continues to benefit primarily from record high coffee prices. While the Capital Foods integration is largely complete, the transactions for Organic India was completed on 16th April and we have made a commitment of completing it in 100 days.

Nidhi Verma: We can open the floor for Q&A now. Thank you.

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

Abneesh Roy: Yes thanks. My first question is on your initial remarks of pilot project you are doing in chemist shop and food services. If you could elaborate what exactly you are testing there and when do you see proof of the pudding coming out and second is now that 3-4 months of the M&A has happened on these two. What are the key differences in terms of technology, systems and process? And which ones would you need to change to align with the mother company?

Sunil D'Souza: So, in terms of channels, as was the hypothesis right in the beginning when we acquired these companies, we have products which could appeal to the pharma channel, excepting today our distribution system doesn't reach into the pharma channel because they're not geared towards that. They primarily reach to the kirana stores and groceries. The idea is to figure out a distribution system. There are different ways of reaching the pharma channel. You can go through an OTC distributor, you can go through a pharma wholesaler, you can go through FMCG distributor. So, it's basically to prove a sustainable model by which we can reach the pharma channel. So, we are trying out a few hypotheses because we do believe if we manage to put this system into play, we can sell a decent range of premium products into this channel because if you look at pharmacies, normally they would sell green tea, they would sell coffee, they would sell premium water, they can sell low sodium salt, a lot of them do sell sauces, ketchups, etc. So, that's number one. In food service, again the idea is that today we have a portfolio which includes almost everything that almost significant portion of what a hotel or a HoReCa channel player buys. Again, we do not directly reach that channel today. And like we have said, if you look at it globally, many of the large multinationals do have a dedicated food service distribution system. So, the idea is to figure out how to create that system between Capital Foods and the soups, noodles, ketchup, sauces that they have, the tea, coffee, salt, pulses, water. I do have a sizable portfolio to address the HoReCa needs. Again, the idea is to first create a pilot to figure out that we can profitably sustainably build this channel out. And once it is proven out, then we will figure out how to scale it. So, that's number one. In terms of having seen these different products, the manufacturing technologies in these two products are different, right? So, that is one of the things we highlighted is again this is in line with what was the hypothesis for the acquisition is these are value-added products with gross margins significantly ahead of our base portfolio. The manufacturing technologies for these are different. For example, in Organic India supplements, it's manufacturing capsules, right? I mean, nowhere else in our business do we manufacture capsules. Now we have learned what we need to do to handle that part of the portfolio or for example in Capital Foods, one of the highest selling products is Schezwan chutney. In our system, we have not sold chutney, not in bottles. So, now we have learned those technologies. I do think we have integrated these businesses very well so far. There are opportunities that we have seen. We have highlighted that earlier in terms of synergies, in terms of various cost items, including packaging etc., which the team is focused on. But in technology terms, again, this is not high technology in its truest sense and therefore not difficult to master.

Abneesh Roy: My second question is on the heat wave in Q1. So, it impacted both in-home tea consumption and also impacted NourishCo out of home consumption. So, now global warming is a reality. This kind of effect can again happen next year or maybe year after that. So, is there any proactive step you can do to de-seasonalize Q1? And second related question is FY24 started with a bang for NourishCo. After that, almost every quarter, some or the other issue has happened. So, in terms of distribution or the pricing, you mentioned some bit on pricing also. Is now NourishCo 2.0 needed to overcome all this?

Sunil D'Souza: So, a couple of things, Abneesh. I cannot predict the future and therefore, I cannot predict what climate change will do. All that I can do is make sure that my system is robust enough to handle the ups and downs of either consumer demand or commodity cost fluctuations as and when they happen. Last year also, that I am talking of FY23-24 also, we had seen heat waves in, if I am not mistaken in the month of July and therefore commodity prices going up and down. This year we saw slightly more severe version so to speak, but the point about de-seasonalizing is I cannot change consumer demand per se, and therefore that is the difficult portion, but at the backend, we are putting in systems to make sure that we're adapting to these changes as we go forward, that's number one. NourishCo, you're absolutely right. I think we need a set of corrections. As I said, while it had an impact of unseasonal summer and an impact on out of home consumption. As I mentioned, we also did not take some tactical pricing decisions in time for the business. So, I wouldn't go as far as to say we need a NourishCo 2.0. I think we just need to put our feet on the ground, our heads around the table, figure out what it needs to fix and go fix it, as simple as that. Not a very difficult proposition. And I would think the team has already started putting last quarter itself towards June, we have started putting the corrective actions in place.

