11th February, 2025

To,

Corporate Relations Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai - 400 001
Scrip Code: 500825

Listing Department
National Stock Exchange of India Limited,
Exchange Plaza, C/1, G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051
Scrip Code: BRITANNIA

Dear Sir/Madam,

Sub : Transcript of the Analysts Call held on 7th February, 2025
Ref : Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations, 2015')

With reference to the subject cited above and pursuant to Regulation 30 read with Clause 15 of Para A of Part A of Schedule III of the SEBI Listing Regulations, 2015, please find enclosed the transcript of the Analysts Call held on 7th February, 2025 pertaining to the Unaudited Consolidated and Standalone Financial Results of the Company for the quarter and nine months ended 31st December, 2024.

The transcript of the Analysts Call is also available on the Company's website at:

https://media.britannia.co.in/Analyst_Call_Transcript_Q3_2024_25.pdf

Request you to please take the above information on records.

Thanking you,

Yours faithfully,

For Britannia Industries Limited
THULSIDASS
VELAYUDHAN
THARAYIL

Digitally signed by THULSIDASS VELAYUDHAN THARAYIL
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Date: 2025.02.11 22:37:50 +05'30'

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

Encl.: As above

"Britannia Industries Limited

Q3 '24-'25 Earnings Conference Call"

February 07, 2025

MANAGEMENT: **MR. VARUN BERRY – VICE CHAIRMAN AND MANAGING DIRECTOR – BRITANNIA INDUSTRIES LIMITED**
MR. RAJNEET SINGH KOHLI – EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER – BRITANNIA INDUSTRIES LIMITED
MR. N. VENKATARAMAN – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER – BRITANNIA INDUSTRIES LIMITED
MR. VIPIN KATARIA – CHIEF COMMERCIAL OFFICER, SALES AND REPLENISHMENT – BRITANNIA INDUSTRIES LIMITED
MR. MANOJ BALGI – CHIEF MANUFACTURING AND PROCUREMENT OFFICER – BRITANNIA INDUSTRIES LIMITED
MR. AMIT DOSHI – CHIEF MARKETING OFFICER – BRITANNIA INDUSTRIES LIMITED
MR. AYUSH AGARWAL – INVESTOR RELATIONS – BRITANNIA INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Britannia Industries Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen- only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ayush Agarwal from the Investor Relations team. Thank you, and over to you, sir.

Ayush Agarwal: Thanks, Rayo. Good afternoon, everyone. This is Ayush from the Investor Relations team. I welcome you all to the Britannia earnings call to discuss the financial results of Q3 '24-'25. Joining us today on this earnings call is our Vice Chairman and Managing Director, Mr. Varun Berry; Executive Director and CEO, Mr. Rajneet Singh Kohli; Executive Director and CFO, Mr. N. Venkataraman; Chief Commercial Officer, Sales and Replenishment, Mr. Vipin Kataria; Chief Manufacturing and Procurement Officer, Mr. Manoj Balgi; and Chief Marketing Officer, Mr. Amit Doshi.

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 the remarks on the performance.

Varun Berry: Good afternoon, everyone, and thank you for joining us for this conference call. So let me jump in straight away. I would say that it's been a really good quarter in very challenging circumstances, and we'll come to the details. So, on the first slide, actually, Slide Number 4 in the deck, you will see that our 12-month growth is 6.5% on revenues. And profit after tax is 4.8%. And for a 24-month period, the same number is 8.8% on the top line and 1.6% on the PAT.

Moving to the next slide, which is the challenge that I was referring to, it's been an extraordinarily high inflationary environment. If you look at the CFPI, which is the food inflation, it was almost at double digits in this quarter. And if you were to look at some of the key food -- so if you were to look at cereals, it was about 6.5%, Oils and fats was almost at about 15%, and similarly, vegetables and fruits and everything was pretty high single digits or double digits.

Our inflation for the block of commodities that we buy, for us was approximately 11% with the RPO being -- and I'll come to the details in a bit, but RPO and Cocoa were leading this inflation. If you were to look at what the government is projecting as the GDP growth, it's been the lowest GDP growth that we've seen in a bit. So, the GDP -- the real GDP growth is at 5.4% and the nominal GDP growth is at 8%.

Now according to the government estimates, recovery is expected in the nominal growth to 10.5% in half 2, and I'll come to that on the next slide. Basically, what the government is projecting is that the agriculture, livestock, forestry and fishing is going to go up from the first half being at 7.5% to almost 12% in the second half of the year. And similarly, manufacturing going up from 5.5% to 7.5%, which is going to lead the recovery as far as the GDP growths are concerned.

