



## “Britannia Industries Limited Analyst Meet - Kolkata”

**August 7, 2018**



**MANAGEMENT:** **MR. VARUN BERRY – MANAGING DIRECTOR**  
**MR. N. VENKATARAMAN – CHIEF FINANCIAL OFFICER**  
**MR. GUNJAN SHAH – VICE PRESIDENT (SALES)**  
**MR. ALI HARRIS – VICE PRESIDENT (MARKETING)**  
**MR. MANOJ BALGI – VICE PRESIDENT (PROCUREMENT)**  
**MR. VENKAT SHANKAR -- VICE PRESIDENT (DAIRY BUSINESS)**  
**MR. JAYANT KAPRE -- VICE PRESIDENT (ADJACENT BAKERY)**  
**MR. ANINDYA DUTTA – VICE PRESIDENT (INTERNATIONAL)**  
**MR. VINAY SINGH KUSHWAHA – VICE PRESIDENT (SUPPLY CHAIN)**  
**MR. MANJUNATH DESAI – VICE PRESIDENT (CONSUMER INSIGHTS).**  
**MR. SUDHIR NEMA – VICE PRESIDENT (R&D AND QUALITY).**  
**MR. RITESH RANA – VICE PRESIDENT (HR)**



*Britannia Industries Limited*  
*Aug 7, 2018*

**Sudipta Das:** Good morning, Ladies & gentlemen. Welcome to Hyatt Regency, Kolkata. My name is Sudipta Das. I am the security in-charge of this hotel. I would like to take the opportunity to quickly brief you on the hotel safety and security response procedure, which will enable you to respond, if any emergency during your stay with us.

As you know and probably appreciate that safety and security of our guests and associate is utmost important to us. Ladies and gentlemen during any emergency situation you will be intimated through our public address systems. We advise you to use this side doors to evacuate yourself from the venue and proceed towards safe assembly zone which is Regency Lawn backside of our hotel. There are sufficient signage placed in and around to help to evacuate yourself from this venue. Our staff is also there to guide and assist to reach to the safe assembly zone. Our hotel is covered with all electronic safety devices and six emergency exit routes. Our hotel is monitored under CCTV surveillance 24x7. I am also happy to announce that it takes less than 5 minutes to reach to emergency services to this hotel. Thank you so much. Have a wonderful day.

**Zuhair Abbas:** Good morning. All I would say is, welcome to one and all to this very own grandeur as well as a Centennial celebration of Britannia celebrating its 100<sup>th</sup> Year, and what better ways could it be to celebrate with all you people out here. Ladies & gentlemen, my name is Zuhair Abbas, and I am going to your host. And it is an honor to be a part of this celebration celebrating 100th year.

Well, we have in the audience amongst us, Ladies & gentlemen, our esteemed analysts and our investors. And all I would say is a big hand for all of you all. Could we have a big round of applause for all of you all. Thank you so much for joining us this morning.

Also, what makes this occasion a special one and even more special for all of us, or I would say extra special for all of us is that we have amongst us in the audience today our very own Managing Director Mr. Varun Berry and the entire Executive Committee celebrating this 100th birthday. A big hand for them as well, everybody.

So, I am sure all of you are eager to know what we have in store, what is the 100th birthday all about and what is the new in the 100th year we can expect. So, without any further ado, Ladies & gentlemen, please join me to invite on stage Mr. Varun Berry to kick start the celebration. Could we have a big hand for the gentlemen, everybody.

**Varun Berry:** Good morning, everybody. First of all, a very warm welcome to all of you, to be here, to celebrate the 100 years of Britannia. We are very proud that we have completed these 100 years, there are very few companies which get to this kind of a landmark. And we are here with some success under our collar, so feel good about that.



*Britannia Industries Limited*  
*Aug 7, 2018*

So, what I am going to do is I am going to tell you a story. And the story is starting here. So, it all started in the city of Calcutta, there was a gentlemen called C.H. Holmes and the Gupta brothers who started a new business. And can you guess when this business was started? Let me reveal it, it was started in March 1918. Exactly 100 years ago this business started in Calcutta and we are here in Calcutta to celebrate 100 years. It is so good to be able to do that.

And something very special came into being in that year which was the brand Britannia. And from there to here has been a completely different story, so we are here to celebrate the 100 years of Britannia.

It has been one heck of a ride. Think about it, Rs. 10,000 crores, 80 factories, 100 crores packs a month, 100 billion happy consumers, a global presence, 50,000 associates, 5 million outlets and the largest bakery brand. So, it has been one heck of a ride which we are really proud of and all of us who are here today obviously have not been with the company for 100 years. But the pride that we have in all that has been done by the generations of managers is something which is very-very heartening.

Just a quick look at what we have done in the last five years. So, in the last five years if you look at where we have gone from, we went from 6,000-odd crores to about Rs. 10,000 crores in top-line. And it has been a fairly consistent rise, it has been a double-digit growth as far as top-line is concerned. Our profitability has moved up, operating profit has moved up from 5.7% to almost 14%.

This is the share chart that we have shared with you in the past as well. So, in 2012-2013 there was a gap of about 6% between us and the market leader, and now there is a gap of 3% between us, who is the market leader, and the number two player. So, it has been a great movement in share.

How did we go about doing this? The biggest part and the backbone of what we did was the distribution, and I never get tired of speaking about this story. We had become a little primary sale oriented, we moved the needle from that to being focused on true partnership with our distributors and teaching them how to do business. And if you look at it from about 7 lakh outlets, our direct distribution has gone up to 18.4 lakh in March of 2018. And similarly, our rural distribution, we have got these rural distributors, we had about 5,000 of them, we have moved that to 14,400 in March 2018. Hindi belt scores are pretty good as well, so we have had good growths in the Hindi belt, so those are the four states that we talk about, UP, MP, Gujarat and Rajasthan, and all four states have given us very good growths.

Focused marketing, we did our brand consolidation, we did product re-launches, we did a lot of innovation, we did high impact associations, we have done a lot of innovative consumer promotions and certain celebrity endorsements which have helped us I think, got our brand equity to a much stronger situation than what we were at.



*Britannia Industries Limited*  
*Aug 7, 2018*

We have also invested in our R&D center, and some of you have visited the R&D center. But if you have not, we will be very happy to welcome you there as well. Sudhir is here, Sudhir is our head of R&D and quality, in fact my entire team is here for you to interact with. And we are very proud of this R&D center and we have been able to do a lot of work that we were previously not able to do because of the infrastructure facility as well as the people that we have today in the R&D setup.

Cost efficiency programs, again, something very close to my heart. We have ratcheted these up consistently over the years. We did about Rs. 50 crores in the year 2013-2014 and we have done Rs. 225 crores of cost efficiency programs in the year that has gone by.

Wastage reduction, again the same theme, I am not changing the story, that continues trade load reduction, market returns, the reduction that we have seen in that is all something which is you are aware of all this, and that continues. We have also set up some technologically superior factory across the country. In the last five years we have set up at least five or six factories. The latest one that we are setting up is in Pune, in Ranjangaon, and that is going to be our biggest factory. So, there is a lot of work that has happened on that front. And what that has given us is technological superiority to other players in the market and also efficiencies and control of our own production.

And frankly, what has been the core of all this has been our people and that is why I wanted my entire Ex-com to be here to interact with all of you so that you get to know them and they get to know you. So, the biggest pillar of our people strategy was Britannia for Britannians. We grew a lot of people from within, and actually even in my ex-com you will find a lot of people who have been there two levels below the job that they are doing, but have grown and are doing a fantastic job as an Ex-com member. So, that has been the core. And it has not just been for this group that you will meet here, but this is an indication to even all of the other people in the organization that if you are good we do not care about how much experience you have, we do not care about what is your age, if you are good you will get the job. We also have a very cohesive management today. I must say that that is something that we have worked on very hard and the kind of cross functional work that we do today is tremendous. Each one of us supports the other whenever there is a necessity and that is what builds not just a strong team but a strong business as well. We have also got a young managers group and that represents the young India. India is a very young population and we want a certain group within our management to give us feedback on what the youth or the young consumer is looking at. And we help them grow as well as they help us do the right initiatives for that target audience.

And of course, our market cap has also moved in the right direction. So, we were at about Rs. 7,000 crores and today we are at about Rs. 75,000 crores in about 5 to 6 years. So, that is really the story as far as what we are doing and what we have done. But we will never forget what is the secret ingredient which is the key to our success and we are going to divulge what that secret ingredient is. It is a very special, it is a very unique secret ingredient and let us see for ourselves what is that secret ingredient.



*Britannia Industries Limited  
Aug 7, 2018*

**(Audio-Video Presentation)**

Truly, the secret ingredient has been you. You are the guys who supported us through this phase and we know that you believe in our story. And very-very heartfelt thank you to all of you for being you. We will move on with the story for Britannia and I will come back towards the end and talk about the quarter. Thank you.

**Zuhair Abbas:**

100 years ago, a company began with a vision, a vision to be a part of our life, happiness and much more. A vision built on the value of trust and delight. Well, a vision that made it to India's leading food companies. Ladies & gentlemen, welcome to the Centennial celebration of Britannia. Let the sound of celebrations begin.

**(Audio Video Presentation) New logo unveiled.**

Yes, ladies & gentlemen, let us give it up for our brand new logo as we all set to paint the town with red, yellow and green. Such exciting colors to bring more happiness and more life in a lot of people. With that, ladies & gentlemen, to tell us more about the new look and what it means for the company and what do we have in store in the 100th year, and what does this logo mean to the entire company and to the world.

To tell us more about this, may I please invite on stage Mr. Ali Harris Shere – Vice President, Marketing. Could we have a big hand for the gentlemen, everybody.

**Ali Harris Shere:**

A very good morning to all of you. I am really excited to present the plans that we have for the 100th year of Britannia. You have all seen the new logo. 100 years is a big occasion and this change that we are making is a big change. So, I would say the timing could not have been better. We are 100 years old, but we in Britannia believe that we are 100 years young. And that is why we have a fresh, new, young logo, which will take us into the next 100 years.

