10th August 2026

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NSE Symbol SUNDROP, Series EQ-Rolling Settlement

Dear Sir(s)/Madam,

Sub: **Disclosure under Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with amendments therein as notified from time to time ("the Listing Regulations") – Transcript of the Investors/Analysts Conference Call held on 07th August 2026**

In continuation to our earlier intimation letters dated 30th July 2026 & 07th August 2026, and pursuant to Regulation 30 read with Schedule III of the Listing Regulations, we are enclosing herewith the transcript of the Investors/Analysts Conference Call of Sundrop Brands Limited (*formerly known as Agro Tech Foods Limited*) ("the Company") held on 07th August 2026 for discussion on the Unaudited Financial Results (Standalone and Consolidated- Limited Reviewed) for the first quarter of the financial year 2026-27.

The transcript is also available on the website of the Company at the following webpage link: https://www.sundropbrands.com/analyst-calls.aspx

You are requested to take this on record.

Thanking you,

Yours faithfully,
For Sundrop Brands Limited
(formerly known as Agro Tech Foods Limited)

KAVITA
Digitally signed by KAVITA
Date: 2026.08.10 12:35:49 +05'30'

Kavita
Company Secretary & Compliance Officer
Membership No.: A-27174
Encl: A/a

"Sundrop Brands Limited Q1 FY27 Earnings Conference Call"

August 07, 2026

MANAGEMENT: **MR. NITISH BAJAJ – GROUP MANAGING DIRECTOR,**
MR. ASHEESH KUMAR SHARMA – CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR
MR. KPN SRINIVAS – CHIEF FINANCIAL OFFICER
MR. ABHINAV KAPOOR – CHIEF EXECUTIVE OFFICER, DEL MONTE BUSINESS
MR. AMITOSH KUMAR BANKA – CHIEF FINANCIAL OFFICER, DEL MONTE BUSINESS

MODERATOR: **MR. AJAY THAKUR - ANAND RATHI SHARES AND STOCK BROKERS LTD.**

Moderator: Ladies and gentlemen, good day and welcome to Sundrop Brands Limited Q1 FY27 Earnings Conference Call hosted by Anand Rathi Shares and Stock Brokers Limited.

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

I now hand the conference over to Mr. Ajay Thakur from Anand Rathi Shares and Stock Brokers Limited. Thank you and over to you, sir.

Ajay Thakur: Hello, good afternoon, everyone. We welcome you all to Sundrop Brands Limited Q1 FY27 Earnings Conference Call hosted by Anand Rathi Shares and Stock Brokers.

From the Management side, we have Mr. Nitish Bajaj – Group Managing Director, Mr. Asheesh Kumar Sharma – CEO and Executive Director and Mr. KPN Srinivas – CFO.

Without much ado, I shall hand over the floor to Mr. Nitish Bajaj for his opening comment followed by Q&A. Over to you, sir.

Nitish Bajaj: Thank you, Ajay and good morning, all. Very happy to be with all of you. I would just like to make one more addition here.

We also have on the call Abhinav Kapoor, who is our CEO for Del Monte Business and Amitosh Kumar Banka, who is our CFO for Del Monte Business. So, that's the Team today available for all of us on the call.

As I go along the presentation, I will keep referring to the slide numbers so that you can relate from where I am making certain comments.

So, starting with my set of presentation, I am moving straight to Page #3.

A quick recap for some of you who may be joining for the first time with us on our vision and mission:

As an organization, we stay true to our mission of bringing joyful food experience to the modern evolving consumers, which means that we would work on a portfolio which has a broader, pna-India or greater India appeal. Of course, we shall continue to deliver it through bringing innovative, delicious and convenient packaged food solutions to our consumers.

Also, as a key part of our thesis of why we are a very good platform, Sundrop Brand has gradually started to emerge now as a food platform with reasonable scale and, of course, a very strong profitable growth opportunity in the periods ahead. We have done it through addition of

Del Monte Foods Business to our portfolio, which happened in February '25. As a combined organization, today we operate in categories which are high growth and also have reasonably strong margins.

We have brought in a very intensive focus on our core portfolio. So, we have made strategic choices around portfolios which we have been investing in over the last 18 to 24 months. And those sharp calls are also starting to show dividends in the way our growth trajectory has shaped up over the last 1.5 to 2 years.

We do have very strong and growing salience in emerging alternate and fast-growing channels, which is specifically to call out modern trade and e-commerce. There our salience is also significantly increasing.