The bottom slide just takes us into a little more detail, so I will not drain that slide. But the private final consumption expenditure is also expected to increase on a real basis to 7.8% and on a nominal basis to 13.7%. And if that was to happen, then it certainly will bring about a certain change in the conditions that exist in the country.

Moving on to the next slide. We've been going through a phase, which is a phase of inflation, deflation, inflation, deflation. So towards the beginning of the year, it seemed that the environment is not going to be inflationary. And we have taken pretty steep price increases towards the last year. So we started to correct, and as we were doing that, there was a huge inflation which came at us. And we have now started to take the price increases. So if you were to look at our revenue growth and our volume growth, they are almost at par, which shows that we have not taken any price increase till now. But as we speak, we've taken -- we've started to take price increases, which are going to make sure that we are able to take this in our stride.

Now this slide is about market shares. We've had a flattish market share year, and that's predominantly because of the ups and downs that we've seen in our prices. And once this moves in the right direction, I think our trend on market share is also starting to look good. The exit to the year is looking very positive. So we are hoping that, that continues.

Now getting back to the strategic pillars. So let me just go through these one by one. On distribution, we have moved up on expanding our direct distribution. We have moved from March '24 of 27.9 lakh outlets to 28.8 lakh outlets. And even our rural distributors have moved up from 30,000 to 31,000. Our focus states are doing much better than rest of India, that continues to be our growth engine.

The next slide is on our route-to-market. So the route-to-market has 2 elements to it: one is how do we deal with the emerging channels; and second is, what do we do to urban retail, which is our large cities and the retail distribution, the up and down the street accounts that we have, how do we get them to grow at a faster pace because these are the accounts which are also challenged by the emerging channels.

So the first part on the left is about e-com and how do we do it. We have developed an in-house capability to have a model in place which will capture data-based consumer insights, which will then lead to personal content for consumers. And this is doing really well for us. This is a segment which is growing pretty well.

And the second part is about the urban retail and rewriting our route-to-market. There are actually 5 parts to this. One is, how do we leverage high-potential outlets and service them in the way that we would want to. There are some outlets which require higher service frequency. There are some outlets which do not deserve the kind of frequency they get. So how do we right-size the service frequency for these outlets.

Second is, how do we upscale our salesmen capability so that they can deal with these outlets in the right way. Third is about upgrading our technology to provide the right productivity to the company. And fourth is to increase feet on street as the frequency levels require modification. So it's something that we've been working on.

And it's in a pilot stage, but I can tell you that these are giving us good signs and good results. So we are looking at scaling this up in the quarter that we stand today. And we are also looking at refresh for our route-to-market for rural so that we can bring even a better way of servicing our rural customers.

Moving on to the next slide, which is about the sustained investments in brand. Now what we focused on is critical growth brands and innovation. And what we've also done is we've done some higher-impact social media activations so that they can bring better productivity to our advertising efforts.

And there are a lot of these products that we've launched, a lot of these promotions, I'm not going to, again, talk about each one of these, but these have given us really good connection with the consumers, especially our digital campaigns. We've also done some tactical consumer promotions.

We -- there's one product, which is missing on these slides, which is the Pure Magic Choco Frames, which was launched towards the end of the last quarter, which is the quarter in question. This is a Harry Potter-themed product, very exciting product, which is a biscuit and a slab on it with the Harry Potter houses as different biscuits having different houses on it. And this is only for e-com and modern trade, but it's giving us really good results.

Now getting to the next slide, which is on some of our adjacency products as well. We've had some very exciting products. We've got a layer cake which is dual flavoured. We've launched Rusk, which is a INR5 pack. We never had a INR5 pack in Rusks. And there are a lot of the biscuit products which we've launched, which are doing quite well.

Our innovation pipeline is also catering to regional preferences and is helping us drive premiumness. For our adjacency business, again, some very exciting products. In croissant, we've launched a triple chocolate croissant. In -- we have a full cake relaunch coming up. We've started to roll it out. Very exciting new graphics, very exciting recipes, products, which are beating competition by a mile.

And hopefully, that's going to give us the right fillip for our entire cake portfolio. And similarly, cheese, we have a relaunch for our entire cheese portfolio, which is coming up. And we've started to roll that out as well with new graphics and new recipes, which are better than competition in every format.

For our drinks, the season is upon us, and we are coming up with a very good campaign on Winkin' Cow. We've also got a very exciting product, which is the Winkin' Cow Grow, which is a INR20 product, which is flavoured milk, which is fortified with 16 nutrients, which is basically vitamins and minerals, which support growth for children, also provide energy metabolism as well as strengthen the immune system. So that product has also been rolled out.

