

11<sup>th</sup> May, 2023

To

The Secretary,  
**BSE Limited,**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai - 400 001  
Scrip code: 500825

The Manager - Listing Department,  
**National Stock Exchange of India Limited,**  
Exchange Plaza, 5<sup>th</sup> Floor,  
Plot No. C/1, G-Block,  
Bandra-Kurla Complex, Bandra (East),  
Mumbai – 400 051  
Symbol: BRITANNIA

Dear Sir/Madam,

**Sub: Transcript of Analyst Call for the quarter and year ended 31<sup>st</sup> March, 2023**

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

Pursuant to Regulation 30 and Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of analyst call held on 5<sup>th</sup> May, 2023 in respect of Audited Standalone and Consolidated Financial Results for the quarter and year 31<sup>st</sup> March, 2023.

The transcript of the analyst call is also available on the Company's website at  
[https://www.britannia.co.in/data/Analyst\\_Call\\_Transcript\\_Q4\\_2022\\_23\\_c5079655c6.pdf](https://www.britannia.co.in/data/Analyst_Call_Transcript_Q4_2022_23_c5079655c6.pdf)

Request you to please take the above information on records.

Thanking you,

Yours faithfully,

**For Britannia Industries Limited**

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

**Encl.: As above**



# “Britannia Industries Limited Q4 FY-23 Earnings Conference Call”

**May 05, 2023**



**MANAGEMENT: MR. VARUN BERRY – VICE CHAIRMAN & MD,  
BRITANNIA INDUSTRIES LIMITED  
MR. RAJNEET KOHLI – EXECUTIVE DIRECTOR &  
CEO, BRITANNIA INDUSTRIES LIMITED  
MR. N. VENKATARAMAN – EXECUTIVE DIRECTOR &  
CFO, BRITANNIA INDUSTRIES LIMITED  
MR. VIPIN KATARIA – CHIEF SALES OFFICER,  
BRITANNIA INDUSTRIES LIMITED  
MR. AMIT DOSHI – CHIEF MARKETING OFFICER,  
BRITANNIA INDUSTRIES LIMITED  
MR. MANOJ BALGI – CHIEF PROCUREMENT OFFICER,  
BRITANNIA INDUSTRIES LIMITED  
MR. MAYANK MUNDRA – INVESTOR RELATIONS,  
BRITANNIA INDUSTRIES LIMITED**



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**Moderator:** Ladies and gentlemen good day and welcome to the Britannia Industries Limited Q4 FY23 Earnings Conference Call.

As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mayank Mundra from Britannia Industries Limited. Thank you and over to you sir.

**Mayank Mundra:** Thanks Dorwin. Hello everyone. This is Mayank from the Investor Relations Team. I welcome you all to the Britannia earnings call to discuss the Financial Results of Q4 Financial Year '22-23.

Joining us today on this Earnings Call is our Vice Chairman and Managing Director – Mr. Varun Berry, Executive Director and CEO – Mr. Rajneet Kohli, Executive Director and CFO – Mr. N. Venkataraman; Chief Sales Officer - Mr. Vipin Kataria, Chief Marketing Officer - Mr. Amit Doshi and Chief Procurement Officer - Mr. Manoj Balgi.

The Analyst Deck is uploaded on our website. Before I pass it on to Mr. Varun Berry, I would like to draw your attention to the safe harbor statement in the presentation.

Over to Mr. Varun Berry with remarks on the performance.

**Varun Berry:** Good evening. Sorry to draw you out so late in the evening, so let's get to the deck.

On Page #3 you will see our revenue profit as well as our market share trend; for the quarter we've grown 11% revenues, for the year that's gone by 15% revenue growth, operating profits for the quarter have grown by 47% and for the year it's at 30%. Our market share gains continue and the gap with the second largest competitor has gone up in this quarter as well.

Moving to the next slide, which is our regular slide which gives us the five strategic pillars which we drive to get profitable growth. I'll take each one of these as we go forward. So, on the distribution front as you see we've got the number of rural distributors, which has gone up from 26,000 in March '22 to 28,000 in March '23. We've added 2000 distributors and the rural market share gain is 1.4 times of what we have for all India. We continue to gain more share in rural. If you look at our direct reach it's gone up by 2 lakh outlets. We've gone up from 25,000 to 27,000 approximately in terms of number of outlets reached directly by us, sorry 27 lakh outlets.

