Analyst Meet
Q2’20-21 Results
Conference Call
20th October 2020
This presentation may contain statements which reflect Management’s current views and estimates and could be construed as forward-looking statements. The future involves risks and uncertainties that could cause actual results to differ materially from the current views being expressed. Potential risks and uncertainties include factors such as general economic conditions, commodities and currency fluctuations, competitive product and pricing pressures, industrial relations and regulatory developments.
## Indicators

### Pre Covid
- **Macro Economic**
  - Economic slowdown
  - GDP growth 4.2%%; lowest in 11 years

### Lockdown
- **Virtual standstill**
- GDP decline of 24%
  - 1. Panic buying of staples
  - 2. Essentials benefited
  - 3. Rationalization of spends for non-essentials

### Current & Future
- 1. Slow recovery: IIP decline of 8% in Aug’20
- 2. Lower purchasing power: ~20% salaried job losses
  - 1. Diversified spending
  - 2. Downtrading
  - 3. Pent up demand for non-essentials

### Demand
- **FMCG growth of 5-7%**

### Supply
- **Level playing field**
- Complete disruption, we ramped up faster
- Level playing field

### Regulatory / Administrative
- **Improvement in Ease of doing business index by 14 places**
- Deferment of compliances
- 1. Make in India
- 2. Farm Bill revolution
- 3. Eased labour law
Amidst this... we focused on our strategic planks

Striving for profitable growth

#1 Distribution & Marketing
#2 Innovation
#3 Cost focus
#4 Adjacent business
#5 Sustainability
1A. Driving efficiency in distribution

Increase in Direct Reach

<table>
<thead>
<tr>
<th>Month</th>
<th>Mar'14</th>
<th>Mar'15</th>
<th>Mar'16</th>
<th>Mar'17</th>
<th>Mar'18</th>
<th>Mar'19</th>
<th>Mar'20</th>
<th>Sep'20</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of outlets</td>
<td>7.3</td>
<td>10.0</td>
<td>12.6</td>
<td>15.5</td>
<td>18.4</td>
<td>21.0</td>
<td>19.7</td>
<td>22.3</td>
</tr>
</tbody>
</table>

Upbeat Rural distribution

<table>
<thead>
<tr>
<th>Month</th>
<th>Mar'15</th>
<th>Mar'16</th>
<th>Mar'17</th>
<th>Mar'18</th>
<th>Mar'19</th>
<th>Mar'20</th>
<th>Sep'20</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of RPDs (Rural Preferred Dealers)</td>
<td>7k</td>
<td>8k</td>
<td>10k</td>
<td>14k</td>
<td>18k</td>
<td>19k</td>
<td>22k</td>
</tr>
</tbody>
</table>

Double digit growth in Hindi belt

- **Rajasthan**: Mar'14 - 1.0, Mar'15 - 1.4x, Mar'16 - 1.5x, Mar'17 - 1.7x, Mar'18 - 1.4x
- **MP**: Mar'14 - 1.0, Mar'15 - 1.5x, Mar'16 - 1.7x, Mar'17 - 1.4x
- **UP**: Mar'14 - 1.0, Mar'15 - 1.5x, Mar'16 - 1.7x, Mar'17 - 1.4x
- **Gujarat**: Mar'14 - 1.0, Mar'15 - 1.5x, Mar'16 - 1.7x, Mar'17 - 1.4x

**Notes**: YTD 2017-18, YTD 2020-21
1B. A&SP spends coming closer to normalcy

Key Brands on air

Good Day Cashew New Campaign

Bourbon

MarieGold New Thematic

Print / Digital / Activations

Good Day Smiles

MBK 40yrs & Teachers Day (TN)

Cake Mishti Moments

Range of Family packs in Modern Trade

Promos
2. We focused on getting our entire range to market.
3. Sustaining cost efficiencies from previous quarter

- **Factory productivity**
  - Pre Covid: 1.0x
  - Current: 1.1x

- **Wastages**
  - Pre Covid: 1.0x
  - Current: 0.8x

- **Direct dispatch from factories**
  - Pre Covid: 1.0x
  - Current: 1.5x

- **Fixed cost % to topline**
  - Pre Covid: 1.0x
  - Current: 0.95x
4. Adjacency businesses driven hard

**International**
- Middle East & Africa witnessing decent growths
- Rest of International growing at a very healthy pace

**Bakery Adjacency**
- Rusk grew significantly faster
- Significant improvement in Bread profitability

**Dairy**
- Cheese leading the growths in Dairy
- Decline in out of home consumption impacted Drinks portfolio
- Benign milk prices
- Significant profitability improvement
## 5. Sustainability

### Reduce Plastic

<table>
<thead>
<tr>
<th>Goals</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laminate reduction</td>
<td>15% per ton of FG since 13-14</td>
</tr>
<tr>
<td>Plastic Tray removal</td>
<td>Treat Creams</td>
</tr>
<tr>
<td>Easily Recyclable laminate</td>
<td>Transitioned for a major Brand</td>
</tr>
<tr>
<td>Plastic Recycling</td>
<td>Building capability inhouse</td>
</tr>
</tbody>
</table>

### Enhance the good in product

<table>
<thead>
<tr>
<th>Goals</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>5% Sugar reduction by 2022</td>
<td>Work underway for 2 large brands</td>
</tr>
<tr>
<td>5% Sodium reduction by 2022</td>
<td>Work underway for 3 large brands</td>
</tr>
</tbody>
</table>

### Energy

<table>
<thead>
<tr>
<th>Goals</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel Reduction</td>
<td>35% since 13-14</td>
</tr>
<tr>
<td>Renewable power</td>
<td>To reach ~45% by end 2021</td>
</tr>
</tbody>
</table>

### Nutrition

<table>
<thead>
<tr>
<th>Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Community based approach to improve the health and nutrition of children, adolescents and women</td>
</tr>
<tr>
<td>➢ Distribution of iron enriched biscuits</td>
</tr>
<tr>
<td>➢ Programs in 4 states and across 36,000 children</td>
</tr>
</tbody>
</table>
Helped us deliver a resilient performance...