So it's going to be a very exciting season for us as far as drinks are concerned. Our International business continues to perform well across, and we are hopeful that, that will continue.

Moving on to the next slide, which is on cost leadership. This is, again, an engine which is working really, really well. We've been presenting this to you forever, but let me just reinforce this one more time. The elements of our cost savings are on the left-hand side. So again, you can see what are the elements that we focus on.

In 2013-'14, it used to be 0.7% of our revenue. And in this year, it's going to be 2.5% of our revenue. We've scaled it up deliberately, obviously, because of the inflationary trends that we are seeing. And we are hopeful that this will continue even as we get into the next year.

The next slide is on ESG. We've been recognized by Times Now for our ESG impact. We've also been recognized by SKOCH ESG Awards for a silver on it. We've also had a campaign which has amplified our messages. It's been a campaign, which has been very well received. You can see it in the upper part of the slide.

It's a campaign around trees, which is highlighting a milestone for Britannia's ESG journey around 100% plastic neutrality as well as energy efficiency and water stewardship. So we've -- there's a lot of news, which is being created because of this campaign.

Moving on to the next slide, which is on commodity inflation. As I was saying, for flour, there has been a 4% inflation, but this 4% would have been higher had we not had the forward buying that we've done on flour. Palm has been a 43% inflation and that, too, despite our forward buying. So palm has been -- palm oil has been a very, very high inflation.

Sugar is flat. Cocoa is at 103% inflation. Laminates is nominal at 3% and corrugated boxes are at 15%. So our inflation for our products that we buy is about 11%. This would have been at least 2% to 4% higher had we not done the forward buying, and we hadn't had that advantage of that forward buying.

Moving on to the next slide. The -- on cost and profitability front, we've -- in the last 5 years, we've had inflation -- a total inflation of INR4,000 crores, right. And we've dealt with it in the right way. It was a one-way street for 2 years, and then it started to move up and down, and that's why we've had price decreases in the beginning of this year and now we've started to do price increases for the last 4, 5 months.

We've dealt with this situation very well. And we are at a stage where we've taken all the necessary price increases which are going to get us to a stage where we counter the inflation. There are -- and if this inflationary trend continues, if we have to take slightly more price increases, that will be decided as we move into the next year, but we are very well prepared to be able to counter the inflationary trends.

We are also doubling down on our cost efficiencies, as I said. We are planning to make sure, and as I keep repeating every time, these cost efficiencies and cost savings, they start with 0 on the 1st of April, and whatever has been achieved ends with the year, and there are new cost savings that come up every year. So we are again looking at 2.5% for next year, and hopefully even more than that.

We have focused investments on innovations and on adjacencies. Some of the adjacencies have been doing very well. Croissant has been growing very high double digits. Our milk shakes have been growing double digits and similarly, wafers, etcetera. So we've been seeing traction as far as adjacency businesses are concerned, and we will continue to drive those.

Our outlook, we are closely monitoring the commodity prices, as I said, and we are making sure that we are dynamic in the actions that we take. We are also vigilant to competitive pricing. We do not want to be completely out of whack, but it seems that the entire industry is facing a steep challenge, and it's all moving in the right direction. Our strategy will remain focused on driving our market share and also sustaining our profits, as we've done in the past.

Now getting to the financials, revenue trends I've spoken about, so I'm not going to repeat that again, a 6% growth, operating profit up 3%. And finally, on the last slide, net sales up 6.5%, profit before tax up 3% and profit after tax up 4.5%. And if you were to look at the ratios, the numbers have moved up in the last 3 quarters, and we are at profit after tax of 13%.

So with that, I will end my presentation and open the house for questions.

Moderator: The first question is from Abneesh Roy from Nuvama.

Abneesh Roy: My first question is on the current very high inflation. So my specific question is in the popular price point of, say, INR5 and INR10, till now how much grammage cut you would have taken because there you can't increase prices; and on the larger packs, how much pricing you've already taken? And given you have forward covers, you did say that almost 200 bps kind of saving comes from there.

And you have seen a 600 bps gross margin erosion. The local players would have seen obviously higher erosion. So what's the pricing happening at the local players level, if you could clarify on that? That's the first question.

Varun Berry: So our total price increase that we've taken currently is approximately about INR100 crores in quarter 3, so -- which would -- in percentage terms, Venkat, would be...

N. Venkataraman: 2%.

Varun Berry: It's about 2%, but it's progressively going up. By the end of the year, we will be at about 4%, 4.5% price increase. So 4.5%, let's say, exit of this year. The inflation, you're right, the inflation for the local players will be higher because of the muscle that we have in terms of forward buying, etcetera. But as I said, Abneesh, the issue has been this year nobody was clear on whether it's going to be a deflationary year or an inflationary year.