Moving on to the next slide, which is on the marketing activities:



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This quarter we relaunched Pure Magic which is doing reasonably well. We also had the launch of aseptic PET bottles, drinks and aseptic PET bottles and that's doing really well for us. On the other front, the brands that were on air Marie which is on season four of the startup contest was on air, Good Day Chocochip was on air and is doing quite well. Maska Chaska, where we used Ravi Shastri, that has gained a good market share this quarter and Potazos and Rusk were all on air. Digital activities also were there on most of these brands.

Moving on to the next slide; innovation, we've got some good results there. Golmaal, which was started off in the east has now got extended to south and west and we are seeing a 40% sequential shift quarter-on-quarter. The Nutri Choice seeds and herbs, we are seeing a 50% sequential shift quarter-on-quarter. Milk Bikis Classic which is launched in Tamil Nadu is also seeing a very healthy sequential shift. Croissant, we launched the orange variant and croissant continues to do quite well for us. I've already spoken about milkshakes. We had our milkshakes in tetra pack and now we've launched it in aseptic PET. We've added to that Rich Milk Shake which was launched last quarter as well as Coconut Water which has recently been launched. One point that I wanted to make on our milkshakes is that, we are probably one of the few companies which are making these milkshakes from fresh milk and hopefully the quality will speak for itself. Winkin Cow is now a 150 crores brand. We are sourcing all of our aseptic PET from our new factory in Ranjangaon. Again, I would urge you if you're interested in taking a tour of our factory, we would be very happy to take you there. Our distribution reach is two times, shift over last year as far as milkshakes is concerned and our overall innovation contribution is looking pretty good.

On the adjacent business, we've got the bakery adjacencies where bread continues to do a profitable growth trajectory which for many years, we've not seen but now for the last 5-6 years we've been growing our bread business profitably. We've commercialized three new lines in rusk. I don't know if but we never had any Rusk Line besides one in Madurai and now we are commercializing three new lines. This will ensure that we produce very good quality products and at the right price. Cake, there was mushrooming of cake brands all across and there were different types of cakes which were coming in and we've now been able to bridge that portfolio gap. We've got a full contingent of cake products which are there in most markets. Croissant, I've already spoken about. Basically, we joined the 100 crores club in this category. The base markets which are Tamil Nadu and West Bengal where we were doing our test market, they continue to grow more than 50% year-on-year and the new markets are coming to play. We've spoken about the new flavor. Our dairy we have started to distribute, are now transitioning to the Britannia Laughing Cow brand. As you know that we've got a joint venture with Bel and that is scaling up. We've spoken about Winkin Cow, I won't repeat that.

Total milk collection directly from farmers is at 70,000 liters. We do about 130,000 liters of bulk collection which takes our total milk collection to 200,000 liters per day. We are now supplying the entire SMPA and SCM for our captive consumption to our bakery division from the dairy plant.



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I was on Slide #9 and I was talking about the waste that we reduced in everything that we do. Reducing the distance to market for the products that go to the consumer as well as reducing the distance of the supplies that we get to the plants. We've also got renewable energy, which has moved up and I'll come to the numbers as we talk about our ESG agenda. The journey on reverse auctions for our procurement is moving quite well and our supply chain replenishment, our sales productivities are looking pretty good. As a result of that in '22-23, we've had a spectacular year from savings standpoint and it's nine times what it used to be from '13-14. It's been a huge jump shift this year and it was necessitated through the inflation that we saw. The team really got together to make sure that we make the best of it.

Moving on to Slide #10, which is our ESG agenda. There are four pillars:

'People, Resources, Growth and Governance'.

So as far as 'People' is concerned – we are now dealing with almost 3000 farmers who are enrolled as our milk supplying farmers. We've also got a farmer extension program where over 3000 farmers have been supported who are beneficiaries of all the support that we provide out of the medical camps that we've conducted this year. They are also approximately 2 lakh beneficiaries of our Britannia Nutrition Foundation. We've got 75% female workmen in the new greenfield factories that we've commercialized this year. So, all very strong points.

From a 'Resources' standpoint – as I was saying renewable energy, we moved up from 30% to 36% during this year. Our CO2 emissions have reduced by 1.1% this year. We've reduced 51 tons of plastic in the products that we make. We've also got 71% of the plastic that we use as recyclable plastic. This is basically BOPP and CPP. These are all recyclable laminates as well as the NI bags that we do for the wholesale packs. We've also reduced our water consumption by 33% versus '19-20. This 33% is per ton of product that we make. We are in '22-23 as well plastic neutral. We've collected and sent for recycling almost 33,000 tons of plastic.