Today Britannia is a choice of billion Indians. Just to give you a number, we go to almost 80% to 85% of Indian households only with biscuits. And when you add more categories, the numbers become really, really large. So, we are a house hold name, we are a trusted brand, we are a loved brand of a billion Indians.

So, the question that comes to anybody's mind is why do we need to change? Now the change was required because as they say that in today's world which is changing really fast, it is really, really important to change even to stay where you are. But at Britannia we want to take the next big leap, and for that leap we thought that it was important for us to refresh our identity. It was important to refresh our identity because the world is changing and I am sure all of you can feel this change around



*Britannia Industries Limited*  
*Aug 7, 2018*

all of us. We are a foods brand and we have the ambition of being a total foods company. And from that perspective the association, the perception, the attitudes towards food is changing. What was healthy a few years back is perhaps not necessarily healthy. The kind of lifestyle that people are leading is very-very different. So, the point is, that our consumers are changing with respect to health and that is possibly the reason we also need to change.

While there is a lot of shift that is happening in the space of health, there is also a shift that is happening in the space of taste. And when health is gaining ground it is not that there is a tradeoff happening with taste. So, what consumers are looking for in food is also taste and indulgence. And that is something that we really, really needed to keep in mind.

While there is lots that is changing as far as health aspect is concerned, and the taste aspect is concerned, there have been few things that have not changed, and that is what our consumers love for Britannia, and that love for Britannia is not changing.

Our relationships are very-very strong with consumers, in fact they have grown over the last 100 years. What we think, and that is what the consumers play back to us that in our packets we do not sell biscuits, we carry emotions. When a consumer has to celebrate friendship or a new crush or a deep romance or just a moment of silence, there is a role that Britannia biscuit plays in their lives. And that is something that has not changed, that is something that has stayed the same for many, many years. Our special connect with our consumers has not changed. Our consumers use a Bourbon and a Treat to make friends even today. We bring families together over tea time with say a Marigold. With Good Day we make the country smile. So, that is the connect that we have with our consumers.

Like I was saying that Britannia has a very strong and inherent legacy of goodness and purity and consumers have come back time and again and told us that that is what they trust Britannia for. And the Britannia of the future is going to be built on this foundation of goodness and purity.

So, like I said, there are a lot of things that are changing, but there are certain things that have not changed which is our love with our consumers. And therefore, what we have looked at for our new logo is something that we call internally as fresh consistency. While we have brought freshness, we have made our logo far more contemporary, we have got new colors, at the same time we have not compromised on familiarity and recognition. Even an English illiterate consumer can recognize the old logo of Britannia with the new, and that is something that we have taken extreme, extreme care to stay with.

So, it is time to stay true to our legacy, which is color red. There is a shape of the box which is what is called a chevron, we have kept it as close to the old chevron as possible. Like I said, we have



*Britannia Industries Limited*  
*Aug 7, 2018*

inherent legacy of goodness, we have kept green for goodness, but what we have done is that we have added oodles of excitement with yellow.

And the position that we have for Britannia for the future is exciting goodness. If you look at food the world over, while food does many things other than satisfying hunger, but all those things can be clubbed either under goodness or exciting. Think about it, it is either exciting or good. When we embarked on this journey to change the logo, of course we have done a very-very extensive and comprehensive research with our consumers and what we have found in that research is that where food is about excitement and goodness and Britannia occupies a sweet spot right in the middle of excitement and goodness which is Britannia stands for both excitement and goodness. We have tried to see this dimension for many companies that exist for Indian consumers, and either they are weighed towards excitement or towards goodness, the fine balance that Britannia has is very-very rare. And therefore, we think this position of exciting goodness is something that is very relevant, very powerful and very-very fresh. And that is going to take us to the next few years.

What we have also done with the change of identity is we have got a corporate identity for Britannia for the first time and that is the alphabet B which symbolizes many things, state of being, and that is something that while we are not putting it consumer facing to start with, but over time we are going to take it to our consumers.

So, that is all that I had in this section of the logo. I thought it will be nice to give you a sense of where we are coming from, what is the logic behind the logo. And here is to the next 100 years of Britannia.

But that is not all that I want to talk about. In the 100th year, like I said, it is a big occasion, we have big plans as well. While we are celebrating 100 years internally with our employees, with our partners, with our friends like all of you, we want to celebrate 100 years of Britannia even without consumers. So, there is a very-very solid and extensive consumer campaign that we have put together and we thought it is a good opportunity to showcase that.

But before I get there let me just give a little bit of context again on that front. 100 years is a momentous occasion and Varun spoke about the role that all of you have played in this journey. But our consumers have played a very-very important role in this 100 years, it is their love, it is their trust, and it is their blessings that have taken us this far. And we thought that on this occasion we owed a big thank you to our consumers.

But the question was that who is the Britannia consumer? And as I said, almost 85% of the Indian households get Britannia and therefore it is not one consumer that is Britannia consumer. For this wide spectrum of consumers, we cannot mean one thing.



*Britannia Industries Limited*  
*Aug 7, 2018*

So, the next question is, what is the role that Britannia plays? And here I would like to give an anecdote, and I was talking about it yesterday. A few years back I was doing some consumer work and there was a group, in that group there was a lady and she started to tell us about her story and how Britannia has been connected to her over years. What she told us was that when she was carrying, she was expecting, she was a little worried that the movement of the child was not adequate and it used to play up on her mind. But what used to happen is whenever she used to eat Milk Bikis she used to feel a kick in her tummy. And she felt that it was the taste of Milk Bikis that excited her kid. And whenever she would go for a scan she would eat Milk Bikis before the scan so that report could be fine. So, that is the kind of role that Britannia has played in our consumers lives over the years.

If you were to look at one consumer segment which is a home maker, while we are a fuel to her in terms of her aspiration through Marigold, we enable her for growth and development of a child through Milk Bikis. At the same time for the same consumer a 50-50 brings fun to her life. So, same consumer through different brands we play different roles. Like I said, it I our brands which really make the exciting goodness together because some of our brands are exciting, some of our brand are good. And it is this diversity of consumers, it is this diversity of roles that we play in their lives and the fact that we have many power brands that play these roles in our consumers life that bring alive the symphony of Britannia that Britannia is.

And that is exactly what we have tried to capture in our 100 year campaign. But the key question was that what is that idea which is a relevant idea from a cultural context of this country that can be relevant to each and every consumer of Britannia, because we have a wide spectrum of consumers. So, the idea is that the simple phrase we use when we hear from our friend exactly when we have been thinking about them, what do we say? We say, you will live for a 100 years. And that is the idea that we have taken in our consumer campaign which is extremely apt and universal which connects with the whole of India.

So, the idea is, we have turned 100, thanks to you and your blessings. We have 10 films to show you, I would take this opportunity of showing all ten. Can we have the films please.

**(Audio Video Presentation)**

So, I hope you guys liked the campaign. There are ten films, one for each brand and they all come together to create the symphony that I was talking about which is Britannia, but we really tried to ensure that we capture all consume segments and as many roles as possible that Britannia has played in their lives.





*Britannia Industries Limited*  
*Aug 7, 2018*

What we are going to see is a large media plan and by the end of this month we are going to put this campaign on air, we are going to celebrate with consumers for the next three months and we are really putting a lot of excitement for consumers as we get there.

The next is visual identity, because it is a new Britannia and new Britannia should mean that it should reflect on each of our brands and get that freshness coming on brands. And of course it needs to be in this whole space of exciting goodness, because that is what the new position for Britannia is for our consumers.

And like I said, it is all brought alive through our product brands. So, it is a new fresh identity for Britannia, it is a new fresh identity for our brands. There is a small AV, let us see that to get a sense of what I am talking about.

**(Audio Video Presentation)**

So, that is the new fresh look for Britannia. We sell a billion packs a month, there are many households that we get into, we sell our products in 5 million retail outlets. And what you are going to see is a change over from what we were to the new fresh identity across in a very short period of time. So, look out for a new Britannia when you go out.

Like I said, it is a big occasion and we are also looking at re-launching some of our brands, some of our power brands that we have which are loved brands by our consumers, we are looking at changing recipes wherever required, we are changing packaging for most of them, because in the 100th year we really want to put our best foot forward as far as our brands and products are concerned.

Our core is biscuits, as you all know, 75% of our business comes from biscuits, so strengthening biscuits is really, really important and applying the new fresh look of Britannia on our biscuit portfolio, and therefore a completely reinvigorated portfolio is something that we are looking at over the next six months. And we are going to re-launch some of them. So, what we have put together is a sneak peek into some of the launches. Have a look, you might find some of your favorite brands undergoing some change that you will like.

**(Audio Video Presentation)**

So, the last section in biscuit and biscuit plans is going to be innovation and we will see a lot of innovations but what we have tried to do is put some key ones, three or four big ones that are important. And as you all know that biscuits as a category had not seen disruptive innovations for a long time till we launched Deuce last year and that has been a very-very successful launch for us.



*Britannia Industries Limited*  
*Aug 7, 2018*

What we are going to do is that in the 100th year we are going to do a few more of these disruptive innovations, innovations that have not been done in India for the Indian consumers in the past. And therefore you will see us come up with new formats which are new to the country formats. A small sneak peek, of course we are not telling you what the innovations are, but you will see them in the market, but give you a little bit of hint of what is going to come.

**(Audio Video Presentation)**

So, let me just wrap up the biscuit section very quickly. So, of course you have the new Britannia identity there is going to be new consumer campaign, new visual identity, many of our pillar brands getting re-launched and some really solid innovations in the 100th year. Thank you so much for being a patient audience. Thank you.

**Zuhair Abbas:**

Thank you, Mr. Ali, for that wonderful insight on the 100th year promise. It is looking like a monumental year for all of us and all I could say is not just we cannot wait for it but also we cannot wait to taste what Britannia has in store for us with its 100th birthday. Thank you, Ali, for that wonderful insight.