We started with the feeling that it's going to be a deflationary year. And then it started to turn on us. And hence, everyone has been late to the party to increase prices. But as we speak, everyone is becoming alive to the fact that this inflation is not going away, right. First, there was this feeling that palm oil duties, which have been imposed by the government, will be temporary and will go away. But no, we -- now we know that it's not going away.

Also, the feeling was that cocoa prices will start to normalize. Wheat prices -- wheat prices will normalize a bit because the season is on us, but all of that has not normalized. So people are now very clear that unless they want to destroy their profits, it is going to be important. So I think there is action which we can see in the marketplace.

Abneesh Roy: And on the competition, Varun, could you talk about some of the new players, Amul, there is some presence. I'm sure distribution is very weak. If you could talk about Reliance also, they have tied up with a Sri Lankan player. So any worry you will have from a medium-, long-term perspective, not current, but would you be worried because these are large players?

Varun Berry: Not really, Abneesh. We haven't seen any signs of worry at this point in time. And if we do see something, we will obviously react at that point in time. But no, at this time -- the brands are also very important, Abneesh. It's very difficult to just come in and work on one element, which is price and get away with it. And we've had price competition in this segment forever, right. But brands have always stood their grounds. But right now, we don't see any challenge.

Abneesh Roy: Sure. Last question. So on the adjacencies, you have been quite aggressive past few years in terms of innovation, etcetera. If you could tell us in terms of numbers, what's the impact to croissant, very strong double-digit growth, Rusk now INR5 pack, so what's the idea behind that, if you could talk about?

And e-commerce, my sense is e-commerce should be very helpful to adjacency because a lot of these products are more attuned to that. So if you could discuss both e-commerce impact benefit to this and if internal numbers as a percentage of revenue, if you could tell us how things have moved over the last 3 years?

Varun Berry: So Abneesh, you're hogging the space, but I'll answer this. So well, the point is that e-com has been especially to new products, not just for adjacency, adjacency, it's been very helpful. But even for some of the new products that we've launched, it's been very helpful. And the contribution to some of the segments is much more.

So for example, biscuits is 4% as far as e-com is concerned or slightly lower than 4%. But let's say, I'm just giving you 1 or 2 numbers so that you get an idea. For croissant, it's 17%; for cake, it's 9%, right; for dairy, it's 11%. So the numbers are much more for the adjacencies, okay. Thank you, Abneesh.

Moderator: Next question is from Percy Panthaki from IIFL Securities.

Percy Panthaki: Firstly, can you just call out the quantum in rupees crore of the one-off in staff costs and give some idea as to what is going to be the staff costs in the coming quarters if there is any one-off going to be there or not? And if not, what is like the quarterly run rate for the staff cost on a normal basis?

N. Venkataraman: Right. So I'm Venkat here. So employee cost for quarter 3 had the impact of provisioning for the stock appreciation rights. So this is based on the share price as at the end of last quarter and the current quarter. So last quarter end, the share price was INR6,338, that became about INR4,762 as of 31st of December, and that had an impact of about INR75 crores in the quarter.

Varun Berry: So basically, there was an increase in staff cost in the last quarter.

N. Venkataraman: Previous quarter.

Varun Berry: And there is a decrease. So it's all evened out, yes. So it's just...

Percy Panthaki: So every quarter depending on the share price, this will go up or down, is it?

N. Venkataraman: Correct. For stock appreciation right, that is the way it happens, yes. It's been volatile. I mean it's been there from -- SAR scheme has been there from 2021. But it's been very volatile in the last couple of quarters. It was never there like that before.

Varun Berry: But it all evens out in the end. So it's not like -- yes.

Percy Panthaki: Sure. Secondly, just wanted to understand on the price increases. In the last quarterly call, you had mentioned that we are putting through 5% to 6% price increases, which will happen cumulatively over Q3 and Q4. Most of it would happen by February. Now you're saying that by end of Q4, you will have only 4.5%, instead of 5% to 6%, while at the same time, the cost inflation has actually been higher than what we could envisage at that point of time.

So why this hesitation to take the price increase which you had already planned? And actually even more is necessary?

Varun Berry: No, there's no hesitation. It is a necessity today. And you're right, exactly right, there will be a 6% price increase. We've already taken in Q3 2%. In Q4, it's going to be another 2.5%. And then in Q1, which is going to be the Q1 of next year, it's going to be another 1.5%. So cumulatively, it's going to be 6%, 6.5% price increase.

Percy Panthaki: Okay. And with this 6 -- sorry, yes, please continue.