From a 'Growth' perspective – we had reduction of sugar, we reduced it by 1% over '21-22 and we've reduced sodium by 5% over the same period.

We've also done from a 'Governance' standpoint – we've got 81 critical suppliers who have contributed to more than 50% of the total volume sourced by us and we assess them on ESG parameters. The parameters that we assess them on are sustainability, social compliance which is basically using the right kind of labor etc., diversity in their labor, water management, waste management systems that they use, plastic, how much plastic that they use and how much plastic do they collect and energy management. We've assessed them on these and they are coming out good. We are happy with the progress there as well.

Moving on to Slide #12, which gives us the top line growth. So, if you will see in Q4 we've done 3,900 crores of revenue which is 11% on a 12-month growth and 28% on a 24-month growth.



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Both ways we've got very solid and very good numbers on growth. The year we've ended '22-23 at a 15% growth.

Moving to cost and profitability; Slide #14, this is the country's food price index which is showing that over the last year there is a 10% inflation for the food that all of us consume as Indians. About the US\$, it moved up but it's now stabilized the rupee.

Moving to the next slide which shows what kind of inflation we've seen. We've only got four commodities here and these four commodities are about 60% of our total purchase. Flour, which is the largest is actually exhibiting a fair amount of inflation. Versus last quarter the prices are up 4% and over last year they're up 21%. Palm oil is a deflation, so it's down 6% versus last quarter and 14% versus last year. Laminates again deflationary (-5) and (-9) and corrugated boxes similarly (-7) and (-16). The other commodities which are showing some signs of inflation, dairy is a very high inflation versus last quarter at 20% and versus last year at 54%. We are hoping that at some stage we will see some respite here but no it's not in sight right now. Sugar again, some signs of inflation while versus last year and last quarter is flattish but we are seeing some signs of inflation. So that's the roundup on commodities.

The summary is that this year we've taken pricing actions to make sure that we offset inflation. We were not clear what kind of inflation because for a prolonged period we've seen a very large inflation. We said that it's important that we take pricing and we make sure that we protect our bottom line. With some softening of material prices in the second half of this year. we have also stepped-up cost efficiencies and we are also evaluating if there are some corrections in price that we need to make. Outlook is that we will remain vigilant on competitive pricing actions and we will closely monitor the price of wheat and sugar and wherever necessary we will make the right decisions on if there is a price reduction required. There are certain brands and certain packs where we already initiated price reductions or promotions and we will continue to work this space and see what needs to be done as we go forward.

Now moving to #17, which is on our operating profits; as you see from Q1 at 12.3%, Q2 was at 15.2%, Q3 was at 18.5% and Q4 is at 18.9% operating profit. If you were to look at Q4, 12-month growth on profitability, on operating profit it's at 47%- and 24-month growth is at 63%. So very healthy numbers there.

Moving to the last #18; if you look at the quarter results, 11% net sales, 47% operating profit, 47% PBT and the same number as PAT. The year number 15%, 30%, 46 and 52%. If you were to look at our ratios, profit from operations is in 22-23 -16.3% versus '21-22 at 14.3%. Profit before tax is at 19% versus 14.9% and profit after tax is at 14.5% versus 10.9%. So those are the results. As I said earlier, we might have to moderate our pricing at some stage but overall, the trends are looking very good.

With that I will open the house for questions. Over to you guys.