Ladies & gentlemen, while we see the mega action in biscuits, the new business will also see a mega action in its 100th year, well not just the biscuits but the new business also is going to see a mega action. And to tell us more about this new business, ladies & gentlemen, may I please invite on stage Mr. Jayant Kapre, Vice President, Breads, Cakes, Rusks and Adjacent business. Can we have a big round of applause for the gentlemen to unfold the excitement with a category launch as well.

**Jayant Kapre:**

Good morning, everyone. Just about good morning. Pleasure to be here, pleasure to interact with all of you, and in person rather than the other end of a huddle over a telephone call, which is how we usually interact. The downside of course for you is that I have a license to ramble and bore you as much as I can in the pretext of talking about the future. But on a serious note, great to have all of you here.

Ali has shared what we have done so far. Varun talked about our history as well and what we want to do. And one of the big things that we want to really talk about is our acceleration plan for some of the other businesses. So, am going to very quickly talk about some of the businesses that I handle. These are three existing businesses and some new ones which I will come to shortly. The three that I handle are bread, cake and rusk. Now these are pretty heritage businesses for us, two of them at least. Breads have been around for over six decades and is very much part of the history of Britannia. So, you think about a 100 year old brand, six decades of that is where bread has been part of the history. And because of the number of transactions it is a silent participant in everybody's everyday lives. Cake, Britannia cake has been around for five decades and rusk is a relatively new entrant to our portfolio, just a little



*Britannia Industries Limited*  
*Aug 7, 2018*

over 13 years old, but has been a fantastic contributor to growth, to profitability and is a real nice addition to the portfolio. So, I am going to just talk about these.

So, when we talk about total foods it starts with dominating doing what we do currently much better. And that is populating the space that we are in with a lot more force, a lot more intent than we have in the past. And bread, cake and rusk are businesses where we have had a very good portfolio, much loved by consumers over several years. And what we want to do much more of is to do more innovation, accelerate all of that.

Just to put some context on this, in terms of penetration cake, rusk are fairly low penetration categories in India even today, and there is a lot of headroom to grow these. Some markets like Iran, Indonesia, etc, are markets where cake is a significant part of biscuits or even ahead, whereas in India cake is only 1/15th of biscuits. And you think about that, that is a really major opportunity for us, because cake a great product to be part of macro snacking consumption.

Just to give you another staggering number, there are 200 billion snacking occasions of just the top three socio economic classes in urban India. And when you go further into rural India, etc, these numbers tell you why snacking is going to be such a big space and why every category needs to sweat it out and help Britannia keep growing. The same is true for rusk, bread is of course not so much of a snack as it starts to become a meal almost, so slightly different in that regard.

So, we want to breakthrough into these categories by two strategies really, penetration and adoption. Cake penetration for example is just around double-digit, barely into double-digit into India and that is quite a low number again, again skewed very heavily towards the eastern side of India and the rest of India quite low on penetration. And adoption is something that we want, we want these to be regularly in the consumer's repertoire of products that they have every day and all the time. It should be a product that you reach out to and that is why we are consciously building these.

So, two ways we really want to do this, the first is by creating relevance and generally creating excitement. So, when I say relevance what I am talking about is people should see this as something that they need every day, they reach out for it easily. And the other is, of course, in line with what Britannia is talking about in its 100th year is the excitement factor that you reach out for a product, after all this is snacking, so you reach out for it because you want something exciting and interesting.

The first thing is to create a branded platform, these are all branded businesses, they all sit under the mother brand Britannia and they sit proudly and powerfully, some of them as I mentioned for six decades and five decades. But these are branded businesses, we want to make them convert them from branded businesses to super brands. We have taken the first step this year, three months ago we rebranded Britannia premium rusk as we always called it and we have given it a new name which is



*Britannia Industries Limited*  
*Aug 7, 2018*

Toastea, you will see that in a visual shortly. So, Britannia Toastea is now the Britannia Rusk brand and that is going to be a carrier for innovation

We launched our first innovation under this new platform which is multi-grain Rusk, that's launched two months ago, that is being rolled out in the market, excellent response so far. And likewise, Britannia cake has been more generic for the last decade, it is Britannia cake. Now that is very powerful because Britannia has a great name to have under it, but as we start facing more and more competition, start to make cake a larger platform for us to launch products under it we need more a super brand there too, and you will see action in the next few months in that space from our side.

So, the first step for us, therefore, as we see it is creating super brands in these categories. Innovations will be the key to success. When you think of cake you think of already a little bit of indulgence, you already think there is a bit of greed which comes in, a bit of enjoyment, I mean you want to reach out for a cake, clearly taste is on your mind, taste, high sensorials are on your mind. And when you think of Rusk on the other hand, you think of benefits, you think of comfort food, settling the stomach, your morning should be undisturbed and very positive in that direction. So, that is really what the kind of innovations that we will bring.

And what we are doing to this is we are unabashedly chasing innovation in our 100th year, so we have really defined this year as the year to really blast forward into these categories. And therefore there will be more innovations in cake and Rusk this year, literally by the end of the fiscal than have ever been in the history of these two brands. So, there is a very-very deep innovation plan that we have in place. Our R&D head Sudhir has created a vertical to support these innovations, so we have hired people, we have put solid resource behind it and along with our sales team we are trying to figure out how to roll these out, make sure that each of them have a deep impact in the market. So, there will be really a lot of innovation on cake and rusk.

The portfolio at the end of this year is going to be completely transformed versus the portfolio that we started the year with. And I think that is the kind of task that we have taken upon ourselves for this 100th year for these two businesses. So, let us take a look at what this entails.

**(Audio Video Presentation)**

Well, I hope you found that as exciting as we do. It is obviously a lot of fun developing these products because tasting delicious things is also called work for me and my team. So, it is pretty good fun, even rejecting not so perfect samples is quite exciting, not so much goodness maybe when you overeat a lot of that in the day.



*Britannia Industries Limited*  
*Aug 7, 2018*

The other thing that we want to do, so this is the first, if you think about this as concentric circles really, this is the circle that we really occupy which is each of these categories. And when you look outside of this, and look at the next layer really, what we are talking about is what sits just outside this circle in which we reside which we just talked about populating with more products is other bakery snacking products. And these are products where Britannia has a high rate to succeed because they fit in naturally with us. We are very dominant, we are the market leaders in all the four bakery categories that we occupy at the moment. But we want to get into new bakery adjacencies.

Now what this means is looking at products that are suitable in terms of long shelf life, in terms of being able to have affordable pricing and mass distribution. So, these are the only filters really that we need to look at fundamentally. And what we have done is we have started identifying products, you have all probably heard of our joint venture with a Greek company called Chipita that is for a product called Croissant. And what that is as a product is it is a really nice balance between wholesome nutritious kind of base and indulgence on the other hand, it is almost an epitome of what Britannia exciting goodness product should be in its 100th year, it is almost perfect for that. And that is the space that Croissant really sits in. Look at the success that Chipita has enjoyed across the markets that they have participated in, they have entered these markets and in a very short span of time created an entirely different category. So, we do not see this as a minor innovation, we see this as Varun described quite a blockbuster in the making. It has a lot of inherent strength to it, so it has the branded aspect on the one hand but it also has layers of barriers to entry, this is not an easy product to make well. A lot of people can try local innovation in getting this right, but it is not an easy product to make well. And that is why we have engaged to save on product development time, learning time, etc, with a strong technical partner. So, it is a 60:40 JV that Britannia has with Chipita called Britchip and we are putting in a lot of resource for that. We have a business head for it who leads it, we resource it separately and it enjoys a really good pride of place really in our Ranjangaon facility. So, that is what Britchip is, you will see it launched in a few months and that should be our really big foray.

So, that is really our first big foray into this. What we also want to do is enter multiple new foods categories and there obviously have to be some ground rules around it. So, each time we look at bakery adjacencies Croissant is one of them, cream wafers is another obvious fit for us, we have this product in our overseas and our international business, it is a matter of bringing it to the Indian business. And again it fits in very well with all the criteria that I mentioned, shelf life, affordable pricing, a natural fit with brand Britannia and it fits very nicely under one of our brands which exist already with a similar proposition. So, that is another thing that we can do.

Why we are doing this, it enables us to target a lot of new occasions and new consumer segments. As the company keeps progressing, as the country keeps progressing, you heard Ali talk about looking at Britannia straddling across all consumer segments, one of the consumer segments that is a moving target always is the youth. So, it is almost impossible to predict what they like next, so we are trying



*Britannia Industries Limited*  
*Aug 7, 2018*

to make sure that our biscuits meet their requirements completely. But equally we want to make sure that we have other offerings as well which are attractive, exciting, meet their new needs in terms of active lifestyles that they lead. The fact that they want something new all the time capture some of the mega trends. So, I think doing all this is another thing that is the driver behind some of the categories that I mentioned.

And also talking further about the out of home and active lifestyles that people lead now a days, they want products on the go out of home, some of our products are a natural fit for them, some not so much. So, some biscuits can be used in this context but some cannot and likewise our current cake portfolio as well. So, we are making sure that we have products for these and targeting all of these.

And finally going back to what I was talking about, how do we identify categories, once you have completed all the bakery adjacencies then we also look at other snacking occasions. So, what is next really for snacking, because that is the first go-to place for us. So, I think that is what we will do next.

So, there are one or two other categories that we are looking at really seriously which we are not talking about today, because when we enter categories we want to know and make sure that we are going to be the challenger in some of these new categories. We are in most of the other businesses that we are in already we are the leader, we are defending a strong position and growing the market. But some of the new categories we will get into are where we are a very late entrant, a challenger, we would want to do it with a point of difference and I assure that that is exactly what we are trying to do, we are making sure we have a point of difference and attack these categories very differently. So, there will be more news in that space. While we are not sharing it today, I can assure you it is not too far away, it is just that we want to make sure that we have got exactly everything right. And we also impress and surprise our competition when we do so. So, I would not talk further about it today and let a visual do the talking.

**(Audio Video Presentation)**

So, as you can see we are doing a lot but we also left a bit of a teaser out there so that we have an occasion to communicate more about things in the future. We do not want to open up and bust all our stories all at once. So, we will keep sharing things as we go along. But a lot of exciting things to come and no better time than the 100th year to mark the entry into several new categories and take our vision of global total foods company forward. Thank you very much.