As a Management, our team is focused on profitable growth as a key thesis. We are working strongly to improve our EBITDAs, leveraging the scale benefits, leveraging the platform benefit of our organization, and also consistently looking at cost efficiency and value improvement opportunities for our products and portfolio and the way we operate business.

Overall, thesis has seen a little bit of change. Historically, we were more driven with CapExes within the organization to drive growth as a thesis. We have changed it over the last two years to say that we will follow a capital efficient approach, which means we will use a mix of good manufacturing platform available outside of our own ecosystem also and use third-party systems wherever available and of high-quality order to drive innovation and growth and of course expand the efficiency and utilization of our own capital assets.

And we are also driven to look at both while we grow organically on the portfolio, we are actively also looking at inorganic opportunities, which could help us accelerate the growth momentum of our business.

As a platform today, I am moving on to page number, Slide #5. As a platform today, we have three key brands ACT II, Del Monte, and Sundrop. Just as a quick reminder, ACT II and Del Monte, we have perpetual licenses for greater India geography. When I say greater India geography, it covers India, Sri Lanka, Nepal, Bangladesh, and also Myanmar, Bhutan geographies. So, we have a perpetual license for these two brands. For larger geography, we are also affiliated with the parent companies, and we have exclusivity to be having the first right of anything which they would want to bring in these brands in this part of the country. We of course have global rights for Sundrop brand and these three brands put together form the bulk of our business as we operate today.

Coming to Quarter 1 numbers, I am on Slide #6:

I am very happy to share that we have consistently been delivering accelerated growth trajectory and in this quarter, we have closed the quarter with 15% consolidated revenue growth.

Some key insights to this:

Of course, sequentially, we have grown 11% over last quarter, 15% over previous quarter last year. Within the mix, if I can look at our B2B business has continued to be a shade better than our overall business, growing at 18%.

Our e-commerce, which is very important future growth channel for us, has maintained a strong trajectory ahead of industry growth rates at 32%, which means we are gaining share where in most categories that we operate in.

Our investments:

We have been upping our investment right from Quarter 4 of FY25 in Sundrop business and Quarter 1 of FY26 in Del Monte business. So, as we have moved on that journey, we have also understood much more sharply as to which initiatives are giving stronger outcomes and hence today we operate at a much healthier level of A&P spends as a percentage of total sales and we have been growing them either sequentially or quarter-on-quarter, but overall, our levels is significantly higher than previous years. We have been looking at expanding our margins.

Of course, last year we had seen rapid margin expansion driven by specific initiatives where we had got external partners to look at our cost efficiencies. We have been able to maintain and sustain those and also build on to those. So, in this quarter also, while the environment was very inflationary and we are all aware, we have seen significant inflation in certain commodities, significant inflation in packaging material side, but despite that environment, we have been able to further improve our gross margins by about 110 basis points and as we have closed the quarter, we have closed the quarter with a very stable, healthy EBITDA margins of 7%, which is what we also have achieved very similar number in Quarter 4 of last year.

Moving on to Slide #7, I will give you some flavor of the two businesses inside:

Sundrop business is about 56% of our total business, has grown in Quarter 1 at about 16%, accelerated somewhat from our 14% growth in Quarter 4, 15% growth in Quarter 1 last year and a full year growth of 12% last year.

Similarly, if I look at Del Monte business, which is another 44-45% of our total business, has accelerated to 14% growth, same number in Quarter 4 was about 9%, was in Quarter 1 last year at about 8% and full year last year was about 9%. So, as a group, we have accelerated growth.

The important point I would want to make is whatever we are doing is driving our growth sustainably. So, you are continuously seeing marginal accelerations, but fundamentally we are wired to drive capital efficient growth as of the last week. So, we are continuously working to up the ante, but you would only see on a quarter-on-quarter basis, marginal improvements, which you would have seen over the last year, where we moved from about 4%-5% growth, which we had before we really took the investment thesis on this business to about 15% growth now.

On the choices we have made and now on Slide #8, our core categories where we invest, that business is, of course, showing greater acceleration overall and today contributes to about 60% of our total business, up from about 53% about three and a half years back. This may have gone down a little versus Quarter 4, which was where it stood at about 62% because we are seeing some of our initiatives taken on premium staple, oil business continuing to do well for us and driving growth in line with our overall business growth. So, while that is still not from an advertising set of investment growth portfolio for us, but whatever we are doing on that commodity side management, cost side management is helping us maintain a good growth rate even in our oil business.