- Moderator:** Thank you. We will now begin the question-and-answer session. The first question is from the line of Chirag Shah from CLSA.
- Chirag Shah:** I just had a couple of quick questions. When I look at the other operating income line, that has shot up very sharply in the last two quarters, this quarter it is almost 17% of PBT, what is that function of? I know there are some incentives from the state government that are included here but is there any lumpy revenue base that is sitting this quarter in the other operating income line?
- Varun Berry:** Yes, it's the PLI that we got from the government. As you know, there was the PLI scheme which was initiated by the government and we were one of the first applicants and we've got the benefit of that. Venkat, do you want to take that?
- N. Venkataraman:** Yes. So, the PLI essentially, this is for the year '21-22 and '22-23 that we have got in the Quarter 3 and Quarter 4.
- Chirag Shah:** Sorry PLI for FY22 and '23 you've got it in the second half of this year, is that understanding right?
- N. Venkataraman:** For '21-22 we realized the money in the current year. So '21-22 and '22-23 came in the second half of the current year. That's what's sitting there.
- Chirag Shah:** Can you just quantify the PLI amount number because this number is quite large and now as a percentage of PBT how should we think of that number going forward?
- N. Venkataraman:** About 90 odd crores is what is appearing in Quarter 4. Now we are expected to get about 15 to 20 crores per quarter going forward.
- Varun Berry:** So, this was accumulation of many quarters. This will be a one time and as we go forward it will be about 15 to 20 crores per quarter.
- Chirag Shah:** 15-20 crores per quarter would sustain into the next year.
- Varun Berry:** Yes.
- Chirag Shah:** Secondly how should we read the competitive intensity as of now? Is there a moderation? How are we in terms of pricing action versus some of our key competition?
- Varun Berry:** So, see it was a very uncertain period because the inflation we've never seen this kind of sustained inflation for such a long time for many years now. Everyone was double guessing where this is going. We had taken a decision that we will make sure that we cover the inflation through our price increases and went about that. There were areas where we were way above the premium that we would like to have over other brands. As I was telling you, we have made some corrections. We were hoping that the entire table would move up. Some places it moved up,



some places it didn't. Competitive intensity is I would say maybe slightly higher than what it was earlier but nothing extraordinary. It's just that the period was so uncertain that people were double guessing. While we had the advantage of commodity buying last year other people didn't. It will pan out, as we go forward it will all come back to normal. But we are now in a phase where inflation is going to be moderate and not going to be what we've seen in the last 2 years.

**Chirag Shah:** If I can just ask one last question, on the LUP side without asking specific numbers. How has the share of LUPs for us really moved in the last couple of years and how do you see that going forward?

**Varun Berry:** See LUPs - people are thinking that because the difference between our volume growth and our revenue growth is very high LUPs are not moving. The fact is that the number of packs that we sell is still at a (+12%). While the volume growths are very small the number of packs are still 12%. There's no major shift in LUP versus family packs. It's just that we've taken weights out of our LUPs, we've taken some grammage out of our LUPs and hence volume is not growing but number of packs is still growing very well.

**Chirag Shah:** But the share of LUP pre-pandemic to now, would you see for us it has been constant falling or has increased?

**Varun Berry:** I would think it will be reasonably constant.

**Moderator:** The next question is from the line of Vivek Maheshwari from Jefferies.

**Vivek Maheshwari:** First on the gross margin for this quarter, you reported I think probably the best ever. You did mention about the pricing action. So, to speak there is a bit of a mismatch between end consumer pricing versus what the spot input prices are. Where do you think the gross margin should settle at in the coming quarters?

**Varun Berry:** It will hover around the same, maybe a percent here or a percent there, won't make a big difference.

**Vivek Maheshwari:** You're talking about the exit rate?

**Varun Berry:** I'm talking about the year rate.

**Vivek Maheshwari:** The year not the exit, right?

**Varun Berry:** No.

**Vivek Maheshwari:** It will be closer to the full year average you are saying at the time when input prices have gone down. In fact, the other question I had was if you look at because wheat flour has hardened, most





of your key inputs would have gone down. As an RM index if you look at where fourth quarter inflation would be quarter-on-quarter or year-on-year?

**Varun Berry:** Can you just repeat that?

**Vivek Maheshwari:** I'm saying Varun, you have mentioned about different raw material heads the way in which input prices are behaving but if you make an aggregate index, my impression is that it will still be down quite a bit both quarter-on-quarter and year-on-year. Can you just quantify if you take the weighted average where the input index would be right now?

**Varun Berry:** In our plan we've taken a 3% inflation and that might be applicable only to us because as I said we done strategic buying last year and we did get some good prices for our input commodities. Basis that our internal plan is looking like a low single digit kind of inflation.

**Vivek Maheshwari:** As we head into F24?

**Varun Berry:** Yes.

**Vivek Maheshwari:** In that context Varun, shouldn't there be at least 5000 basis point margin expansion in FY24 at a gross level?

**Varun Berry:** Well, if we keep it at the exit levels but the point is that we might have to make a few changes to pricing in certain brands in certain packs. We don't want to become only margin hungry and not continue our march on revenue growths, volume growth and market share growth. It has to be a balanced play and that's what we are trying to do. That's how we have looked at getting the golden triangle every year which is getting all three together. That really is our objective.