**Zuhair Abbas:**

Thank you, Mr. Jayant, thank you very much for that wonderful insight about what do we have in store. Well, in 1997 when Britannia launched its dairy initiative the company just had few products in the portfolio, well, now Britannia cheese alone comes in 14 different variants. While dairy initiative has come a long way and is set for a brighter future and more smiles across. To tell us more about this



*Britannia Industries Limited  
Aug 7, 2018*

business and to give us the insights of the business, ladies & gentlemen, please join me to welcome Mr. Venkat Shankar, Vice President Dairy business. Can we have a big hand for the gentlemen, everybody.

**Venkat Shankar:**

Still, good morning, I guess. So, I will talk through the dairy business. Dairy is pretty critical for Britannia as we foray into the total foods space. You see, in the space that really matters which is the consumers mind, dairy, biscuits, adjacencies, these are all categories which are fully intertwined, both in terms of associations, occasions, etc. And I would actually venture to say that at scale dairy is going to add a lot of strength back to Britannia's credentials, especially in the health and wellness aspects of the portfolio. Now, looking at our dairy situation we built a dairy platform, we have built a number two position in cheese, we have built our presence in some other critical categories at this stage. And now as Britannia kind of finishes one century and rounds the bend into next one, it is really time to step on the peddle as far as dairy is concerned. And for that we will need great products, and with great products we will need great raw material. And we have really commenced our action on this front through backward integration into the part of the value chain that we had not been present in the first 20 years. In the first 20 years of dairy we have been really building the brand association with dairy and the front end, and now we are finally getting around to capturing our whole backend and the value there. So, we have started our milk procurement program already over the last two to three quarters and are pretty encouraged by the results we see, this is an area which was new to us and we had to get in to convince ourselves that we could really go all the way and scale it up to meet our needs. It is a program that we have built from scratch that we are building from first principles and the whole philosophy of this procurement program is that good dairy farming practices lead to great quality milk. And great quality milk leads to twin economic benefits, one being the farmer's profitability and the second being our procurement efficiencies and costs.

Along with this we are also building our manufacturing facility, it is a facility that will obviously be state-of-art while being reasonable in terms of CAPEX sizing, etc, and will focus on the critical categories that we will want to play in and establish a position of strength. Going forward, however, our dairy business will continue to have a mix of contract packing, both from the perspective of optimizing our CAPEX and from the perspective of the fact that some of the categories that we play will be in fresh dairy categories, which means distance to market will be critical where contract packing would have a play in the whole mix.

Our dairy business really is going to be built on the back of the portfolio choices we make, that is probably the most crucial element and it is pretty obvious that our bias and our skew will be towards a higher value added part of the whole dairy segment, categories that are scalable and profitable and defensible and will play to the current strengths that Britannia has and will be in many ways core to Britannia's own DNA, that is extremely crucial as we set up the dairy business. And as we do this and even as I talk through the whole portfolio we already have a fair amount of action lined up for the rest



*Britannia Industries Limited*  
*Aug 7, 2018*

of the year. In the month of September we will be coming out with our first large launch in a while which is going to be our milk based drinks in the tetra pack format, we will be following that up with a slew of cheese format launches in Q3 and Q4 and some further action and the dairy whitener space as well. So, all these are lined up for this year. And as we press the peddle on the R&D agenda for dairy as well, I think over the next two to eighteen months even as we get into the factory we will be launching a whole set of products. But while all of this is happening we are scaling the back-end concurrently. And we will always need to remember that the action begins for us right in the back end and we will have a look an audio visual for that.

**(Audio Video Presentation)**

As some of you know I am a few months into this role, in fact a few days after I joined we had the call with probably some of you, analyst call, this was about three months ago. And in that call I was struck by the number of questions around dairy and the curiosity that many of you had about dairy. And I really look forward to this opportunity to interact with you all, discuss more and exchange views and thoughts about the dairy story. Thank you very much.

**Zuhair Abbas:**

Thank you so very much. Well, this is for sure true that Britannia is a household name in entire country. But we also believe that there are no boundaries to spread, love, happiness, and delight. Well, with the same topic we are going to take you to our next segment where we are going to talk about expansion in export and the new business venture. Ladies & gentlemen, please join me to welcome on stage Anindya Dutta – Vice President, International Business, to share his thoughts on the international business. Could we have a big round of applause for the gentlemen, everybody.

**Anindya Dutta:**

Our strategy largely has been to as I said leverage the manufacturing in India and seed the markets globally and once we get some scale in the markets which is high potential, we move into those markets with local investments in local manufacturing as well as creating our local distribution like we did in Middle East and that strategy actually has got a lot of impetus in the 100 year as we speak about and I thought it will be good to share with you the two big things that has happened in this year which was also reflective of how the journey is going to henceforth.

So the first thing was to really fuel this expansion worldwide and to efficiently produce in India and to cater to the world, we invested in our factory in a special economic zone, 100% export-oriented unit we created which 1) definitely facilitated service to our customers because we would produce this in about 20-25 factories across west and south and we would then export it from the western ports instead of that now we are now producing in one factory but that's the lower of the benefit. The biggest benefit is that it makes us far more efficient in terms of also cost and access to global inputs in terms of raw materials and everything. So that's really has started about a few months back and this is going to be a big driver for the business going forward.





*Britannia Industries Limited*  
*Aug 7, 2018*

Just wanted to share one more thing about this factory that possibly we are defiantly the only biscuit player who has an export-oriented unit and possibly we are the only packaged-foods company who has created our export-oriented unit fully. That goes a long way to talk about our commitment to go international.

As I said the leg of our strategy is to go local and get investments in to a country and start local operation in the 100<sup>th</sup> year I am very happy to share that we started our Nepal we decided to invest in Nepal. The factory is work-in-progress as we speak and it would be up and running by the end of this fiscal. So we invested heavily in Nepal, we were among the largest FDI in Nepal in this particular year. While we were doing that we obviously moved in a team there with the senior management managing our Nepal business and the set of people who would setup the project. With all the thrust and energy and focus that we put into Nepal we got a market leadership status so now we are the #1 Player in Nepal while we are still exporting from India and we have not even started with our competitive local production. So this goes again a long way to add to our confidence that what we have created in India would have a lot of opportunity out there in many parts of the world. And in line with that henceforth our commitment to ourselves is open one market like what we have opened in Nepal every year. Every year we are going to open one such market through local investment and while we will not talk about specifics here but what you will see happening is some really large markets in the Indian subcontinent and some really large markets in Africa is where you would see us going and expanding our business there. So a lot of excitement ahead for us and I am sure we will share with you time-to-time as we get to do that.

Just a small audio-visual to in a way summarize our 100 year in the international business.

**(Audio-Visual Presentation)**

**Zubair Abbas:**

Thank you so very much Anindya for the International Business update. With that ladies and gentlemen in the 100<sup>th</sup> year we all are show of an action-packed for sure. It is going to be a very action-packed here for sure and we also have the products which are relaunching, new launches, new categories, new manufacturing plants and what not. It all comes together on the 100<sup>th</sup> year. This is what a multi-starrer hit is like. To make superstars and I am sure all of you all are eager to know what the superstar hit is all about. I would like to invite on stage the Director of this multi-starrer, ladies and gentlemen please join me to welcome on stage Mr. Varun Berry. Give him a big round of applause for him everybody one more time.

**Varun Berry:**

Okay, folks. While I know all that we are doing but when I was sitting there and watching everything come together and looking at all of the initiatives that are going to come to the table, it just seems like very-very exciting journey and actually all of us are very-very excited about where we are going and what we are doing. We are hopeful that the bullets going to hit the bull's eye and



*Britannia Industries Limited*  
*Aug 7, 2018*

we will move in the right direction. But it is important that we execute it well, we are executors, all of us in this team are basically executors, we look at things and we decide what are the priorities that we have to follow, we make sure that everything is done to a level of detail and then we move forward.

Now with that just moving to the quarter that has gone by, the Q1 Results if you were to look at what has happened to our top line, the top line has been a good number for us, right, so we have got 14% growth on a consolidated basis for the quarter, which is really good compared to what we have seen in the past 7, 8 quarters and even if you were to look at what is at the bottom which is my favorite, which is what is our 24-month growth, is slowly coming back, so it is coming back from 12% to almost 20%. So, that is very important that we grow quarter-on-quarter and not just on a 12-month basis but also on a 24-months basis.

Why has that happened? I had given you a number for March as far as distribution is concerned and direct distribution is concerned. That number I think was 1.84 million. From March to now we have already added more outlets and wave got into almost 1.9 million outlets in these three months. So, things are moving as far as direct distribution is concerned.

A double-digit growth on rural continues. Rural has been fueling our growth. It has been even through the bad times of demonetization and GST implementation, we had seen rural still at a very healthy number of growth and that continues. Our Hindi belt, numbers have actually accelerated in this quarter; so if you were look at it, Rajasthan has grown at 37% which is a phenomenal number and kudos to the sales team for making this happen and similarly, M.P. at 22%, U.P. at 24%. Some of you had asked me questions why U.P. is slow? U.P. is now also coming to life, so 24% growth in U.P. and 24% growth in Gujarat as well. So, that agenda is moving in the right direction.

We have had some very exciting launches in this quarter. We did the democratized version of Wonderfulls which is at a much more affordable price and that is doing really well, we have got a Jeera version and another fruit version which is doing extremely well, it is priced well and finding its place into the households. We have also relaunched Chunkies in a democratized version. So, actually the most democratized Chunkies you would not have seen in the market because we just launched this month, we launched Rs.20 of Chunkies which is without the outer covers, great product in a plastic tray. So, we have got that plus even the other Chunkies that we have in the carton boxes, there is a lot more grammage in that compared to the earlier Chunkies that we had launched.