I am moving to now Slide #9, which is where our core category and staple business is covered. So, on the Popcorn business, I am very happy to say that we have been consistently maintaining over the last full year and also multiple quarters, a growth rate of close to 18%. And this is backed by a very strong volume growth of 12%. And hence, this is a very strong growth hero, which is driven by our investment thesis for the business.

On Culinary, which is a mix of Ketchup, Mayo and dressings business, we have seen acceleration of growth with growth moving to 15% versus about 10% last year. On the volume side, the business has been growing at about 8%. So, I think our volume growth has been stable. We have been able to increase the pricing power. Also, of course, some of the pricing decisions were necessitated by the commodity environment in this business, which we were able to pass to the consumers while maintaining our wanting growth momentum.

Moving on to premium staples business:

Again, a very strong growth trajectory of 16% in value, 7% in volume versus Quarter 4, it is a shade lower on value at about which was at about 20%. But if I were to look at full year last year perspective, we have maintained the growth rate of about 16%. And from a full-year trajectory, our growth has expanded to 7% this year versus about 3% last year.

Italian business, which I talked about, which is a mix of our Olive Oil and Pasta business. Again, very strong. And this is the first time we are returning to value growth in this business. We had talked about our commodity environment, which has softened in this business in last year, which we had passed on to consumers. Because of which, while we were growing volume, we were seeing value decline last year. As we enter into this year, we are now seeing by choice fructifying into both value and volume growth.

So, our volume growth has been more or less maintained at last year's level of 16% to 17%. While we have returned to 8% value growth. And this value growth should further expand to closer to 15% value growth, if we are able to sustain our volume growth of 15% in the quarters ahead.

Peanut butter or our peanut spread business, that has been a spot of bother for us. We have taken certain calls. I would say we have some signs of recovery on this business, but it still continues to be negative. So, while we were about 8% to 10% negative in value and volume last year, we have been able to bring it to about a 3% decline in this period. I will give you some flavors as we get into category on slides ahead.

Moving on to Slide #10 on the Popcorn business of ours:

Both Ready-to-Eat and Ready-to-Cook formats are showing very, very strong growth. Ready-to-Cook business, which is the historical business, continues to grow at about 9%. This is the way the business had originated for us.

Along the journey, we had also expanded our presence into convenient Ready-to-Eat formats. And that business has been accelerating growth year-on-year and quarter-on-quarter. And we are now running at about 39% growth, up from about 33% growth we had last year. So, the momentum is further strengthening. This momentum, which is expansion in Ready-to-Eat business, is driven a lot by distribution led penetration in the general trade, because we see there is a very strong opportunity to expand the penetration of Ready-to-Eat category in West and South. And we have already been able to demonstrate that in North followed by East. So, North followed by East, we have been able to establish this category very deeply in terms of distribution. And we are working to expand that in West and South, as we go along the growth journey on Ready-to-Eat business.

On Ready-to-Cook business, again, it is a mix of driving new trials through distribution expansion, where our price point plays a very critical role. But we are seeing the evolution of quick commerce channel in the country, that is also helping us drive consumption of in-home, both through Ready-to-Cook formats, and also Ready-to-Eat formats in higher pack sizes and higher price point. So, quick commerce channels are actually helping us drive consumption at home. But that is coming through a mix of both Ready-to-Cook and Ready-to-Eat formats.

We are working to expand our Sweet Popcorn and Cheese portfolio, because in these we see strong growth opportunities. So, in Quarter 1, we did some launches specifically in the Sweet Popcorn area, where we do see strong growth opportunity as our country is a sweet tooth country. And this is one segment which ACT II has historically not exploited. So, we are starting to work in that area as well to drive stronger.

Moving on to Slide #11. On edible oil business, as I said, our growth momentum has been sustained. We are very happy to share that we are now growing in volume. Historically, we have had situations where lack of focus on this category had led to volume declines. But now by maintaining a very selective sharp focus in certain geographies of strength, channels of strength, we are able to now get both volume and value growth in this category. Value growth, I must say, is linked to the inflationary environment in this category. Generally, this category is price sensitive. Our stated position on this category will be to protect volumes. And going forward, we would want to at least grow 4% to 5% on volume terms, outpacing the category growth or at least be in line with category growth on this business.