**Moderator:** The next question is from the line of Arnab Mitra from Goldman Sachs Asset Management.

**Arnab Mitra:** My question is on volume growth, as the prices are now anniversarizes and also you are looking at some price as well as grammage increases.

**Varun Berry:** Your voice is not clear; we can't hear you properly.

**Arnab Mitra:** My question was as the pricing anniversarizes and you also take some grammage increases, do you expect the volume growth to start picking up now or there could be a lag between the anniversarization of the price and the volume growth starting to pick up for your business?

**Varun Berry:** I would certainly think so, but I don't worry too much about volume. I'm more worried about the number of packs that we sell. I would want to see aggressive growth as far as the number of packs that we sell. But yes, you're right even volume growth will definitely pick up this year.



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- Arnab Mitra:** My last question Varun was on, just an extension to what Vivek asked on the gross margin. Your exit EBITDA margins are almost 20% versus your average of the year, which is 17.5%. Would you look at that as the benchmark as what you could deliver given the changing dynamics of your input cost as well as price reductions in terms of FY24?
- Varun Berry:** Yes, I would think so. I would say the average of the year would be more of where we would get to and we don't give any forward-looking statements but I would say that's the benchmark.
- Moderator:** The next question is from the line of Richard Liu from JM Financial.
- Richard Liu:** I just had a question regarding the difference in growth between standalone and consol. It's 14% in standalone and 11% at consol, what's that due to? And related to this what I also noticed is that the COGS figure in rupees crores is exactly the same in standalone and consol. I mean why would that be so despite the difference in revenue?
- N. Venkataraman:** There are couple of things which are impacting it. Out of diary the non-cheese portion of diary has already moved into Britannia numbers during the year starting May '22. So that is one which is impacting the growth between standalone and consolidated. The second that is happening is that with the JV arrangement with Bel and the whole thing transitioning into a distribution arrangement from April this year, the fourth quarter cheese sale it's been accounted on a joint venture accounting basis and therefore the revenue doesn't appear there whereas the share of profits of Britannia is appearing. These two are impacting by almost 1.7%. The active growth rate should be almost about 12.9% or so.
- Richard Liu:** And the COGS being similar for both consol and standalone?
- N. Venkataraman:** Same thing.
- Moderator:** We have the next question from the line of Latika Chopra from JP Morgan.
- Latika Chopra:** My question was around now we have full year FY23, if you could share the revenues for the non-biscuit portfolio and if possible, give some color on the main categories within the segment?
- Varun Berry:** The largest categories are cake, rusk and now dairy and bread. They are all approximately the same size about 600-700 crores each. These four categories are about 700 crores each and then we have international which is another 700-800 crores. These five categories and then we have got emerging categories like Croissant which is now 100 crores and then there are other small ones, adjacencies also, wafers and all would be another 100 crores.
- Latika Chopra:** The second and last question was again coming back to revenue growth. You pointed out that pricing is going to moderate. I believe maybe a lot of the pricing might be returned to consumer in form of grammage increases but at a broader category growths level for biscuits, are you looking at a high single digit kind of a revenue growth for this year as pricing moderates and



also wanted to understand the scope for further distribution expansion? You have done a really good job on that in recent years but on direct reach and on rural penetration perspective is there more headroom to add more outlets with relevant throughput there?

**Varun Berry:** I will let Vipin answer the distribution question.

**Vipin Kataria:** I think you are right so distribution has been our strength and year-on-year we have been adding outlets. Just to give you a perspective, the category has about 92 lakhs outlets, which will reach about 67 lakhs odd and therefore you can guess that the head space is that much. This distribution initiative obviously spearhead by rural areas because our entire portfolio is pretty relevant to rural as well as urban and metro. So, I think this distribution that we are talking about is Pan India and Pan geography and what you will see is that even in this year we will keep improving our distribution in rural as well as urban areas.