Moderator: Thank you. The next question is from the line of Manoj Menon from ICICI Securities. Please go ahead.

Manoj Menon: I've got a couple of clarifications. If I take a step back, let's go 12, 18 months back, you had attempted a bunch of innovations, right? Whether it is saffron or almond etc. in e-com specifically. And I do recall, there's been a lot of new category experiments you have done. If you could just highlight what are the learnings from those and are there any particular sub segment which you see significant promise?

Sunil D'Souza: So, Manoj, absolutely right. I mean, one of the reasons why you see Sampann chugging along at a 37% is because of some of the innovations and expansions that we have done, especially online. Specifically coming to dry fruits, that was one of the categories that we had entered with the hypothesis that a) there is no national brand, b) it is a trust deficit category, and therefore we have every reason for the Tata brand name to succeed there. And we have been proven right because only online we have managed to build about Rs. 70 to Rs. 80 crores run rate in dry fruits. After that, about six months back, we took it offline to figure out whether now it has legs to go offline. We figured a couple of tweaks needed for the offline business. A) was instead of the standard pillow packs that we were selling online, we needed standup pouches and B) the consumers in offline wanted, at least in specific, for example, in cashews, needed a transparent window to see what is the percentage of broken in the packs, for example. So, it took us some time to get the packaging modified. But now that we got the packaging modified, we are seeing traction on placing dry fruits in offline as well. Similarly, cold press oils, one of the hypothesis again was there is no big national player there. And therefore, there is an opportunity in a category which could be a question, right? Is it really cold press? Is it not? And therefore, we put in, if I'm not mistaken, we put in two or three SKUs and slowly now we're figuring out success. Again, we are coming up, I think, close to a 100-crore run rate only for cold press oils and only online. But that, for now, we will continue online. At some point of time, we need to figure out if at all we go to offline.

Manoj Menon: Understood. Sunil, if I just try to understand, let's say of the excellent growth in Sampann, how much broadly would be let's say the base one, which is let us say pulses, etc. and the newer products?

Sunil D'Souza: So, I would say probably two-thirds, one-third, probably two-thirds of the growth is coming from the base businesses. And one-third is coming from newer launches, which I would say is probably 12, 18 months old.

Manoj Menon: Understood, that's very helpful. Just one comment that you had made, I think again 18, 24 months back, was that in Sampann, the pulses part of the business or let's say the closer to commodity part of the businesses, given that some value has to come from supply chain also, you indicated some work being done there. And if I recall correctly, it was a year timeline from at that point in time. Any update, any changes you have done, any tweaks in the backend?

Sunil D'Souza: So, Manoj, essentially we had said that as we grow scale and as we stick in the business for a longer time, we will figure out how to build margins in the business. Now we are seeing Sampann margins slowly, steadily rise every quarter. And that is for two or three specific reasons, right? A) As we have played around with these commodities, we have learned more about the commodities, we have learned about the cyclicality of the commodities. For example, now we know we monitor your sowing area right in advance so that we know upfront what is coming around the corner in pricing or we figure out right now whether the crop is high, low, etc. and therefore what is going to happen in pricing or the fact that the government is allowing imports and/or exports and therefore what's happening in the pricing. So, a) trends we are able to read better, number one. Number two, we have got larger scale and therefore the ability to negotiate harder in the Mandis when we are buying. And number three, is very, very specifically we have now started to look at 3-4 months ahead and take positions on commodities. Yes, have we gone right all the time? No. But broadly we have been in the ballpark on the money when it comes to making the calls on doing forwards. So, these are the two or three big items that we have learned to do. And like I said, Sampann margins, the good news is they've been creeping up every quarter.

Manoj Menon: Very clear, thank you. And one last thing from my side, your views on quick commerce and how significant it is for you because the reason I'm asking because what I do hear from those companies is that it appears to be a channel which kind of, let's say, pushes premiumization significantly. So, just some color on, let's say, how are you working with quick commerce and within your e-com, how big has QC become as we speak? Thank you.

Sunil D'Souza: So, Manoj, we have seen overall e-commerce grow and within e-commerce, quick commerce grow quite significantly. Now, the good and bad part is in some cases, it is difficult to quantify what is quick commerce and what is commerce. BB and BB Now, right? There is a very, very fine line drawn there. But that said, if I'm not mistaken, about 35% of our e-commerce business, and we showed you e-commerce is growing 60%, about 35% of that is coming from quick commerce.

Moderator: Thank you. The next question is from the line of Mihir P. Shah from Nomura. Please go ahead.