What we have also done is we have looked at selective innovations, selective channel focus, new pack size introductions, etc., where we found growth opportunities and those initiatives are helping us do well in this category.

Moving on to Peanut Spreads business:

We do face headwinds on this business in modern trade and e-commerce channels because the market moved from plain Peanut Butter formats to more value-added formats like chocolate flavored variants or higher protein fortification variants. We were late to do innovations in those categories and we had seen the impact of that in share. Over the last nine months, we have been able to beef up our portfolio with a full-fledged range in these high growth variants, whether it is high protein segment or a chocolate segment. And that is now starting to see some results in e-commerce, e-commerce channels, where we have returned to a growth of 16%. And that is what is helping us arrest the decline in this business from an 8% to 10% decline last year to a 3% decline as we close Quarter 1.

We are very confident that this strategy will help us return back to growth in this category. Our overall ambition would stay to get our foods business to go at mid-teen to higher-teens level and we would stay focused to get our Peanut Butter business also in this dimension as we move along our investment journey on this business.

Moving on to Slide #13 on the Culinary business, which I said is a mix of tomato Ketchup and Mayo business. This business is fairly distributed business in both retail and B2B side. We are seeing very strong growth in B2B, which is helping us expand this business stronger. But of course, our B2C business is also growing. So, combination of B2B strong growth and specific high intensity channels like e-commerce, modern trade in the retail are helping us drive very strong growth in this business. We are also seeing exports growing on back of some key accounts we have in Southeast Asia, which is helping us grow.

So, overall, this business remains a high investment focus because we do see opportunities to drive growth on the rising consumption of western foods in the country as also on the back of very strong distribution footprint opportunity we have in this business.

Moving on to Slide #14 on our Italian business mix of Olive Oils, Pasta and Ready-to-Eat olives. That business is growing both in volume and value terms at 15% growth in volume and 8% growth in value.

Olive Oil, which is the hero product, which is the core equity driver for this, which is where we have started high investment and are only going to up the ante of investment in the period ahead, has seen very sharp growth of close to 20% in volume terms. Driven by even stronger growth in e-commerce channel where we are increasing our investment pie, but this is of course a category where we will drive both from consumer saliency and general saliency point of view in the journey ahead.

Similarly, Pasta business is again growing by 10% with strong growth in e-commerce and food service channels.

Moving on to Slide #15 on our e-commerce business, this is the highest growth area for us from a channel point of view. We have significantly shifted the focus of organization to invest ahead of curve in this channel. We are also using this channel to drive our innovation, our certain new category entries and that combination of investment plus innovation led growth is helping us deliver 32% growth in this channel.

Very strong growth we have always talked about in quick commerce channel, which was historically also driven with the expansion of quick commerce in the country, but I am very happy to also share that hybrid platforms have also started to grow strongly for us in this area.

More importantly, some of the new categories which we started investing on in the last one year, now we are seeing that business growing 3x to 4x of that nature as we invest to gain shares in those categories. Of course, we are still very small players and that's why the growth today is looking aggressive, but as we build the base, the absolute quantum of increase on that business is also looking very promising.

Overall, our brand spend, and I would want to nuance it for you, I am on Slide #16, have grown from last quarter at about 49%. You would be well aware and many companies in our ecosystem have talked about reclassification of spends, which is linked to how the trade visibility spends, which we would do in modern trade were accounted for. They were typically being included in marketing spends. Now, as per the new guidelines, we are reflecting them as trade spends, so they are being netted off from the sales. As an outcome of this, we do see a sharper growth visible over Quarter 4, but if I do like-to-like comparison, our spends are growing at about 12%-odd versus Quarter 4 and are about 5% lower versus Quarter 1 last year. To nuance it from a definition of 5% lower versus Quarter 1 last year, we had, as I said, gone into investment journey in Sundrop from Quarter 4 of FY25 and in Del Monte from Quarter 1 of FY26.

At that phase, anyway, we had significantly upped our investment. As we have understood the various investment initiatives, today we are in a very strong position to do ROI-centric marketing investment, which is what is the overall thesis on which we will try to go for this business.

Moving on to Slide #17, our automation of salesforce, which was a very critical tool for our productivity of sales organization, that project had worked well. I had talked about us reaching the point where we have the larger retail universe of Sundrop on the platform being achieved in Quarter 4, so that, of course, has continued, but in addition to that, we are now seeing a significant fraction of entire billing, history generation, data generation of our outlet sales coming through this platform. Roughly about 80% of our outlets are today getting billed on this platform. At the end of last quarter, this number was about 75%, and this will, of course, be a very strong initiative for us to optimize our coverage costs for the organization or the platform put together, as also drive productivity improvement initiatives in the channel ahead.