Varun Berry: And yes, the 11% inflation that we spoke about in commodities equates itself to 6.5%, it requires to be balanced, it requires 6.5% price increase.

Percy Panthaki: Got it. Got it. But just to clarify, if there is a 11% inflation in commodities at a rupee value, it might require 6%. But in order for you to maintain your gross margins, it would require a 11% price increase. Is that interpretation correct?

Varun Berry: Well, yes.

N. Venkataraman: As a percentage - Yes...

Varun Berry: Percentage -- you maintain the percentage, yes. But in absolute to maintain the profitability, it requires 6%, 6.5%.

Percy Panthaki: Got it. Got it. So here is my...

N. Venkataraman: And we will also combine it with Cost efficiencies...

Percy Panthaki: Understood. Understood. So here was my concern. I don't know how much you can eke out some cost efficiencies. But here was my concern that basically in biscuits, since a lot of the pricing happens through grammage changes, the price increase doesn't fully translate to a higher top line.

And therefore, if the margins are not maintained, the absolute profit itself takes a beating. So do you think that with the cost savings, you will be able to go back to like that 17%, 18% kind of EBITDA margins by Q1, once all your pricing is through?

Varun Berry: Now you're talking about profit margins which we had during COVID and stuff like that, maybe not 17%, 18%, but we will make sure that our spine remains vertical and we are able to provide the right growths as far as profits are concerned. So if you were to look at it, 6.5 -- 6% to 6.5% price increase, 2.5% is going to be the cost efficiencies that we are going to work on.

And there will be other opportunities that we are looking at, at this point in time. So we will make sure. We've been doing this forever, and we will also make sure this time that we will be able to provide the right growth as well as the right profitability to the business.

Percy Panthaki: Got it. I think, Varun, the disconnect is, I think you are talking about EBIT margins, and I'm talking about EBITDA. I think your EBITDA margins peaked out at around 20%, and I'm talking about 17% to 18% on EBITDA.

Varun Berry: Okay. Yes, yes. Okay. Okay. Yes, I got that. I got that.

Percy Panthaki: So that should be doable, right?

Varun Berry: Yes, yes.

Moderator: The next question is from Mihir Shah from Nomura.

Mihir Shah: So firstly, on the volume front. So how should one think about the impact of volume with the 6.5% pricing that is likely to happen, can you help understand this volume trend that we are seeing, including the grammage reduction can sustain and the impact of the same?

Varun Berry: Well, volumes do take a beating when there is a price increase. There is an arbitrage between volumes and revenues. So -- but we've been growing -- actually, if you look at last quarter, we grew at almost 6.4%, it's almost the same as our revenue growth. So our volume growths were pretty good. Yes, there will be a little bit of arbitrage which will come through, but that's fine. You've got to do what you got to do.

Mihir Shah: Got it, sir. Sir, and one clarification on gross margins. Can one assume the peak of the input cost inflation in the margins is built into these quarter numbers? Or is there -- or were you consuming low-cost inventory and going forward, there may be some high-cost inventory that you'll have to consume and margins will continue to get impacted despite the price increases that you are taking?

Varun Berry: Well, not so much. We've been -- yes, we did some forward buying, which helped us, as I said, to about 2% or 3%. But now with the season coming on Wheat, March, the season starts. So hopefully, we will see some better prices as far as flour is concerned, and some normalization. So I think it should be okay.

Mihir Shah: Got it, sir. Sir, and last clarification on the margin. So what is the margin range that you mentioned on the EBIT level, 17%, did I get that correctly, sir?

Varun Berry: Which -- I didn't mention any margin range. Which margin are you talking about?

Mihir Shah: Just to Percy's question, you had mentioned -- I got confused between EBIT and EBITDA margin. If you can just reiterate what...

Varun Berry: Yes, yes, so he was talking about EBITDA, I was talking about PAT.

Mihir Shah: You were talking about PAT margins?

N. Venkataraman: Profit from operations.

Varun Berry: Profit from operations.

Mihir Shah: And what is the range, sir, you mentioned, sorry?

Varun Berry: So we will stay in the current range, I would say. That would be the range that we would look at, although we don't give any forward-looking forecast, but I would say current range is what we would target.

Moderator: Next question is from Tejash Shah from Avendus Spark.

Tejash Shah: Sir, yesterday, ITC in its press release highlighted intense competition from local players in biscuits, but market continue to expand this quarter as well. So what are the key drivers that are working in our favour?

Varun Berry: Sorry, what -- I guess, our growths are coming through the strength of the brands as well as our distribution efforts. And we hope to continue with that.