**Varun Berry:** Your first question, it's very interesting actually what Vipin is bringing to the table. The gap between us and the category is 67 versus 92 lakhs. Still a big number and the only good thing is that our weightage today is over 90%. So, we are reaching 91%, almost 90%. We are 91% weighted distribution and for the first time we are a joint #1 as far as weighted distribution is concerned. Yes, we would want to expand our distribution because as we have gone direct and as we have gone to more and more outlets, our share in those outlets has gone up and we'll continue to do that so there's headroom and volume yes, see the fact is that the volume growth has been stagnant not because people are not interacting with our brands and our products, they are. The number of packs are still, the number of packs that we sell are still much higher than what they were last year. But yes, this year because it's not just about the grammage that we are increasing in the pack. That's going to be very small but basis what we did last year, volume growths are going to be certainly much better than what we saw this year.

**Moderator:** The next question is from the line of Sheela Rathi from Morgan Stanley.

**Sheela Rathi:** My first question was with respect to the market share gains this year. I believe that we are doing something differently and I would attribute it to distribution but what has changed that is driving so much market share gains especially when we are taking so much price hike?

**Varun Berry:** One is distribution, second is the inherent strength of the brands. One thing that we always put on a back burner is the strength of brands and we truly own a stable of very solid brands. The combination of solid brands ably supported plus distribution plus the efficiencies that we are bringing, the freshness of the product that we produce and sell to the outlets with all the factories that we put up, the efficiency that we bring to the table, the quality of the products because these are new lines, technically much better lines than what we were using in the past. I think all that adds up. It's not one factor but yes, I would say distribution would be still the number one factor followed by our brand strength.



**Sheela Rathi:** In any way is it changing the mix of our portfolio from being more premium to becoming more mass?

**Varun Berry:** No, not at all. Our mass brands have been doing as well as the others so there's no change in the portfolio. In fact, if anything it's becoming more premium.

**Sheela Rathi:** Is it fair to assess its 50-50?

**Varun Berry:** 50-50 what?

**Sheela Rathi:** Premium portfolio would be 50% on the biscuit front?

**Varun Berry:** I don't know how you define it but the way we define it is the value products for us are very small really. The Tiger brand is very small today compared to Parle-G or a 20-20 or some of these brands. We have a premium heavy portfolio compared to the others.

**Sheela Rathi:** My second and final question is to do with milk inflation. What we hear is that milk inflation will continue through the year. Does that lead to some recalibration of our dairy strategy?

**Varun Berry:** Well, no recalibration but we took it on our chin, we took the inflation on our chin. We did suffer some profit downsides as far as dairy was concerned. It's a tough category but I think we are managing quite well. We have been able to establish a very strong brand with Winkin' Cow. Today I would think that it's out of some of the innovations that we have done, this definitely stands out. I don't know if you've tried the products, they're just fantastic products and they are premium products. We're selling it at Rs. 35 and Rs. 40. So I think we have taken a little bit of a brunt on profitability but not on the top line and we are hoping that we'll be able to establish solid brand portfolio in dairy as well.

**Moderator:** The next question is from the line of Avi Mehta from Macquarie.

**Avi Mehta:** Could you give us a sense of the competitive intensity especially because of your comment last time that you were seeing some enhanced competition in some pockets which did not need pricing action. So, I just wanted to understand why the change this time and should we read anything in the market share gain in rural basically moderating to 1.4X versus that 1.5X in 3Q and the gap reducing with what we saw in the graph last quarter as well?

**Varun Berry:** This much of variation happens. 1.5 to 1.4 is not a big deal. No, I don't see a substantial change in the competitive intensity. Yes, there are some categories where there is heavier intensity. There are categories like cake where there are lots of small players and even category like rusk where there are lots of regional players. What we are doing is we are taking very stringent action in those categories to make sure that one, we can produce the products at the right price; second, we can compete even with the local players. Earlier we used to not look at local players. Just to give you an idea rusk has some 2,500 producers of rusk across the country and some of them are



becoming big in their own small territory that they operate. We have taken action; we are now looking at it regionally. North for us is a very small market share territory for us. We are looking at how we deal with that and how we take our rusk market share up in the North as well and similarly in cake where there are lots of Rs. 5 packs coming up, we are looking at how do we compete with those local players. Biscuits in I would say not really because when there's a price increase the #2, #3, #4 players will always try and take a little bit of advantage of the price and try to push their product but finally it all evens out and I don't think there's a very high intensity as far as competitiveness is concerned. There are some new products that we are making where we have built an inherent barrier to entry of smaller players. If you were to look at Croissant, I think it's just two players there it's us and Bauli and the reason for that is that it's a high CAPEX model where a small player can't come in with a 5 crores investment. It requires a very large investment and it's going to be a very deliberate move that someone will make and similarly aseptic PET again very expensive line but a serious barrier to entry. Those are the kind of entry barriers that we are creating in certain categories and we will continue to do that as we move forward.