We have also got, what is it called, Triple Chocolate version which is out there in the market. So, please try those products, they are very-very good and they are today at a price which is very well



*Britannia Industries Limited*  
*Aug 7, 2018*

comparable to other premium products, it is not completely out of the market and despite that it gives us very good margins

Toastea Jayant spoke about, so I would not delve on that, the whole grain version of Rusk that we have done, has done extremely well. So, quite a few innovations but believe me the journey has just started on innovation, the 100<sup>th</sup> year is going to be a year of innovation and you are going to see a lot of innovation from our arsenal.

On our profitability, we have actually moved up, we have kept our profitability at 14%. Just to remind you that in Q1 of last year, we had scaled down the marketing spends that quarter, because there was disruption in the market because of GST implementation, so we were not spending the kind of money because we were not getting stocks to the consumers. So, we had scaled down and there was scaling down of about 2% in our marketing spends. So, if you were to take that out, the growths have been fairly phenomenal.

Also, our cost efficiency programs are moving in the right direction, I have shown you the numbers, this is just to show that target for '18-19 is also in the same ballpark as what was in '17-18 and just to remind you this cost efficiency programs start of the first day of the year, end of the last day of the year, there is no double counting as we get into the next year. So, these are all absolutely brand new initiatives every year.

We have set up Mundra... again Anindya have spoken about it, we have also commercialized Guwahati, I was there for the commercialization and the inauguration, the Chief Minister was there, the Industries Minister was there as well as the government officials, they have been very-very helpful and I must say that we have got a very good start to our plant in the Northeastern states and similarly Mundra which is moving in the right direction.

Our overall commodity cost have been flat this quarter. While there has been some inflation now but last quarter commodity costs were reasonably flat, so that was something good and what that did was it helped us maintain our pricing, we hardly did any pricing. That is one of the reasons that we have seen very good volume growths in this quarter as well.

Just getting to the financials: You have all seen it, but just to reemphasize that net sales growth of 14%, profit from operations growing 20% and PBT and PAT growing at 19% and 20% each. If you look at the trends, fairly good trends, 5.7 slowly and gradually moving up to 14% of profit from operations, similarly profit before tax from 5.8% to 15.6% and profit after tax from 4.2% to a double-digit 10.2%. So, those are the trends that that and we are very-very delighted with our consistency and we hope that we can maintain that consistency as we go forward.



*Britannia Industries Limited*  
*Aug 7, 2018*

With that I will invite my executive committee on stage so that we can answer questions that you might have... I am sure you have a lot of questions.

**Zuhair Abbas:** As Mr. Berry said, I request the entire Executive Committee Team to join us on stage. Well, ladies and gentlemen, we are going to have a Q&A happening right now. Well, while this Q&A is setup for all our Executive Committee Members, with our Managing Director, if you have a question kindly please make sure you put your hands up, the mic will come up. And we would also love to know your name and your company name. Please do introduce yourself by your name and your company name. And could we have light on the audience so that we get to see everyone.

**Varun Berry:** So, what we will do is, we will do a quick, you know you met some of them but the others who were not on stage we will do a quick introduction so that all of you know what each one of these gentleman do. We will start from that side, you know Jayant, you know Ali, Manoj. Just introduce yourself.

**Manoj Balgi:** Hi. I am Manoj Balgi, I handle Procurement.

**Varun Berry:** So, he is the Vice President, Procurement, Anindya you have met. Gunjan?

**Gunjan Shah:** Gunjan Shah, I head Sales.

**Venkat:** Venkat, I am the CFO.

**Vinay Singh Kushwaha:** Vinay Singh Kushwaha, I head Operations and Supply Chain.

**Manjunath Desai:** Manjunath Desai, I head Consumer Insights.

**Sudhir Nema:** Sudhir Nema, I head R&D and Quality.

**Ritesh Rana:** Ritesh Rana, Head HR

**Varun Berry:** So, that is the team. You can direct questions to any one of us on the stage.

**Rahul:** Congratulations on the 100 years and thanks a lot for the presentation. I just want to start off with the products quality side, the entire re-innovation that you are doing. We are seeing that across food companies, Nestle has spoken about it, a lot of quick service restaurants, Dominos, McDonalds are talking about it. So, just want to understand, if I got your presentation correctly, you said you are relaunching a few of your legacy products like Good Day, 50-50, Nice, etc. Could you talk a little bit about how you are re-engineering these products and how they will be different from what is already in the market? And during the course of the year the products that you are launching, when you say evaluate them three years from now, how much of your existing revenues will they be forming?



*Britannia Industries Limited*  
*Aug 7, 2018*

**Varun Berry:** That is like a machine gun again. So, the first question was about the new launches, innovations. Right? Ali, you want to answer that?

**Ali Harris:** We have a portfolio of products and we look at all our brands every two to three years, naturally. And if there is a competitive pressures or there' is something going wrong, we of course re-look at it earlier. And different products and brands have different needs for change, not all of them require the same change. So, in some we are re-looking at products because we can make them slightly tastier or add a little more of goodness or health. So, that is one, which is the products change. In all of them we are looking at refreshing packaging, so packaging will change in all of them, product will change in some of them. There is going to be fresh advertising for all these brands through a fresh proposition and a platform that we are working on for all of them. And a new go-to-market strategy, which will mean that we will expand distribution for these brands, there is certain visibility that we need, a certain look and feel that we need in the modern trade, distribution expansion, all of that is going to be re-looked at and that is what comprises a re-launch.

**Varun Berry:** Manju, you can give a little bit of an insights on how do you go about looking at what the consumer is looking for?

**Manjunath Desai:** So, we do track the trends on what consumption are and also track what consumers are not saying explicitly, what their other habits are outside the categories that we participate in. So, these are all important input into how we device, how brands are represented to consumers and what they constitute, both the product as well as the packaging. So, these are all inputs that go into it. Ali pretty much captured it into a very neat package.

**Varun Berry:** What was the other question, Rahul?

**Rahul:** I wanted to know how much of these new launches, you are talking about rusk, dairy, these launches. So, from your current product portfolio how much would these new launches contribute as a percentage of your revenue say three years out? You are launching croissants at the end of the month, there is a lot of talk about the others. So, is it going to be like quarter of a revenues three, four years down the line from the way the basket is today?

**Varun Berry:** So, I can tell you about what it is currently. Rahul, currently we have bucket our innovation into two buckets, right, so we got extend innovation which is existing products which have different formats and different flavors etc, and then there is disrupt which is either new to market or new to the company kind of products. So, both these put together they give us about 5% of total revenue. But what we are doing currently is fairly in squarely the space that we are in. So, as we go forward this is only going to go up. Now, your specific question is what is croissants going to contribute? So, what is in our plan is we will get to about 200 crores - 250 crores in three years with that product, which is not a very



*Britannia Industries Limited*  
*Aug 7, 2018*

large portion of our total revenue. But I do think that the product and the format has some magic in it. And what I have seen from other markets like Egypt and Saudi and certain others markets where these process have been launched, they are a fairly large part of the macro snacking category. So, we have the capability to build that out and make it into a fairly large category. So, I do think that if you do everything right we will be putting more investment in this business as we go forward.

**Rahul:** Just one last question, if I may. Sir, you spoke about being judicious in your pricing of these new products. And in your last statement you said that Q1 commodity costs have been benign but have you started to see an uptick in Q2. So, how are you looking to balance your new product launches being judicious in prices and counter rising cost inflation? Is that likely to have a bearing on margins going forward? Thanks.

**Varun Berry:** So, what we do want to do, first of all let me tell you one thing, all our new products are accretive to our business, from a gross margin perspective they are all at a higher level than where we are at as a company. Second thing is, inflation is something that nobody can manage, if there is inflation like, if there is a certain spike in commodity prices then there is no option, there is nothing that we can do internally but take pricing. So, that will have to be done and in times when there is no inflation obviously we do not take pricing and we try to get our profitability through our cost efficiency program. But if the inflation is beyond a certain point then it will have to be a mix of cost efficiency programs as well as pricing that will have to do.

**Abneesh:** Sir, this is Abneesh here. Sir, my first question is to the international business head. So, you plan to enter one new country every year, so what is the capacity of this Mundra factory? What are the cost savings here? And you showed in your presentation Africa, North and Central Africa where I think Parle already has a local manufacturing. So, does the cost saving of Mundra compensate for a local factory?

**Anindya Dutta:** I will take the last question first. Some of these countries, depending on the tariff, your India manufacturing can be competitive. But when I was talking about entering one new geography every year, I meant in terms of local manufacturing in that country and a local distribution. So, the Mundra facility is good for seeding most of the markets, there are markets where we have an access without any tariffs, there the Mundra facility is highly competitive in terms of the local manufacturing in that country as well as other manufacturers within India, if you were to compete with them. So, Africa in most of the places where Parle has a local factory would be a strategy where we would also invest within that country to compete with Parle and the other local players there.

**Abneesh:** Sir, one follow-up here. In Africa some of your brands I have already seen there, obviously not being done by you, someone else has copied even the style, branding and logo, etc. So, is that a challenge in the legal framework, in terms of can you enter now in those brands? And second is, will you do



*Britannia Industries Limited*  
*Aug 7, 2018*

only branded business or you are also open in terms of white labeling, your product is going under some other company's name?

**Anindya Dutta:** Again, taking the second question first. Definitely only we want to focus on the branded business, that is what creates long-term value for us. While we can also be opportunistically looking at, well we have capacities to do some private label. We do a little bit of private label even now and we can extend that to utilize the capacity that we have installed in Mundra. But our primary focus would be to create value for ourselves, and therefore our brands in those countries. I am missing the question you asked before.

**Abneesh:** Has the brand has been registered.

**Anindya Dutta:** So, we have started this journey much before we have started even scanning the markets for investment. We have started this about three years back where we have taken on registering our brand across all the countries that we would ever be interested in, or even in the long-term. So, that is pretty much work in progress, or a large part of it has already been accomplished, barring one or two countries where we could be fighting it out if there is somebody who has done you are saying. But most of the places the Britannia brand and some of the sub brands, the large sub brands that we have in India has we have already got the trademark established.