On the margin improvement side, I am on Slide #18:

We, of course, have seen very, very highly inflationary environment. Despite that environment, we have been able to continue and sustain our initiatives where we had led improvements in TechMech, manufacturing and logistics costs. So, overall, on the material side, despite inflationary environment, we have seen 40 basis point improvement versus last year, where we had seen significant improvements of the nature of 200 to 300 basis points, and on other expenses also seen another 70-bps reduction in margins, and that is translating to about 110 basis points improvement in our overall margin.

Moving on to Slide #19 – innovation we have talked about has been now central to our work thesis. We have been expanding our innovation portfolio over the last 12 to 18 months. And if I look at now, what we have launched in the last 24 months, we have launched close to 100 products and we are getting about 4% of our overall sales through this portfolio.

If I also talk about sequentially how it has built up, in Quarter 1, sitting at about 6% of our overall sales, and hence, we are seeing increased traction. We would want roughly about 6% to 8% of our growth, which is, let's say, 40% of our growth ambition, if we have to talk about growth of mid-teens or higher, to be funded out of innovation, and that journey is shaping up very strongly.

Moving on to Slide #20, the entire consolidated P&L statement:

As I talked about it, growth of top line 15%, material size, we have grown a shade lower and hence material size efficiency has improved by about 40 basis points. Our cost side controls are stronger, which is what is helping us improve our margins further. A&P, as I talked about, looks about 12% lower here, but in real terms, this will be about 5% lower. More importantly, I think we need to keep in mind that we are today doing 5% to 6% of our top line being invested on media and promotion.

If I look at core portfolio where we invest, that number now actually, because 60% of our business is core where we invest, that number translates close to about 8% of our investment going in advertising and promotion, and that we are going to maintain or build as we go along in this journey. As an outcome of this, our EBITDA has improved sharply, grown strongly versus last year, and we are sustaining the 7% EBITDA levels, and these are, of course, normalized net of ESOP costs, which we have shared always in the past. So, net of ESOP, we have sustained the numbers of about 7% of top line.

Moving on to Slide #21, I am just summing for all of us why Sundrop Brand is a very strong portfolio to look at:

We do have a portfolio of stable, well-known brands which cater to the needs of evolving Indian consumer who is getting more affluent, who is getting more open to Western Food choices. We do as a platform ride on all consumer megatrends, whether it is increasing consumption of out-of-home, whether it is increasing exploration of new food choices, and of course, our categories are sitting in areas where penetration continues to be a strong driver of growth.

These categories also offer significantly stronger margin versus commodity side, and in some of them today we have leadership position, in some we have a challenger position, but overall, given the context of penetration, growing growth of category, and the share gain opportunity, we do have a very significant headroom for sustainable growth in these businesses.

We would continue to deliver that through investing, making right choices on portfolio, which we have already done, but also right choices on investment vehicles, which we have sharply understood over the last one and a half years of journey, and that will ensure that our growth always remains more capital efficient.

Last two points on this, there is still complementarity on channel and manufacturing strengths. We have started to make some moves in this direction, but there is significant headroom, and over the next one and a half years of journey, you will see that also panning out to drive better improvements in margins and also, of course, continuing our strengthening our growth momentum.

So, that's all from my side. I would like to now close the session from the presentation point of view and open it for Q&A.

Thank you so much.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. First question is from the line of Navin from Ithought PMS. Please go ahead.

Navin: Yes, good morning, sir. Am I audible?

Moderator: Yes, please go ahead.

Navin: Yes, congratulations on a good set of numbers. So, first question is going to be on A&P spends, right? So, sequential increase, year over year dip. So, a little bit more on just two things about this, right? So one, have we become inherently a lot more efficient with our marketing or have we changed area of focus from maybe a particular brand or a particular segment to another? Has cost kind of changed comparatively? A little more on this, please.