**Avi Mehta:** Just a second bit, just pushing back on the margin bit. You clearly are—there is a brand's trend, there are barriers that are—being created by these manufacturing lines and this quarter did not have any material one-off. We are already at that end of the steady state guidance. Why is it that we are still arguing for margins to be relatively low given the brands are actually driving them the growth themselves? What is it that I'm missing which is moderating that margin expectation?

**Varun Berry:** We have to remain competitive. We don't want to lose; we don't want to see it ground. As an analyst you always look at how do you get more margins. We are not looking at quarter-to-quarter. We are building a brand for the, we are building a business for the next 100 years. We have to moderate all three of these to make sure that the momentum continues on all three.

**Moderator:** The next question is from the line of Percy Panthaki from IIFL.

**Percy Panthaki:** My question is on your distribution. For any company there will be at any given point of time an optimum level of direct distribution. Beyond that the cost benefit sort of equation is not advantageous. In your view at current point of time where do you think that ceiling lies beyond which it really doesn't make sense for you? Of course, that's a moving target, I'm saying as of today what is that number beyond which it doesn't make sense to go directly?

**Varun Berry:** No Percy the point is that we are already at about 90.7% weighted distribution and we are a joint #1 as far as weighted is concerned. The question can be how far do you want to go. If you have already got up to (+90%) then how far do you want to go? But the other side of the coin is that there is this huge territory which is the Hindi belt where the gap so let's say the gap between us and the #2 player in share but the #1 player in distribution. Today we are still lower than them by about 5 lakh outlets. Now if you were to look at the same gap in the Hindi belt, it will be huge. There will be probably 12-13 lakhs more than us in the Hindi belt which is obviously a small subset of the total country. What we are doing and that's why we have segregated the Hindi



belt and we are saying that we want to drive our share and distribution. That is where our surge on distribution is going to come and that Hindi belt is more rural than urban but I am not saying that it's only going to be a rural surge. We have to build urban as well in those states but I would say that we can easily add another 5-6 lakhs outlets without batting an eyelid. Vipin what do you say?

**Vipin Kataria:** So, I think Percy there is another dimension to this which is our direct distribution. While I spoke about 67 lakhs which is our direct plus indirect but I think here the game is how you keep moving up on your direct distribution because that gives you direct access to the retailer and that gives you access to certain more and more brands which increases your market share, which increases your brand penetration. Therefore, we are doing it in a very planned manner in terms of which are the most relevant set of markets like Varun said we are the Hindi belt the metros, the urban and in lot of small markets we drive our distribution through indirect route. Therefore, there is a good balance of direct distribution which takes care of weightage and there is indirect distribution which help us reach the interlap.

**Percy Panthaki:** My next question is on the diversification of your portfolio. Can you give me some kind of flavor on what kind of diversification has happened let's say over the last 5 years in the sense that if you can just give me a ballpark CAGR of 5 years for the biscuit portfolio and for the non-biscuit portfolio separately? If possible do you have some targets in mind in terms of 5 years down the line what percentage of your share will come from non-biscuits versus what it is today?

**Vipin Kataria:** See I think so if you consider this year, we have grown 1.5X in the non-biscuit portfolio. So, to just give you a sense of next 5 years, I think the growth rate will only have a higher clip so like Varun spoke about Croissant or wafers or the entire setup that we have done with Bel, the entire drinks portfolio. So, we have a large distribution muscle and what we are doing is we are leveraging their entire distribution through throughput more and more brands which are over and above the entire district portfolio.

**Percy Panthaki:** Last question on Timepass, your snacks brand. Are you taking a pause there? Is there no plan to ramp that up in the near term?

**Varun Berry:** Well, we have done some launches and relaunches within the test market territory. We are testing them out, I don't know if you have tried them some really good products but still only in the test market territory. We want to be careful; we want to make sure that when we spread it across the country, we have a winning combination. We are going to be patient here Percy, we are not going to do it in a hurry.

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

**Shirish Pardeshi:** One question to start with the volume growth. If we look at the full year growth at 15%, is it fair to assume that the volume growth would be in the range of about 2%-3% for full year FY23?