**Varun Berry:** Abneesh, just one more point here. What he was talking about tariffs, just to put that in context. Bangladesh is right next to where we sit, but we are not able to export any product there because import duties there are 150%. So, we have no footprint in Bangladesh. If we have to get into Bangladesh as a country, we have to start local operations. So, while Mundra will help us for countries where there is a manageable duty, it will not help us for countries like Bangladesh or Nigeria. Nigeria, again, you know it is impossible country to export to because the import duties are very high. So, this will help us to build a very solid export business, Mundra, and then we will populate certain markets which are large population. Nigeria has a 200 million population, if we can get entry into Nigeria or Bangladesh which are both very large markets, then I think it will be right. Now, I also understand that we don't want to break the bank doing this, because there is a lot to do in India as well. So, we have got to do it in a very cost effective way. So, we are not looking at putting hundred crores, like even Anindya was saying we put a lot of money in Nepal, it is a very small amount of money that we put in Nepal, frankly, in the context of what we invest in the country. So, we are not looking at breaking the bank by investing in these countries. If required, and certain countries where we have found the right partners we are willing to go with partners as well. Obviously we will take majority in that venture, but we are willing to go with partners who have the right infrastructure, the right people, the right distribution, etc, etc, so that we can hit the ground running.



*Britannia Industries Limited*  
*Aug 7, 2018*

**Abneesh:** Sir, my second and last question is on the renovation / innovation. So, you did not talk about the bread business in great detail in the presentation, while cake and rusk you devoted a lot of time. In the NCR and Delhi region if you see in the premium bread other players are doing lot of stuff, so is the margin profile not exciting enough for you? So, that is my question in the bread premium. And second is, you said democratization of new innovations, for example, chunkies and Wonder Fills is happening. So, does it mean in the premium segments India is not yet ready, so you have to come back with Rs. 20 product and more grammage, etc. Or is it part of your strategy that first you come with the premium and then you democratize? Is that a conscious strategy or is India is not ready?

**Varun Berry:** On the bread business, basically the margins have improved dramatically. It is still not accretive to our overall business, but the margins are a lot better than what they were before. The priority on the bread business are very basic, we are not looking at creating some completely different products. The priorities there, frankly, the number one priority is profitability, the number two priority is geographical expansion. And just to let you know, the margins in the south are about 1.7 times what they are in the north. And we are very strong as a brand in the south, but we do not have a solid footprint in the south. So, getting a geographical expansion into markets which give us margins as well as recognition of our brand is the second priority, which will also give us the first, which is margins. So, that is why we did not talk too much about, it is in the state that I would say that biscuits was when six years back where we were setting up the foundation. So, we are in the process for setting up the foundations for bread, and hence we are not talking about innovation.

Your second question was about premiumization and democratization. I do think that the country is, the consumers in this country are ready to experiment. So, when we launched all our premium products which were, let's say, the average biscuit price today per kilo is less than Rs. 100, average, across all brands, all companies. We launched biscuits at Rs. 500 rupees a kilo, so it was a 5X pricing. We did get consumers who were very interested in consuming our products and we got that niche, we got that kind of revenue from those guys. Now, while I was appreciated as a product, it would never become scale. So, this was a thinking of can we make it a larger scale, can we create products which can be probably attractive from affordability and taste perspective to consumers who are not right up there but one notch lower. And that has worked beautifully. So, what the initial reaction that we are seeing from the market is that we almost tripled our business as far as Chunkies is concerned, and we are looking at other categories as well where we are looking at doing that strategy. But I guess, to answer your question, maybe 5x was too much for a company like us, maybe it is the right thing to do for a small biscuit company which can deal with a very small business, but for us we need a slightly larger scale. I am not saying that we will not do niche products, we will. But in this case we thought that a larger scale would help us. And that is the reason for us to democratize this.





*Britannia Industries Limited*  
*Aug 7, 2018*

**Zuhair Abbas:** Before we move on to our next question, requesting all our analysts and investors who have joined us, restrict yourself to one question and you can come back later so that everyone gets to hear the question well. If you want to ask again, you are most welcome.

**Percy:** Sir, this is Percy from IIFL. Sir, my question is regarding your 24 month growth that you look at very cleanly. So, in the last three quarters it has been more or less stable at 19% to 20%, and this 20% breakup is 13% this year and about 6% in the base. Now as you go ahead your base becomes unfavorable, you start clocking 12% - 13% kind of numbers in the base. So, your 24 month sort of growth will have to accelerate for you to retain the current growth rates. So, just wanted to understand from you, I mean you have a lot of new launches, re-launches and innovations planned. So, do you think those measures are enough to accelerate the two year growth to 26% to 28% number?

**Varun Berry:** So, we feel fairly excited about the prospects of all our products. And I also think that from an economic perspective and from a consumer perspective the movement is upwards. And this being the election year, there is going to be more money in the hands of the consumers. So, I do think that the trends could continue.

**Percy:** Just another quick one, if I might, on dairy. If you could just give us an idea on what are the products that you are going to focus? Like you are presently in cheese and curd mainly, so are you just going to strengthen your positioning in these two products or will the growth mainly come from diversifying the product portfolio? And if you could just give a flavor as to as of now what is the business in terms of the size and what are the main components of the dairy business?

**Venkat Shankar:** So, let me answer the question of the categories first. There are four main categories that we have been and will continue to intensify are focus on. And these are categories that I talked about, they pass the filters of scalability, profitability and differentiability, where we can create some differentiation and sustain the profitability. These are cheese, yoghurt, drinks and dairy whiteners. We also have presence in categories like ghee, butter & UHT but I want to make a distinction between the first four which I would call key categories, and the others which are more tactical categories of presence. And I will get that out of the way by saying that tactical categories are categories where we are present for reasons other than establishing a strong market share position or some such thing. We are not there to be the number one or the number two. So, for example, when our factory comes on stream we go to process milk and generate a certain amount of fat. That fat needs to be processed and sold. So, our presence in ghee and butter would be more from the perspective of fat balancing as opposed to saying that we will be the number one player in ghee. So, those will be the tactical categories.

Now coming to the four key categories, our focus for dairy. The innovations that we have lined up and continue to work on will largely be in these four. In the rest of the year we are going to see some activity in every one of these four categories. I talked about the Tetra pack based milkshake launch



*Britannia Industries Limited*  
*Aug 7, 2018*

lined up for September, so that is about the drinks category. I talked about cheese formats, for various reasons I may not be able to divulge too much about the other launches but I will talk about the categories and the timing. Cheese is going to see a lot of product format innovations in Q3 and Q4 of this year. Dairy whitener is going to see certain pack format innovations in Q3 of this year. And finally, yogurt is going to see some product innovation, but that will be probably towards the end of Q4. So, these are going to be the four categories. And going into FY20 we will continue to innovate in these four key categories, while retaining our presence in those tactical categories for certain other specific reasons.

**Varun Berry:**

So, just to add to that, Percy. The thing is, it is a two step dance as far as dairy is concerned. So, first step really is to get some muscle into our current business. The first muscle that we have got is Venkat himself, so he has come in and he has joined. We have also strengthened the organization, we got projects person, we have got a consultant got who has got many years of experience with Amul, so we have strengthened the organization, we got a R&D guy from Almarai who has done some very interesting innovations in the Middle East. So, we have strengthened the organization, today we have a much better organization than we had let's say six months back. So, that's first.

Second is about going and making sure that we do our back-end well, which is about milk collection, about processing, etc, that is a long lead time item. So, while the first step is done, the part two of the first step will be the correct in terms of products that we sell, the correction could be in terms of formats, innovation, it could also be in terms of pricing. Because as we get towards the launch from our own facilities, we have to be running faster. So, we will be ready to take off, so we are doing some corrections which are product corrections which is spoken about, some pricing connections which is not spoken about, but you will see in the marketplace. So, that will happen. But the rubber hits the road when we get all this together with the backend and the milk processing also working for us, and that is about 18 months away

**Abneesh:**

Sir, Abneesh. Sir, my question is regarding the outlook on profit margins in context of two things, one being that we have usually seen FMCG companies launching or re-launching one or two brands. But here in a hundredth year we are going to completely re-stage our brands, lot of packaging innovations, a lot of brand re-launches are there. So, what impact it could have? Secondly, are input cost has now started moving up. Because the charts you have shown, like your sugar was down or sugar prices have gone up, wheat prices are firming up, so what could be the impact on profitability and margins given these two events? And thirdly, one maintenance question, what was the reason for sharp decline in our other operating income during 1Q?

**Varun Berry:**

So, I will take the first two and I will leave Venkat to, actually Venkat can take the third one. So, just to tell you, it was about input costs, right? So, as far as input costs are concerned, Manoj will give you the details. You are absolutely right, so what is happening is that as we speak the wheat prices have started to go up because of the increase MSP. But we have been smart, so we done a long cover this



*Britannia Industries Limited*  
*Aug 7, 2018*

time. So, on wheat we are covered right up to the middle of January, and that is huge competitive advantage as far as we are concerned. We do not give outlook on another things, but at least we are covered here, but there is nowhere to run away from inflation. So, the only thing is that we have time to look at where we want to do our pricing. So, we will have to go in for pricing, there is no doubt about that, everyone will have to go in for pricing because the input costs are going up. So, that is the first part of the question, so we will have to do pricing, it will might be a little later than what we would have, if you hadn't been smart in covering some of our commodities, but still pricing will have to happen. And I think starting let's say Q4 this year we will have to do about 4% to 5% pricing on our entire portfolio. So, that is your first question.

**Venkataraman:** The second is on operating income. So, in the first quarter of last year we had fiscal incentives available for our factories in Bihar, Orissa and we also got for the first time the benefit for the factory in Karnataka. So, it is the first time benefit that we got there. If you look at the current year in quarter one, Bihar and Orissa have still not announced the incentive scheme under GST. So, that is therefore not getting recognized, it is only Karnataka that we are recognizing now. So, that is what is causing the difference.

**Varun Berry:** So, basically we are not accruing till we get a clear answer on how they are going to... So, quite a few states have given us the incentives and they have explained how it is going to be given. So, from VAT to GST how is it going to get transition. But as and when the announcement happens every state is saying that they will come back very quickly and tell us what the scheme is. But till that happens we are not accruing.