Tejash Shah: Sure. Sir, second, focus states are growing at 2, 2.5x versus the average for a while now. But at the aggregate level, we are not seeing the impact. It's not moving the needle yet. So what is current contribution where we have reached of this pocket of growth? And how -- at what point will you see that this number will actually start driving the overall growth?

Varun Berry: See, the focus states are still very small in terms of our overall revenues. And we still are -- our market share in those focus states are half of what they are for the rest of the country. In fact, even less than half. So that's why the impact that you see is marginal at this point in time. As we keep -- now as I've said in the past as well, we don't want to do any big bang strategies in these states.

The big bang strategies would be reduced price and try to get share from competition. We are not doing that. We are doing all the execution parameters, which is distribution, strengthening our brands, launching the new -- the right products for those markets and gaining share in a way that it becomes sustainable rather than unsustainable in the future.

But as these states are growing, at some stage, they will start to add a lot more to the overall country level numbers as well.

Vipin Kataria: Yes, so Tejash, Vipin this side. So these states basically contributes about 15-odd percent to our overall revenue. And they have been growing at about 1.3 to 1.4x, which means that over a period of time from 12%, 13%, they've moved to 15%, 16%. These states are like we keep saying these are opportunity states because that's where the biscuit consuming population is, and we have got a market share which is underleveraged, and therefore, there is a lot of headspace.

And like Varun said, I think the backbone that we want to build in these states is distribution-led, right, and brand-led. And that's the impetus that we've been able to put forward, which is giving us this kind of growth, right. So the other very important aspect of these states is that they are almost 35% contribution to the overall rural category.

And if you see our growths in rural, they are pretty healthy because our focus states are really firing for us. So I think apart from the lever of contribution or salience, there are a lot of other impact areas that we see, and that's where we are working.

Moderator: Next question is from Latika Chopra from JPMorgan.

Latika Chopra: I wanted to get some more colour on non-biscuits portfolio, and how are you thinking about portfolio diversification over the next 2, 3 years? If you can give us some colour on how the salience of non-biscuits, it's growing at double digits, what kind of double digit? Is it profitable? What is the distribution opportunity, which is still available?

And also, how are you thinking about alternative stacking options? You had experimented with salty snacks in some markets. If you can throw some colour on how has been the reception?

Varun Berry: Yes. No, so first of all, the point is that if you look at our diversification, I think it's been pretty good. We have gotten into a lot more categories that we -- than we've ever been, right. So whether it's wafers or croissants or the cake formats that we've launched and all of the other products that we've launched have been pretty good. Now we are in no hurry to get to 15 more categories because it doesn't make sense.

I think it's important that we develop these categories and that's what we are seeing. So if you want to look at it, today, our croissant business is -- next year will cross INR200 crores, right. Our milk shakes business has already crossed INR200 crores, right. So these are all numbers which have happened in the last 2 or 3 years, right, and growing pretty rapidly.

Now the point is that the base of biscuits is very large, and it doesn't really show a large change in that. But if this was to continue and if we were to double it up, I think we will be in a very good place to be able to showcase the portfolio that we've created. And some of the categories are genuinely premium and have entry barriers, which small competitors cannot cross, right.

Now your question is on -- there will be products which will always be in experimental stage or pilot stage, and we will continue to make sure that we are diligent on those because, Latika, it doesn't make sense to do things in a bit of a rush because you will launch it and then you will create confusion, throw the cat amongst the pigeons and you will not be able to sustain the momentum from those categories.

So salty snacks is one of those. We understand it's a very large category, but we also understand that it's a very competitive category. Till we are able to feel absolutely confident of being able to sustain our competitive edge with the large competitors that we have, we will not launch it nationally and that we are very clear about.

And frankly, it's not that we just launch it and leave it in the pilot stage in some of the markets, we experiment. We look at different formats. We look at different ways to market. We look at advertising, pull, push, what will work, more grams in bag, trips to mouth, all of that. So all these experiments are showing us what works and what doesn't work.

When we -- only when we are absolutely clear about it, we do not want to get into a large category like this without being absolutely clear of success. So that is really my message to you, Latika. But I can assure you that on some of the categories, we are seeing very good momentum, and we are hoping that all of our categories are going to be moving in that direction. Yes, Vipin.

Vipin Kataria: So Latika, 2 more points. I think within biscuits, there are a lot of opportunities. So if you see cookies, which is one of the largest categories in biscuits, we have an immense opportunity in premiumization. And that are the kind of launches that we were talking about even in the deck. So let's say, we've launched fruit and nut, butter jeera within cookies, which is showing very good initial signs.