**Revenue**
- +11%
- +18%
  - 24-month Growth

**Operating profit**
- +40%
- 18.7% (+390 bps)
  - Operating profit %

**PAT***
- +23%
- 14.9% (+260 bps)
  - PAT %

* PAT growth of 34% after adjusting for the tax gains of Q1’19-20 accounted in Q2’19-20 owing to the new taxation rates

Source: Company Financials – Consolidated Results
Commodity.. Overall Q2 inflation @ ~2-3%
Positive outlook on good monsoon & harvest

Flour
Rs./kg
Q2 Deflation: 5%

Sugar
Rs./kg
Q2 Inflation: 4%

RPO
Rs./kg
Q2 Inflation: 25%

Milk
Rs./Ltr
Q1 Deflation: 21%
Q2’20 Financials
Revenue growth

Consolidated NSV as per published results

<table>
<thead>
<tr>
<th>FY 18-19 (12%)</th>
<th>FY 19-20 (4%)</th>
<th>FY 20-21 (18%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
</tr>
<tr>
<td>2,527</td>
<td>2,855</td>
<td>2,827</td>
</tr>
</tbody>
</table>

Growth%  
6%  6%  4%  2%  26%  11%

24 month growth%  
20%  19%  15%  12%  34%  18%
**Improved profitability**

Consolidated Operating profit as per published results

Percentages indicate operating profit % to Consolidated NSV

<table>
<thead>
<tr>
<th>Consolidated Operating Profit (Rs Crs.)</th>
<th>FY 18-19 (14.3%)</th>
<th>FY 19-20 (14.5%)</th>
<th>FY 20-21 (19.2%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>354</td>
<td>350</td>
<td>669</td>
</tr>
<tr>
<td>Q2</td>
<td>417</td>
<td>447</td>
<td>627</td>
</tr>
<tr>
<td>Q3</td>
<td>409</td>
<td>455</td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td>390</td>
<td>406</td>
<td></td>
</tr>
</tbody>
</table>

**Growth%**

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth%</td>
<td>-1%</td>
<td>7%</td>
<td>11%</td>
<td>4%</td>
<td>91%</td>
<td>40%</td>
</tr>
<tr>
<td>24 month growth%</td>
<td>19%</td>
<td>30%</td>
<td>24%</td>
<td>14%</td>
<td>89%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Consolidated Operating Profit
Key Financial Lines – Consolidated (Reported)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Q2’20-21</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>3,354</td>
<td>11%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>627</td>
<td>40%</td>
</tr>
<tr>
<td>Profit Before Tax*</td>
<td>670</td>
<td>34%</td>
</tr>
<tr>
<td>Profit After Tax (Owner’s share)</td>
<td>498</td>
<td>23%#</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Particulars</th>
<th>12-13</th>
<th>13-14</th>
<th>14-15</th>
<th>15-16</th>
<th>16-17</th>
<th>17-18</th>
<th>18-19</th>
<th>19-20</th>
<th>20-21 Q1</th>
<th>20-21 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit from Operations%</td>
<td>5.7%</td>
<td>8.0%</td>
<td>9.3%</td>
<td>13.2%</td>
<td>12.9%</td>
<td>13.8%</td>
<td>14.3%</td>
<td>14.5%</td>
<td>19.8%</td>
<td>18.7%</td>
</tr>
<tr>
<td>Profit before Tax%</td>
<td>5.8%</td>
<td>8.3%</td>
<td>12.2%</td>
<td>14.7%</td>
<td>14.5%</td>
<td>15.4%</td>
<td>16.1%</td>
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<tr>
<td>Profit after Tax%</td>
<td>4.2%</td>
<td>5.8%</td>
<td>8.9%</td>
<td>9.9%</td>
<td>9.9%</td>
<td>10.2%</td>
<td>10.6%</td>
<td>12.3%</td>
<td>16.1%</td>
<td>14.9%</td>
</tr>
</tbody>
</table>

* Factors interest on bonus debentures @ Rs. 5 Cr per month starting Sep’19.
# PAT growth of 34% after adjusting for the tax gains of Q1’19-20 accounted in Q2’19-20 owing to the new taxation rates.

Source: Company Financials – Consolidated Results
Readiness for future

**Plans to meet growth in demand**
- Greenfield plans: TN, UP, Bihar
- Brownfield plans: Odisha, Ranjangaon

**Dairy backend** expected to be commercialized in FY 22-23

Evaluating **Co-packing opportunities in Africa**

Monitoring **consumer insights & behavior** which will be suitably incorporated in our **medium-term strategy**

Evolving landscape on laws: **Labour Code, Farm Bill.**