**Abneesh:** And sir on this brand campaign, the entire hundred year brand campaign, your brand restaging, packaging, so what sort of expenses it could have and can it have some impact on the margins and ad spends?

**Varun Berry:** It is all within our budget, it is all within the same spends that we do, we are just prioritizing. If you look at that it is very smartly done, it is brand right, it is brand first and then it talks about the hundred years. So, it is not that we are going to spend separately on hundred years and separately on the brand, so it is all a part of the same pool.

**Pulkit:** This is Pulkit here from Motilal Oswal Asset Management. Sir two questions, one is, what would be the number of SKUs currently? Are you able to provide all your products to the 5 million outlets? So, for instance, if hypothetically if you were able to do that, how much sales would be higher? And to that extent, as you transform to a complete foods company, I think this could be a challenge, how do you house all your products with limited shelf space.

**Manjunath Desai:** Good point. Just to that point, obviously we cannot provide all of the SKUs to all the outlets. So, if you remember, in the beginning about five years back we had spoken about width of distribution in rural and depth of distribution in urban, it is very important that you have a complete slew of products



*Britannia Industries Limited*  
*Aug 7, 2018*

available in the urban areas. So, to get our depth of distribution in urban we looked at splitting our routes, we have got two salesmen going to the outlet with different set of products. With that we increased our number of SKUs in the outlet almost to double. So, we doubled our number of SKUs in the outlet, so that was the first move. Now in fact we have been discussing this, now that we are getting new categories, we are getting into new products, we have got to again think of what is the next step as far as distribution and innovation is concerned. Innovation is not just in products, innovation is also in process and in functions. So, we are looking at what is the innovation that we bring to our distribution so that we can continue to get that depth in urban areas and we can also build some more depth into our rural areas as we go forward. So, when we are ready with that we will discuss that with you. But there is a lot of work that is happening.

**Pulkit:** My second question is, you talked about exciting goodness and one element of that is health. What is your assessment of how healthy are yours? My sense is biscuits as a category has high fat and high sugar. So, when you talk about focus on health, are you saying that the products will be incrementally healthier, but on an absolute level they still remain where they are?

**Varun Berry:** So, basically we are not saying that our products are therapeutic, it is not a therapeutic product at all. That is why if you think about it, what we coined how many years back was that, 20 years back Eat Healthy Think Better. That started to see a little forced, because it is not healthy, it can be good but it cannot be healthy, so that is why we moved away from Eat Healthy Think Better. And now we are talking about exciting goodness, it is about excitement and yes you have a lot of choices to make, you can have a samosa, pakora, you can have whatever. But you can also have a digestive biscuit. If you think about it, it is a baked product, yes it has got sugar, yes it has got fat and it is flour. So, if you think about it, it is exactly what your roti is or a paratha is, that kind of food. So, it is very basic food which is a dance ide better than all the food that you get on the streets, as well as all the fried food that you get even in packaged form. So, to do that extent it is organoleptically nice and it's also healthier, I am not saying it is healthy but healthier.

**Manish Jain:** This is Manish Jain here from Nomura. I just had a question on your weaker states, these have been growing at a very rapid pace for a very long time now, MP, Rajasthan, etc. What would be the approximate contribution if you could give us a flavor from these states, now given the trajectory of growth we have seen in the last 1, 1.5, 2 years now?

**Varun Berry:** I will let Gunjan answer that. But just to tell you, while we have been growing at a very high pace, our shares are still in the low teens. So, we were not low, I would say low to middle to high teens, in the teens. So, used to be single digit share in most of these states, and it has moved up and is now in the teens. So, there is still a long way to go. But what it contributes, so there are two questions there, what does the industry contribute and what does it contribute to our business? I will let Gunjan answer that.



*Britannia Industries Limited*  
*Aug 7, 2018*

**Gunjan Shah:** It is a very simple question, will need to calculate. But internal contribution is in the range of 18% to 20%, industry contribution my guess, I will need to check the numbers, but would be in the range of about 40%.

**Tejas:** Tejas from Spark Capital. First question pertains to dairy business. You rightly mentioned that there are two parts of the business, first is the front end and the second and more crucial one is the back end. So, to achieve our near-term targets which you said are 18 months away, what kind of sourcing throughput you are looking at in terms of milk procurement?

**Venkat Shankar:** Sorry, what kind of?

**Tejas:** Sourcing throughput you are looking at, the target. You are somewhere around 20,500 liters.

**Venkat Shankar:** Right. Very-very roughly, when we get the factory onstream we will need a program which is about 10 to 15 times the size of this. That is just to dimensionalize the task at the point of getting into the factory. But we need to understand that this particular program, from our perspective, is something that we have time to scale gradually up. The flip side of the fact that Varun said it will take us 18 months to put up the factory is also that we have about 18 months to ramp up our milk procurement balancing all factors. One is obviously we scale up so that when the factory comes up we are on stream, but we can do it at a pace so that there is also a disposal of the milk procured, and we are parallelly building up our learnings. So, we have the luxury of that much time to build it right. And just too reemphasize, I made the point about first principles on our milk procurement program, and we would really like to use these 18 months to make sure that we stay true to those first principles. Because in that at this point scale we are seeing huge advantages for both the farmer and for us, so that is how we would like to progress that procurement program.

**Varun Berry:** And just to share with you, there are so many learnings that we are getting from the milk procurement. So, what are the learning? They are so simple but so powerful, some of it he had in his presentation which was the fact that the farmers are very happy because they find that they are saving a lot of cost in treatment of certain illnesses that the cows have, etc. But some others are even simpler. So, what have we done, you saw it in AV as well, there is a board which is like a score board which is put outside every collection center. So, what usually happens, if you ever go to some of these correction centers you will see that the farmer does not himself involve himself with the with the milk business, it is the farmer's wife or the children who do tending for cows as well as the milking of the cow, as well as giving the milk to the collection centre. So, usually both Venkat and me, we had gone to these collection centers and we were standing outside and looking at the whole collection process. And you would see small children, little girl, 8 years old, a little boy 8 years old who would come with a can of milk. So, what happens is there is a little bit of milk which is taken for testing, so what they do is they put that into a certain equipment and they test two or three parameters. And we also went to the other competitor collection center where they take 100 ml of milk, they test it and they say ok this much fat, this much SNF in this. And bases that there is an agreement on how much money will be



*Britannia Industries Limited*  
*Aug 7, 2018*

given to the farmer. Here first we take very little milk, we take only 30 ml of milk, so the farmer is delighted, there is a saving of 70 ml, that is money in the farmers market pocket. Second, when we put it into the equipment, the equipment automatically flashes how much fat and how much SNF is in that milk. So, there is complete transparency, the child sees it and sometimes makes a mental note, sometime notes it down and takes it home. And there is an automatic intimation to the farmer as well. So, it just makes it so transparent and they feel that the others are fooling them by giving them some numbers across the counter, while our equipment is speaking to them directly without any intermediary. So, those are the kind of simple things. And the objective really is to learn about this business, and that is why we have started so early so that we learn from this and make those smaller tweaks as we go forward and build this collection business into a very, very robust, very transparent, very straight forward business which helps not just us from a quality stand point, but also helps the farmer to make more money.

**Tejas:** So, sir first milestone will be 5 lakh liters or 1million liter procurement as of now?

**Varun Berry** He will need about 3 lakh liters to start,

**Venkat Shankar** slightly south of 3 lakh at the time of the factory commencement. And that is not an indication of the total milk we will need, typically most people will have a mix of milk procured from bulk and from all sources. So, slightly south of three would be our own milk requirement, which is why I said about 10 to 15 times of today's scale.

**Zuhair Abbas:** Alright, we will take the next questions.

**Bhavesh:** This is Bhavesh from CLSA. First of all, congratulations for putting up a great show, especially performance of the little girl was really very nice. My question was on your broad capital allocation policy, so how did you really look into, where do you see Britannia spending money over let's say next three to four years? So, if you have a pie of 100, how much money will incrementally go towards international, towards dairy and especially towards the base business as well as some of the new adjacencies which you spoke about, cake, rusk as well as macro snacking? So, what is your broad capital allocation policy is what I would be keen to know.

**Varun Berry:** So, bulk of the capital is still going to go to the base business, that is the biggest for innovation and for capacity expansion, etc, there will be a huge need for that. As I had said for international, we will look at the most effective way of getting into these markets. So, just to give an idea, and this is hypothetical, but just to give you an idea, if we decide to go in for a joint venture in Nigeria or Egypt and we want to put up a factory there along with our joint venture partner, our share of that investment to get access to 200 million people in that country will be 20 crores to 25 crores. So, it's not about the money, it's about the strategy that we will follow. So, while it seems that there is a big agenda on the international front, the international agenda is going to be driven by very clearly thought through strategies. There will be money going into adjacent business for cake, we are looking advancement,



*Britannia Industries Limited*  
*Aug 7, 2018*

platforms which are very different, which produce very different kind of products. So, there will be some going into that. But I would still say that it will be 75% will go into the base business and only 25% will go into new business as well as international.

**Bhavesh:** And any thoughts on looking at the inorganic opportunity, especially in the international side or even on the dairy side, given that you do have quite decent aspirations to evolve into a total foods company. So, any thoughts on that would be very useful. Thank you.

**Varun Berry:** If something goods comes our way we will certainly look at it.

**Harit:** This is Harit from IDFC. So, I just had one question, it was more to do with the industry. So, if you look at the last one or two years you have come through demonetization, GST, and clearly some of the smaller and regional players on the biscuit side have been more impacted on account of this. Just wanted to know how the industry growth is coming back and you also seeing resurgence of some of the smaller unorganized, probably even the regional players coming back as they kind of change their business models towards the new reality, is that a little bit of a minor competitive headwind for you or do you have that in mind over the next one or two years? Thank you.