And in each of these categories, there is enough opportunity, both on the differentiated and the premium end to keep adding more brands and sub-brands. There is another price point opportunity. So let's say, we talked about drinks where we are now coming up with a INR20 SKU, which is a very large market and our participation was only in the INR35 or INR40.

So I think while we will keep making sure that our adjacency business keeps accelerating, but I think within core, there are enough opportunities for us to keep moving the needle up.

Latika Chopra: This is very detailed and clear. My second check was just on capex for FY '25, and are there any thoughts on capex for FY '26?

Varun Berry: Yes, we are going to take the capex break, so to say. We have put up plants and we will try and keep it as low as possible. It will still be -- what, Venkat, about INR200 crores?

N. Venkataraman: For the next year?

Varun Berry: Yes.

N. Venkataraman: Should be even lower.

Varun Berry: Even lower. So INR150 crores to INR200 crores is what we'll keep it at, unless there is a volume increase. I don't think we need capex because we've got 3 new plants with new lines and capacity and head space and all of that. So I think we are in a good place as far as capex is concerned.

Moderator: Next question is from Aditya Soman from CLSA.

Aditya Soman: Just one question from me. I mean, on your sort of distribution revamp that you are doing, where are we on it? And in terms of the spends on that program, can you give us a sense whether there was an impact on profitability in the current quarter because of it?

Varun Berry: See, the spends are going to be more related to how much we want to expand, right. So if we want to expand our 2 salesmen model to, let's say, another 100,000, 200,000 outlets, from 250,000, we want to go to 400,000, that will cost us a little bit of money, but it will pay us back a lot more than that, right.

And just to remind you, we are talking about this in urban retail, right. And urban retail is the channel, which is the most profitable channel for us. That is 1.3x the profit of the company, the urban retail channel. So if that channel grows, it only gives us tailwinds as far as profit is concerned.

Moderator: Next question is from Amit Sachdeva from UBS.

Amit Sachdeva: Just one small question. I may have missed something, but the employee cost, has there been some reorganization in the cost structure there?

Varun Berry: No, there has not been any reorganization. It's just that last quarter, we had extra charge, which has got neutralized this quarter. So there's no reorganization.

Amit Sachdeva: So what's the outlook for that?

Varun Berry: We've always been very conscious of our overhead costs, but no, there's no reorganization.

Amit Sachdeva: Can you talk about the outlook for staff costs in the coming year as well? What should be the Y-o-Y kind of outlook?

Varun Berry: So we focus on making sure that our top line growths, which I must confess that we've not been able to do in the last 2 years, but we -- our principle is that our -- if our top line growth is X, our fixed cost growth or our people cost growth should be 0.75X. And that's what we will keep with, so that we are leveraging our top line growths.

Amit Sachdeva: Got it. Sorry, is it flexible enough that you can maneuver around that? Or how does that work?

Varun Berry: No, there is no flexibility. It's just the planning. You've got to plan for -- yes.

Amit Sachdeva: Sure. Sure. Got it, sir. Sir, I just want to come back to you on the margin structure. If I understand correctly, the inflationary environment is going on and the gross margin was 38 and a bit, which is perhaps one of the places. Do you expect the gross margin and the dynamic to give you 18% kind of -- if I could relate back to previous participant's question as well?

Are you sort of trying to keep margins in the range of 18% or -- EBITDA margin I'm talking about? For the coming year, how the earnings dynamic that you see in terms of price increases, expected volume growth and your, obviously, expectation on cost. What I'm understand in that how -- in this context, how the earnings dynamic could actually play out in the next 3, 4 quarters?

Varun Berry: See, we don't give any forward estimates. But as I had said, we are taking 6% to 6.5% price increase, which will be enough to get our absolute profit up to level. And then on top of that, we will look at other cost-saving measures, etcetera, to make sure that we keep to the margins that we've got. And we do not suffer any margin slip for our overall portfolio. But you got to remember that we've negotiated through this kind of environment many times, and we've done it quite well, and we will continue to do so even in the future.

Moderator: Next question is from Harit Kapoor from Investec.

Harit Kapoor: So I just wanted to get your sense on the 6% volume growth. Would the biscuits -- core biscuits business be in the similar range as this -- because your adjacencies have actually done quite well, so just wanted to get a sense on how biscuits run for -- India biscuits specifically for this quarter?

Varun Berry: It's about 5.5%. So not a big difference. There's a delta, because as I said, the adjacency business is much smaller for us but growing faster. So the delta between the total volume growth and the biscuit volume growth is 0.8%, 0.9%.

Harit Kapoor: And your analysis of how industry would have grown, your belief would that you would have done better?