- Varun Berry:** About that much yes. It's very small, small single digits.
- Shirish Pardeshi:** And similar number for Quarter 4 also?
- Varun Berry:** Yes.
- Shirish Pardeshi:** The second question, you always been guiding us that the new product contribution number. Would you have in mind what number we ended in FY23 and what we should be expecting in FY24?
- Varun Berry:** With FY23 we have done, the way we qualify new products is new products which have been launched in the last 24 months. The last 24 months products are approximately 3%-3.5% of our total revenue and we are trying to scale that up as we go forward to about 4% in '23-24.
- Shirish Pardeshi:** And last question on the manufacturing units. Two Greenfield and one Brownfield in Odisha. What are the products we are manufacturing because what you have been guiding us that you are closer to the market and UP is the largest glucose market. What kind of throughput we are expecting? I'm supposing that all these three are under PLI?
- Varun Berry:** No, PLI is separate. We have also got GST. We have got a lot of GST benefits as well. It's not that we are doing these factories because we are getting some benefits out of it. These factories are required. If you think about it, we make 1.3 million tons of product every year. Even if we are growing a 5% that would mean 65,000 tons of extra product that we need to do every year even at a 5% growth. Now that 65,000 means you need so need four lines for that and one option would be to build mega plants and keep adding lines but that's very tough with our kind of product because it takes a lot of space, takes a lot of labor and if you're getting benefits in these states then it's better to like in the North, we don't have any factory. The UP factory is going to be, we have only got Uttaranchal which was built many years ago and now UP is becoming a very large part of our business. It's important to have a factory there so that we can have the best product, the fresh product. These factories are not producing anything different from what we do in other factories. They are the same products which are being produced there. Yes, we are looking at rusk coming in house to an extent, we have looked at already cake coming in house and we are looking at putting up some high-tech innovation lines in some of the factories, wafers and all of that. Even in Crackers some high-tech Cracker lines as well. Basically, if you look at bulk of the investment, it's going to be in the baseline of the base brands.
- Shirish Pardeshi:** Just one extension on to Venkat. How much CAPEX we would require for this to complete the projects in F24?
- N. Venkataraman:** '23-24 we estimated to be in the region of about 500 to 600 crores. These are largely going to be the dairy investments, the balance of dairy investments. It's also going to be some investments in Ranjangaon and the facilities that's coming up in Bihar.



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- Varun Berry:** And thereafter it will moderate. We have had 2 years of high intensity as far as CAPEX is concerned and thereafter it will moderate because we will have capacity, we will have put up our dairy facility which obviously was CAPEX heavy and thereafter it will become business as usual.
- Shirish Pardeshi:** Thank you Varun. I hope you have left lot of benchmark for Rajneet to walk tightly next year. All the best.
- Moderator:** Ladies and gentlemen we will take the last question for today from the line of Kunal Vora from BNP Paribas.
- Kunal Vora:** You mentioned that there's a strategy to make in house. Can you talk more about this? What is the current mix of in-house, how will this change with new factories and whether the productivity would reflect in margins?
- Varun Berry:** So, it's not changing dramatically. It will probably go from, inhouse will go from 57% to about 65%. But certain product categories it will be a much larger change. For example, rusk, we had in house only one line for domestic. We had one line in Mundra for international business but for domestic there was only one line in our Madurai factory and now we are putting up three more lines. So that will move up dramatically but biscuits overall will only move up from 57% to 65%.
- Kunal Vora:** Second is what's the rationale for launching coconut water and would you look for a larger play in the beverages category and will you invest aggressively into Come Alive brand and will you take it to GT?
- Varun Berry:** It is in GT. Yes, we are looking at it. Obviously, beverages is an important play for us and that's why we have invested in the aseptic PET line and coconut water is a third-party manufacturer but it's a very good product. I don't know if you have tried it and yes Come Alive will be a very important brand for us as we move forward. It will encompass different healthy products, generally very healthy products. As we speak, we are looking at how do we build the concept for a brand which is going to be so critical for us.
- Kunal Vora:** Lastly on dairy, from 700 crores this year where do you look to go in FY24 and maybe in next 2-5 years?
- Varun Berry:** We don't give forward-looking statements but we are looking at aggressive growths in that category.
- Moderator:** I would now like to hand the conference over to Mr. Mayank Mundra for closing comments. Over to you sir.





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

**Varun Berry:** Thank you guys.

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