Nitish Bajaj: Sure. Thank you, Navin. So, I will just nuance it a little more for you. See, we started the investment journey on portfolio, both in Sundrop and Del Monte in Quarter 4 of FY25 and Quarter 1 of FY26 respectively. And when we got into, we took calls on certain categories to invest. Largely, our focus has remained on those categories. But having said that, we did, for example, take an investment call on Juices portfolio in Quarter 1 of last year. We are saying it is not so core, we have not seen good results, so we are dropping that call. But fundamentally, whatever we have called as a core portfolio in Sundrop, there we continue to invest. And in Sundrop Brands as a business, we have only expanded our investment in Quarter 1. If I talk the same in the context of Del Monte, we started with certain categories, we have only taken a call not to invest in Juices business. Net-net, I also qualified by saying, while you see a 12% decline, if I take the impact of reclassification of trade spends, it's actually 21.4 versus 22.9, which is just about a 5% decline. And that is just the optimization. Overall, I think the confidence you need to have is, investing in portfolio remains a key thesis for our group, and as a management, we will continue to do it. We did have some learning, and these are very smaller set of optimizations, which have been done in one specific portfolio. The core categories, which we have been talking for the last one year, have remained strong on investment, and they will continue to be strong on investment.

Navin: Got it, sir. That's very clear. Just a couple more questions. One question would be Popcorn, right? So, with Ready-to-Eat specifically, we are entering categories like Cheese and Popcorn, where admittedly, a brand like 4700BC has been thriving so far. So, like, could you just help me understand post the acquisition of that brand by a bigger company? Are you seeing some more aggression on the like on ground? Are you seeing more distribution in GT? Would you like to highlight any difference between like our ACT II offerings and those offerings that have been very successful for them?

Nitish Bajaj: Yes, sure. So, we constantly review portfolio evolution. See, we are a category leader in Popcorn business. We constantly monitor how the portfolio has been evolving. And of course, as more players come in category, you see greater dynamics of innovation and investment, which in generally, I would believe is good for the category. We today would hold closer to 85% share of the category. So, we are a very strong dominant market leader. We haven't yet seen any significant shift from the way category was operating pre-acquisition of 4700BC by a large player. From our context, we have, of course, significantly upped the investment. And we have understood which are the choices in portfolio, which we could ride on and expand our share further, and of course, continue to grow. So, Sweet Popcorn, I talked about it. We did see that we have an opportunity to be stronger share or bigger share. And that is what we have picked up and starting to focus on invest behind.

Cheese Popcorn in some pockets, we saw that's a flavor which let's say we were not really leveraging in e-commerce channel. So, we brought that also into e-commerce portfolio so as to expand our growth.

These are, I would still say, constant innovation, constant new opportunities of growth, either by doing category first initiatives or also some initiatives which will help us drive share gain.

Moderator: Sorry to interrupt, Mr. Navin, may we please request you to rejoin the queue for the follow-up? Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants in the question queue, please limit yourself to two questions only. Should you have a follow-up question, please rejoin the queue. Next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Could you call out the volume and value growth of core and non-core as blended core and blended non-core, what will be the volume and value growth?

Nitish Bajaj: Yes, so overall, if I look at, we have talked about 60% of our portfolio is core and that is growing at about 14% to 15% in value terms and about 9% to 10% in volume terms. In the non-core, the oils, which is growing a shade faster in value at about 16%, volume is about 7%. And then in the non-core, outside of oil, and oil is about 20% of our business, edible oil is about 20%. So, contour-wise, you would see that 80% of our business today is growing at about 15% to 16% in value and about 8% to 9% in volume. Balance of the business, which is another 20% of our business, is seeing a very similar or homogeneous growth because we are seeing our CP manufacturing business also seeing good volume traction. We do make energy drinks for certain companies. We are seeing good volume traction in that business. So, blended, that business put together is still continuing to grow at about 15%-odd in value and about 8% in volume. But core portfolio, where we invest, I would say our growth is 9% to 10% in volume and 15% in value.

Pritesh Chheda: My second question is around your key pillars of, if you could call out the key pillars of your growth strategies, not at the brand level, but generally at the overall level, and what will it lead or translate into value and volume growth for the core categories?

Nitish Bajaj: Okay. So, in the key categories that we are investing on, Popcorn, Ketchup, Mayo, and let's say Italian. So, I will first talk about Popcorn, Ketchup, and Mayo.

There, I would say there are three key pillars for growth:

First is, of course, distribution expansion because categories have opportunity to either gain share by category penetration expansion, like Popcorn, or gain share by distribution expansion, which is Mayo and Ketchup.