Mihir P. Shah: So, my first question is on the Tea landscape in India. I believe that in this quarter also there is a price cut that was effective along with the market leader who had also taken a price cut and now we are seeing tea prices shooting up. How should one read the tea prices shooting up as your low price commodity would have been exhausted in this quarter and maybe higher tea prices can start impacting margins? So, maybe some color if you can share on pricing action needed or margin pressure and the competitive intensity in the tea landscape currently.

Sunil D'Souza: So, Mihir, apologies for this, but in line with what Nidhi said, right? I cannot make any forward-looking comments today. I can give all the clarifications after we finish the rights call later on. But for now, I can give you data points of the past. You are absolutely right that there have been some cuts in price and or additions of grammage at the same price in the last quarter, number one. Number two, Tea prices in North India have been up by about 15%-20%. Tea prices in South India have been up by about 10%.

Mihir P. Shah: I understand completely. So, second, I wanted to check on the international business. Coffee prices, again, they have shot up. We are seeing pressure on volumes once again on coffee prices. However, I believe given the change in dynamics that have happened with Hindustan Unilever globally in the Tea, you are being a key beneficiary of Tea. And that is why we are seeing good growth in Tea coming. So, maybe if you can help us with the breakup like you used to give before on constant currency, volume, pricing, that would be very helpful for us to model in our numbers.

Sunil D'Souza: It's a fair point. The only reason why we did not give volume, for example, India beverages like I said today includes Organic India and India Foods includes Capital Foods. And that is why we have not given volume because it's not a straightforward line. But point taken, we will try to be more specific as we go forward.

Moderator: Thank you. The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: I wanted to understand what is your procurement process? What is the salience of North India versus South India Tea composition in your mix? And what is the sense on inventory for tea that you have? And I believe the typical tea procurement season starts for you over June, July. If you could give some color on the process and then the typical inventory that you hold. Thank you.

Sunil D'Souza: So, Latika, A) is overall industry is about 80-20, 80% North India and 20% South India and we are more or less in line with the industry. That's number one. Number two, you're right, actually procurement season for us starts sometime, I would say middle to end of May and goes on till about October, November. And we buy through the season because starting mostly depends sometimes early December, sometimes end December, the Tea Board would stop plucking in North India. And therefore, there is very minimal Tea available and whatever is there is not of the quality that we would require in entire Q4. So, buying is primarily end of middle to end of Q1 going up to Q3.

Latika Chopra: My question was on the India business revenue growth on an organic basis was 7%. And the EBITDA growth was 6% in the quarter. Any color you can give on what caused the margin moderation or anything specifically?

Sunil D'Souza: So, it was primarily I would say impacted by two items. Number one is there is basically extra A&P spending that we have done during the quarter to fuel the brands and we called that out. A&P percentage to sales in India is 7.8%, number one. Number two is we have added feet on street, which again has impacted the P&L line and there's been that cost which has come into the P&L, both of which we think is the right direction for the business to go to.

Ashish Goenka: Also, just to add, we have also lapped up the cost of Capital Foods and Organic India, which has also come into the base now and as these businesses scale, we will start seeing the leverage come through.

Moderator: Thank you. The next question comes from the line of Vivek Maheshwari from Jefferies, please go ahead.

Vivek Maheshwari: My first question is, this time you have not explicitly mentioned anything on the market shares in Tea and Salt. Can you just elaborate on how has been the trend for you?

Sunil D'Souza: So, let me say, Vivek, trends have not changed dramatically from the past. Historically, we have seen gains in salt. Tea prices more or less have been balanced between the two layers. Yes, that's all I would say for now.

Vivek Maheshwari: And on the NourishCo bit, Sunil, once again, do you think, I mean, you did mention about some of the interventions, but from a product perspective, you are still happy with the product, whatever is there in the market and I know you can't talk about post the quarter, but anything to relook from a product perspective, offering perspective?

Sunil D'Souza: So, from a product perspective, I don't think there is anything significantly wrong Vivek, because these products have been proven over the past few years. And as you've driven availability, driven distribution, we have seen instant reaction. Like you saw Tata Copper Plus, there is absolutely even last quarter despite the heat wave, we didn't see too much of an impact, A. B) For Tata Gluco Plus, as I said we missed some tactical tricks as there were movements in competitive activity and I think we did not react quick enough. We put in those corrections at the end of last quarter. On top of that, we have also launched Fruski now in cups which got a good response last quarter and now we are expanding it, A. B) Never, the energy drink, if you remember which we had piloted about 3 quarters back, think we are off to a good start and we are going to expand. So, that's number one. Number two, I would also urge saying that if you look at last year Q1 for NourishCo, if I'm not mistaken, we had grown close to 60%. So, we are cycling a very, very high base. So, multiple pieces there. But let me say there is nothing that I find worrying in the business that we cannot correct going forward.