**Varun Berry:** No, Actually we haven't seen that happen, we still see a little bit of a depressed business for the smaller players. But you are right, at some stage they will find the right model to operate. What we are doing is we proactively attack those areas, the Hindi belt and the east, we have proactively attacked those areas and we are setting up the right pace, the right distribution. We are not attacking these players directly but we are challenging ourselves to do whatever we are supposed to do much better, and that is giving us the strength in these areas. So, let us hope for the best.

**Harit:** Than was on the industry growth side, are you seeing a pickup overall, industry demand overall coming through also?

**Varun Berry:** Yes, so we have seen a pick up in the industry demand. You can always say that there could be a base factor in there, but I think this year is going to be a lot better than what we have seen in the past. And I hope that demand optimism continues as we go forward.

**Kunal Bhatia:** This is Kunal Bhatia from Dalal & Broacha. Sir, I had just one question in terms of today in the presentation we also presented a lot on innovation and being affordable. So, just wanted to know the price point between 5 to 15, how important is it for the company now vis-à-vis five years hence? And going forward, with these new products how important is this Rs. 5, Rs. 10 and Rs. 15 category for us?

**Varun Berry:** I can tell you that for times to come that is still going to be very-very important, not just for us but for the industry as well. And actually not just the biscuit industry but our entire macro snacking industry, there will be price points which people prefer. So, 5, 10, 15, 20 are very important price point. And we sometimes try to break it, sometimes we try to say ok now why the hell we need to have 10, let's



*Britannia Industries Limited  
Aug 7, 2018*

move to 12. But then we realize that some resistance sometimes from the retailer, sometimes from the consumer, it is all about coinage and stuff like that. So, Ali, what is the current contribution?

**Ali Harris:** A significant contribution, we do around almost 40% - 45% of our business in Rs. 5 and Rs. 10, in fact more between Rs. 5 and Rs. 10. And it is something that we have been driving consciously because we have a large share in the premium segment of biscuits, and consumers want to upgrade. And there is a large segment of biscuit which is at Rs. 5, all the value of players are at Rs. 5. But when they upgrade it is easier for us to upgrade them at the same price point, which is Rs. 5, through a superior product but yes a lower pack weight. So, you give lower pack weight but you give it at the same MRP, and therefore the conversion, the upgrade is easier. And it has really worked for us and we want to try Rs. 5 and Rs. 10 to continue to upgrade consumers from value.

**Varun Berry:** And you got to remember one thing that these price points actually change as the trade changes. If you go to modern trade it is not important, but in traditional trade these price points are very important. In India the trade has not taken that step, modern trade while it is growing a little faster, but it is still very small, it is 11% - 12% of the total mix. So, a large part is still traditional trade and that is not going to go away in a hurry, at least for the next 15, 20 years traditional trade is going to be the most important channel for every company like ours. So, I think it's going to be a slow progress.

**Chanchal:** Chanchal here from Birla Mutual Fund. Sir, my question, when you are trying to become a total food company breakfast plays a very important role, and we have seen many companies enter this category, even Britannia in the past has tried this category. What is your view here? And secondly, when you are talking about macro snacking category, if you can just highlight what are the options you are looking at? Because globally if we see the snack bar is a big category which plays out, any views on this?

**Varun Berry:** So, we are looking at all of those, we are evaluating all of those. Those are still very small in most countries, but I think with a product like that, with Britannia, with the muscle that we have from distribution and manufacturing stand point could be a large opportunity. So, we are looking at all of those, those are all categories that we are looking at. What was your first question?

Yes. So, breakfast also we are evaluating. See, breakfast in India is a warm breakfast is what most people prefer. And if you try to do warm breakfast which is reconstituted, etc, to the consumers it does not feel like what they have at home.

So, whoever finds that opportunity where you can provide a certain breakfast which is sweet spot on what the consumer wants and what can be done from a processed food industry standpoint that could be a big opportunity. But we are also evaluating breakfast.

**Chanchal:** We will look only at baking as a category or are you open to look at...? The reason I am asking this, again, you have seen Hindustan Lever and Marico enter this space in terms of breakfast, so are we focused mostly on the baking space or we will look at this space also?





*Britannia Industries Limited  
Aug 7, 2018*

- Varun Berry** No, we are not putting any constraints on ourselves.
- Aditya:** Aditya from Goldman Sachs. Just quick question on your cost, how much investments that you are making in the new facilities, how much of a cost advantage do you have versus unorganized player? And does that offset for the transportation cost if you were to move goods from your factory to somebody who is locally manufacturing? And just a follow-up on and that, would there be a significant cost advantage versus an ITC and a Parle?
- Venkataraman:** So, as you may be aware, we used to transport our products roughly about 650 kilometers in 2010, currently it is about 375, there is an opportunity for us to bring it further down from 375 to let's say about 250 or so, very similar to what a local player that you are talking about will be transporting. So, that should get bridged one side. Second part, manufacturing cost account roughly for about 8% to 9% of our total cost. So, the efficiencies that we see in the new factories range between about 15% to 20% of what it used to be for us earlier, through technology improvements in fuel and labor and power, roughly.
- Mayur:** This is Mayur from Wealth Managers. Somebody asked the question about size of the dairy business, I did not know if I get it right, but if you can just answer it in a different way also. Now, what will be the proportion of dairy, adjacencies international and biscuits in a percentage terms, broadly currently? And where do you see them three to five years out from there?
- Varun Berry:** So, today it is about 75% is biscuits, 70% is let's a biscuit and then you got the adjacencies which are about 23% which includes dairy, dairy is about 5% - 6% and international which is about 6% - 7%. And what we would want to do is we would like to take this to a much larger contribution, and maybe in five to six years if this can be a 50-50 split that would be great. We also have a brand called 50:-50.
- Mayur:** And secondly on this bonus debenture question, it is not too much of a financial analyst question but just out of curiosity. If bonus would have been given it would have been just a book entry. If we would have gone for a larger dividend or a buyback it would have been a cash outflow. Over here we are postponing the cash outflow after three years in terms of it will be our repayment of the debenture when it happens, but it will need a reduced the capital, but it will definitely reduce the cash. What was the thought process behind going this kind of a situation where postponing the cash flow for the next three years, yet it is not a bonus, yet it will not increase the ROE. So, just to understand where does this thought process come from and what was the logical behind it?
- Venkataraman:** So, while it is a deferment of cash flow for the company, it is not going to be a deferment of cash flow for the shareholders, because these are going to be listed. So, you have the advantage of having it immediately in hand for the shareholders, while you have this deferred for a while for the company. It also gives you an advantage of being able to borrow at a lower rate which has a tax leverage as well.



*Britannia Industries Limited  
Aug 7, 2018*

So, I think it is a combination of both that while we are not denying the shareholder of the cash immediately, we have some advantage of time.

**Vatsal Mody:** Vatsal Mody from Arisaig Partners. I had a couple of questions, one on international and the other one on HR. I will go with the international one first. About a decade back a bunch of FMCG companies in India entered international geographies, specifically Africa. And they have stumbled, they have struggled quite a bit. I just wanted to understand how are you thinking about this? Are there some learnings that you probably gained from their experience, what are the building blocks that you are looking for before you plan to enter into this quite a complex market which is Africa?

**Varun Berry:** So, the building blocks that we are looking at first our right to succeed in that market with the formats that we have. So, there is enough insights and research that is going on there. Second is about the capital that we infuse, as I said, we don't want to break the bank but we want access to a large population. Third is exactly that, how much access are we getting to the population. So, just to give you an idea, Egypt is one market which can give you access to a very large population, because they have got treaties with a lot of country, East Africa, West Africa, Arab world, they have got treaties with all of them. So, those were the kind of things which are coming into being. And also, obviously the local population plus the peripheral population which gives access to other markets, it adds to a lot of muscle that we can build from that. And last but not least, is it a market that we can do business in our own or do we need a partner to go with us in that market. So, those are the criteria that we are looking at. And frankly what you are saying, a lot of people have struggled, while a lot of people have struggled, a lot of companies have done well as well. If you look at Dabur, Dabur has done reasonably well, Godrej Consumers has done reasonably well. So, there are some companies which have done it thoughtfully and have done reasonably well I would say, even Marico has reasonably well, Asian Paints has done reasonably well.

**Vatsal Mody:** I will go to the next question on HR. So, you have built a very strong foundation it seems now with your people resources. What is next in terms of priorities from an HR perspective or a people development perspective?

**Ritesh Rana:** You are right, we have built a strong team. As you may be aware we tried Britannia for Britannia since there is a strong internal pipeline which is helping us build the team strongly. From our next perspective, our aim is to become one of the best places to work and we will continue to drive that and we are half way through in that journey. In HR, our belief is to keep things simple, transparent and make the organization agile, and that is what we are working on and we are in the right direction.

**Vatsal Mody:** How about gender diversity? I see 11 gentlemen here on stage. Any efforts that you are taking on that aspect?

**Ritesh Rana:** I guess for gender diversity in this 11 to come someone will have to leave, and we are not anticipating that as of now. But yes, we are developing people internally and gender diversity is one of the top



*Britannia Industries Limited*  
*Aug 7, 2018*

agendas that we have. And FMCGs in general have struggled on gender diversity because of the availability of the resources, also the kind of rolls that we have. But one of my key result areas does include driving managerial gender diversity and that organization is strongly driving.

**Naveen Trivedi:** I am Naveen Trivedi from HDFC Securities. Considering the high focus on your new product launches, can we expect that your marketing budget would significantly change over the next few years? And if you can share your budgets for the next two years with respect to this?

**Varun Berry:** So, in categories where we are new, so let us take Chipita which is a category which we are entering. There we will obviously have to spend some money up front and make sure that we develop the brand. But in the base business, with the new innovations, etc, it is going to be instead of advertising the base brand we will advertise the innovations. So, it is not going to be a huge increase in advertising and marketing spends, it is probably going to be at the same percentage but with the growth obviously the budget is going to grow.

**Naveen Trivedi:** So, can we expect that it will maintain at 4% - 4.5%?

**Varun Berry:** Yes, it will be maintained about the same.

Thank you very much.

**Zuhair Abbas:** Thank you, ladies & gentlemen. Can we have one more time a big round of applause for our Managing Director and the entire Executive Committee