Second area is, of course, investment because as you want to either gain share or you want new consumers to come in, your media investment needs to go up. So, we are going to invest ahead of curve on these categories.

Third area, specifically for these categories, will be in the area of innovation or new products through which we can do certain share gain strategies.

Coming to Italian business, and Italian business, I would say is still more top-town, metro, and new channel-like e-commerce focus. There, the growth will be driven not so much by distribution, but more by innovation and investments.

And on Peanut Butter, again, I would say innovation is something which will be very central to drive growth for us because we had a catch-up to do. We have already done the catch-up, but we will also want to do certain innovations to drive stronger growth and share recovery in that business.

Pritesh Chheda: What will it lead to value and volume growth for categories? Will we see improvement from what you are doing or what you are recording today in volume?

Nitish Bajaj: So, see, volume growth, intrinsically, if you look at, in most categories, we are seeing 4% to 5% volume growth. We are today already ahead of curve in volume growth, which means we are able to gain some share in most categories. Of course, Popcorn-like categories, we are the ones who define category. But outside of that, I would think sustaining 10% kind of volume growth is what we will really pivot towards. And value growth, we would want to add another, let's say, 4% to 5%. And innovation-led growth could be another 4% to 5%. So, in a longer term, if I can go to high-teens growth, it's something we would aspire for. And broader mix will be 50% through volume, 25% through price, and 25% through innovation.

Moderator: Sorry to interrupt, Mr. Chheda, may I ask you to rejoin the queue?

Nitish Bajaj: Sorry Pritesh to say, when I say 25%, I am talking about mid-25% of mid-teen growth to high-teen growth.

Pritesh Chheda: I got it. Thank you very much. Thank you. All the best.

Nitish Bajaj: Thank you.

Moderator: Thank you. Next question is from the line of Balaji Vaidyanath from Nafa Asset Management. Please go ahead.

Balaji Vaidyanath: Good morning. Thanks for the opportunity. A couple of questions. One is on the Italian portfolio. It seems like we have had a fall in realization to the tune of 6% to 10%. Is it fair to assume that it's some kind of quick commerce discounting that we are doing on this portfolio?

Nitish Bajaj: Sorry, I couldn't understand. Which portfolio did you mention? Italian. Italian portfolio. Abhinav, you want to answer this?

Abhinav Kapoor: Hi. Good afternoon. This is Abhinav. So, see, if you look at the Italian portfolio, Nitish talked about it during his presentation. If you look at the entire of last year, we have been in a commodity deflation cycle. So, essentially, when we buy it, we have been buying it at lower pricing, which we have passed on to the end consumer.

And this is that while we did see volume growth, we did see a value decline last year. Now, this year, for example, with the growth, I would say the price is stabilizing in the market. We have now started to see a value increase, which is coming through. But last year, Quarter 1, the price pass out only started from, I would say, Quarter 2 onwards. Quarter 1, we are still running on higher inventories with the old pricing. So, that is the change that you are seeing right now. This will stabilise going onwards from Quarter 2. So, currently, there is a significant...

Balaji Vaidyanath: It's not any masculine quick commerce discounting, correct?

Abhinav Kapoor: No.

Balaji Vaidyanath: Fair enough. My second question is, you have seen that B2B is roughly growing at about 18% and e-commerce is around 32%. So, is it fair to assume that the GTMT number is probably low single digits in terms of growth?

Nitish Bajaj: You are talking for Del Monte or Del Monte specifically or overall?

Balaji Vaidyanath: Overall portfolio, sir. Overall business.

Nitish Bajaj: So, see, we have shown you the flavor of various categories, right? Now, Popcorn is a dominantly retail business. We have actually no business of Popcorn in the B2B side. That we have said is growing at about 18%. So, it is dominantly retail-led growth. Similarly, Italian business is again dominantly a B2C consumer retail business. That business volume-wise is growing at about 15%. Again, retail growth. Staples or oil is again a fully retail business for us, growing at 16% in value. Culinary is the only business which is a mix of retail and B2B. So, yes, when you are saying, we are saying the growth is around 18 to 20, B2B growth would be sharper and retail growth would be a tad lower. But math is very simple for you to say, if one is going at 18%, the other may be going at 10% to 12% in that range.

Balaji Vaidyanath: Got it. My last question is just a short one. In terms of this edible oil this 15% growth that we have seen, how much of that is price inflation pass-through?