Vivek Maheshwari: OK, that's good to know. Lastly, from a presentation versus SEBI disclosure, it complicates things a bit at our end, because your segment from a, let's say, even at an overall level, India versus international, the SEBI disclosure has international piece of Capital Foods as well as Organic India, whereas the way in which we model revenues would be from CPT. Is there a possibility that you can align presentation also to include the way in which you include Capital Foods and Organic India as part of domestic sales instead of, you know, because as these two businesses grow faster, I think the gap between segments will keep expanding quite a bit. Is that something that you can look at?

Sunil D'Souza: Fair point. Vivek, we will definitely look at, I mean, we have got this feedback, I think, from multiple people in the past one hour or so. So, the idea is we want to be very transparent in the numbers that we put out. We will try and give all the different options so that you can look at and model it your ways.

Moderator: Thank you. The next question is from the line of Aditya Soman from CLSA. Please go ahead.

Aditya Soman: Just following up on the previous question. For this quarter, can you just give us a breakdown of how much would be the international business within Capital Foods and Organic India?

Sunil D'Souza: So, let's get back to you separately on that, and we will give all the numbers.

Aditya Soman: Understand. And lastly, would you have a breakdown of contribution of modern retail and e-commerce for at least at a segment level, let's say, beverages or foods?

Sunil D'Souza: No, unfortunately, we don't track on a daily or a regular basis contribution by category, by channel, on a consolidated basis. Overall, historically, we have had about 11% to 12% contribution from e-commerce and 14% to 15% contribution from modern trade.

Moderator: Thank you. The next question is from the line of Vishal Punmiya from YES Securities. Please go ahead.

Vishal Punmiya: Yes, so my question is on Capital Foods revenue for the quarter. So, we have clocked around Rs. 164 crores for the quarter, which, if I extrapolate it to portfolio, it looks lower, way lower compared to the growth rates we are targeting for the business, as mentioned in the previous quarterly call. Any seasonal effect in the quarter or anything that needs to be highlighted?

Sunil D'Souza: So, a couple of things, absolutely right. If I do a straight line method, then 640 is roughly what we acquired the business at right for last year. And that's absolutely not the intent. I would just urge you to remember saying that by the time we finished signing up and starting to integrate, we were already in middle to end of Q4 last year. And therefore, this was still, I would say, a quarter of integration for a couple of reasons. Number one was, as I said, when we took over the businesses, we figured out the inventory in the channels was a decent proportion higher than what we had expected it. So, that took some time to normalize, number one. Number two was while we moved the stocks from distributor A to distributor B etc., we insisted on a full and final before we started operations so that we don't land up into issues with any of the distributors anywhere and that's why we have had a very, very clean transition, even though in some places business paused for about a week, 10 days or so, that's number two. Number three, with modern trade in many cases, we did see some discussions starting again on terms of trade and can we do this, that, so there were pauses there. While also there were some delays on innovation from moving from Capital Foods to TCPL including in the case of canteen services etc. where again the supplies did get hindered to some extent. Apart from that, of course, there was also the quarter of learning for a team which was handling these categories for the first time and therefore the logic of forecasting, by pack, by channel etc. took a little bit of learning. For example, in ginger garlic paste, the team under forecast the Rs. 5 pack and over forecast the 200 gms pack or completely under forecast business in soups and then scampered around trying to figure out how to make ends meet. So, I would term this quarter as a quarter of learning. But like I said, we saw June almost normalized and come back to what we would expect the business to deliver going forward and therefore remain confident that we should be able to deliver the business case.

Vishal Punmiya: Understood. And also, in terms of gross margins, you mentioned combined gross margins at 48.4% and this looks lower than the 50% gross margin that Capital Foods has and 55% that Organic India has. So, when all these things normalize, do we expect those gross margins to go back to previous level?

Sunil D'Souza: Yes. Ultimately, we do expect gross margins to come back to the numbers that we stated which is significantly accretive to our current portfolio. In fact, if anything, the gross margin should climb higher and not stay where they are.

Moderator: Thank you. The next question is from the line of Akshen from Fidelity. Please go ahead.