Varun Berry: Yes, for sure. The exit numbers are certainly better. And even if you were to look at some of the public declarations on growths, etcetera, by some of the companies, it seems that we are ahead. Obviously, Nielsen gives us certain numbers, but they are based on taking a sample. When you look at the numbers declared by some of the public companies, it seems that we are certainly doing better than the others.

Harit Kapoor: And my last question was on the pricing. I think the last time when we had this significant headwind on pricing on inflation was, I think, fiscal '23, if I'm not wrong, '22-'23, in that time, the price increase was extremely aggressive. This time, it seems like you're slightly more measured on that. Is that really a function of market demand in your view, that you want to be a little bit more gradual as you put them in?

Varun Berry: No, so we were measured because we were not clear where the inflationary trends are going from a deflation to inflation. And we were also hopeful -- actually not just us but the entire industry was hopeful that maybe the duties on fat, etcetera, will go away. But as our Honorable Finance Minister has said, this is basically going to stay because they want to indigenize fats in

India. So we are now clear that it's not going away. So now we are taking very decisive action on pricing.

Moderator: The next question is from Lokesh Gusain from BOB Capital Markets.

Lokesh Gusain: My question is also related to pricing. So I just wanted to understand, I know you mentioned that the removal of fat import duty was a factor. But were there any other factors that -- or hurdles that stopped you from taking pricing? Because I think in the call, you did mention that you were trying to take pricing by the end of January, 4% to 5%. So what changed?

Varun Berry: So we still are going to take 4.5% pricing by this quarter. So it will be -- we've already probably taken 4% and another 0.5% towards the end of the quarter, 4.5%. So yes, we will continue to do that. But no, there were no other factors. See, pricing should never be the trigger for you. And we always take it as that.

Pricing obviously impacts consumers, it impacts categories, it impacts everything. So pricing is always the last trigger for us. And that's why we kept it till we were absolutely sure that this inflation is not going to go away.

Lokesh Gusain: Understood. And just on efficiencies, you mentioned you're going to double it this year. So are you already at the double run rate as of December end? Or are you still on the way?

Varun Berry: No, cost savings are going very well for us. In fact, we probably will beat our targets that we've set for ourselves for the full year.

Moderator: Next question is from Amnish Aggarwal from Prabhudas Lilladher.

Amnish Aggarwal: I have a couple of questions. And first question is regarding to the staff cost, where you mentioned that we had a INR75 crores of write-back in the current quarter, and we had INR50 crores provision in the previous quarter. So was there any element of that in 1Q also?

Varun Berry: In what?

Amnish Aggarwal: The staff cost, there is a provision for the phantom stock options. Was there some provision made in 1Q also with regards to this?

Varun Berry: Yes. There was a small number there as well. There was about INR25 crores in the first quarter.

Amnish Aggarwal: Okay. Because in the last 2 years in the annual report, there is a INR50 crores to INR60 crores of provision which comes, so can we actually start showing this as a separate line item because it fluctuates on a quarter-on-quarter basis?

Varun Berry: It's not necessary to do that. It's in an overall scheme of things for a company which is of this size, I don't think it's necessary to be shown separately. But whenever there is a blip, we always talk to you about it and highlight it.

Amnish Aggarwal: Okay. Sir, my second question is that you indicated that the capex -- the big capex move is now over, and now you will be not spending more than, say, a couple of hundred crores. So I believe that we have done a lot of capex. There might be some PLI-led benefits also because if you look at the first 9 months of the year, our other operating income has nearly doubled.

And in the current quarter also, it is up by 93%. So incrementally, will the gains from this be start tapering off? How should we presume this run rate to be on a quarterly or on the yearly basis in the coming years?

Varun Berry: No. So capex, most of the capex gains that we get or the benefits that we get are for a much longer period of time. Yes, there are some plants which exhaust their incentives, but there are other plants we've recently put up 3 large facilities, Ranjangaon, UP and in TN, also in Bihar, Bihta, and we've expanded our Orissa facility as well. So there are big incentives there as well. So no -- yes, there is some PLI incentive as well, but that is very small in the entire context of the company.

Amnish Aggarwal: But if I look at, sir, 9-month number, there's INR373 crores of other operating income. So will this INR125-odd crores of a run rate continue on a quarterly basis?

N. Venkataraman: So we estimate that for the coming years, the incentives that we should be able to get, subject to our fulfilling certain conditions that are prescribed under PLI for that, we expect it to be on similar lines as current year.

Moderator: That was the last question in queue. I would now like to hand the conference back to Mr. Ayush Agarwal for closing comments.

Ayush Agarwal: Thank you, everyone, for spending time with us on the call today. We look forward to interacting with you all. Thank you.

Varun Berry: Thank you.

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