Akshen: Just a couple of questions on the acquisitions. First, for the quarter, you called out gross margins. Could you just help us understand if the EBITDA margins, I know at EBIT you will have amortization. So, at EBITDA margins, are the two acquisitions accretive to overall margins in Q1. That's question one. And then question two is that from the time of acquisition to the closure, we had a number on revenue of around Rs. 1,100 crores between the two acquisitions combined, which was your forecast for FY24. Would you have an update on sort of if the numbers was ballpark the same number because when we are forecasting growth we are looking at that number. So, I don't want to mismatch that the number is higher or lower versus what we were thinking about when we made that position. Thanks.

Sunil D'Souza: So, to your question about EBITDA margins being accretive to what we took over, absolutely yes. With a small difference being we're seeing it significantly higher in Capital Foods because we had one full quarter of integration. Whereas Organic India, I would remind you saying we closed the deal on April 16th. And in Organic India, unlike Capital Foods, we did not transfer stocks from distributor to distributor at the ground. We got stocks back to the C&F because 400 odd distributors, small distributors didn't want to get into issues of trying to settle with each and every distributor. And therefore, it took a little bit longer but let me say Organic India broadly has delivered margins in line with what they were delivering earlier. Capital Foods, we started to see the incrementality. We do not have any reason to believe we will not be able to deliver the incremental numbers that we had looked at in the business case because nothing has changed in the assumptions. So, that's number one. Number two, for Capital Foods and Organic India, you mentioned that we had said about, if I'm not mistaken, it was 700 plus 400, Rs. 1100 crores is what we had talked about roughly. Instead of that, the final numbers for FY24 came in at Rs. 1007 crores.

Akshen: And just a follow up when you're thinking about growth of you know 25%-30% on a run rate basis, you're looking at it on the revised base or at 1100, just..?

Sunil D'Souza: So, right now, we are working on what we have. And we remain quite confident that we will be able to deliver the business case.

Moderator: Ladies and gentlemen, we will now move to questions which we have received online.

Nidhi Verma: Yes, thank you. So, I will just read out a couple of questions. There is a question from Amit Agarwal. He's asking about the fact that we mentioned in the previous quarter that we lost market share in Tea business domestically. Have we been able to recover that? What is it as of now in tea and salt business? I think we have already answered that Amit. We have given you some flavor on how it's been trending. So, I move on to the next question. The next question is from Sachin Jain. He's asking, can you please provide EBIT coming from Capital Foods and Organic India for Q1?

Sunil D'Souza: So, on that one, very clearly, we do not break EBIT percentages for each and every category in India. We club it under the India business overall, and we report the EBIT numbers for India, because that's the way we manage the business. We do not have separate supply chains and separate sale systems for our different businesses. And therefore, we do not want to get into this allocation business and calculating numbers for every single category. I would urge you to look at EBIT and EBITDA numbers for the India business totally because one of the things that we had said was Capital Foods and Organic India margins are accretive and therefore they will be accretive to the EBITDA margins. I think you should watch out for the fact of whether we are delivering to that number or not.

Nidhi Verma: There is a question from Senthil. He is asking in terms of energy drinks, are you looking at adding any SKUs in PET bottles similar to competition?

Sunil D'Souza: So, Senthil, very, very clearly we have always maintained that you got to play to your core competency and/or your differentiation. We do think that our primary differentiation is the fact that we are in cups which allows us to have distributed manufacturing at low cost CAPEX. And basically, as long as we drive around 150-200 kilometers radius, it's a profitable business to drive. Our cups are priced at Rs. ~~20~~ 10 versus most of the big brands in the market of energy which are priced at Rs. 20. And therefore, we do think that price will be a significant differentiator. And there is no intention currently of moving into PET bottles. Cups is my single biggest differentiator, helps me manage the price point, helps me build the imagery and therefore currently we will stick to it.

Nidhi Verma: If I remember in the last quarter you briefly mentioned about vending business**.** Could you provide a quick update on the same. And secondly, can you provide some flavor on amortization charges for the acquisition?

Ashish Goenka: So, on the acquisition as I mentioned while discussing the financials, that is a charge of about Rs. 55 crores per quarter and that is likely to remain static quarter-on-quarter.

Sunil D'Souza: Yes, in the vending business, we did say that we have started, we did a pilot for the vending business, having seen success and the fact that we can build a sustainable business, we are starting to accelerate placement. We now have an installed base about 1700 odd machines and the plan is to aggressively expand that going forward.

Nidhi Verma: I think with that, we come to the close of this call. If you do have any pending questions, you can get in touch with us. Thank you again.

Sunil D'Souza: Thank you, everyone.

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