Asheesh Kumar Sharma: So, Narendra Ji, if we see that, it shows we have a 7% volume growth and 15% value growth. So, that is about 9% is the price that we have been able to pass. What we normally look at in edible oil is, we are trying to pass the per kg price increase in absolute terms, so that in the longer term, we manage the absolute profit margin that we make from our staple business.

Percentage margin passing, price increase passing on in staple business is little more difficult because of the commoditized nature. So, we are slowly passing on. So, we passed on almost the entire per kg price increase in staples to the consumer, leading to a 9% price increase. And we got a still a volume growth of 7, taking the total to about 16% value growth.

Balaji Vaidyanath: Got it. Thank you so much and wish you all the best. Thank you.

Moderator: Thank you. Next question is from the line of Siddhesh Deshmukh from IIFL Capital. Please go ahead.

Percy Panthaki: Hi, sir. This is Percy Panthaki here. I just wanted to understand the situation on the merger of the two organizations. So, things like having common distributors for Del Monte and Sundrop, things like merging the internal sales force and so on. So, what is the situation there? What are the kind of timelines, etc.? And when all this is finally completed, how many basis points of savings do you think that this can extract?

Nitish Bajaj: Yes. So, broader pictures is we have been very cautious about it because we want to make sure that we do everything the right way. Now, fundamentally, the only area of overlap, if I see strongly, is the general trade retail coverage. Modern trade is anyway account team structured. So, it is fine. E-commerce, again, is account team structured. We have already consolidated it under a single operation team. So, as we stand today, e-commerce, we are already operationally, while account managers could be different, but we have consolidated it under a single team. Fulfillment of channels still remains CFA-led. We have talked about the fact that CFAs, we are already on the journey of consolidating. So, right now, Del Monte has 10 unique CFAs. About two are already consolidated. Third one is underway. And by end of this year, we should be able to complete larger, let's say, about eight CFA consolidations between Sundrop and Del Monte. So, only two unique CFAs will remain for Del Monte by the end of this year. So, that is already going on.

Coming to your question on sales team. Now, sales team, only in the context of general trade, we need to do it via first the backbone, which we call as the ERP fulfillment of this thing. We are in the journey of ERP evaluation, and very soon, we will also be thinking on how do we want to go about delivering ERP migration to a single set of ERP for two organizations. Post which, and I would say that within next 12 months, we should be able to get to that stage. And post that, we should also see how we can gradually bring the sales organization to be more cohesive. We have done one experiment already in East, where today for the entire East of the country, Del Monte business is being distributed through Sundrop team.

Coming to the last point on what is the kind of value maximization or synergy benefits we see from this exercise. I would say about 200 basis point improvements could be seen from this exercise, but this could be delivered over the period of next 18 months.

Percy Panthaki: My second question is on the overall margin journey. If we have to move from, let's say, 4% to 5% EBITDA margin to, let's say, a low double digit, let's say around a 12% kind of margin over the next about three years or so. So, that's about close to 700 basis points kind of expansion. 200 basis points can come from these measures that you spoke about. What would be the breakup of the remaining 500 basis points?

Nitish Bajaj: Yes. So, firstly, I would just like to first clarify, as we stand today, our EBITDA margin is close to 7%. Of course, there is ESOP, which we have not baked into those numbers. If I was to bake in the ESOP number, the number would be close to 5.66% in that range. So, we are a tad higher, I would say sharply higher also than 4%, which we used to be about a year and a half back. So, that's the first thing.

Now, journey from 7% to 12%, ESOP is a front-loaded cost in the P&L. It will continue for about next, I would say, 18 to 21 months at the level where it is. After that, the next two years, the ESOP cost will be marginal to the P&L. And hence, that in itself should see 100 basis points improvement in delivery, if I were to talk a non-ESOP adjusted number. ESOP adjusted number, I have already told you, is 7% as it stands today. Taking this 7% number, which is ESOP adjusted number to 12%, about 200 basis points I have said could come through how we leverage this energy of operations alone. The balance is, of course, the growth momentum, value maximization through premiumization of portfolio. Overall, our endeavor is to improve our margins by 300 basis points every year, of which we would want to deploy half back to the business and half back to the shareholders. That's the broader thesis.

When I say back to business, that is to ensure we sustain our growth momentum in mid-teens to high-teens level. So, that will give us the scale benefit, margin expansion of another 100 or basis points as we improve our scale and we leverage our assets better. This year, as we are talking about Quarter 1, this is largely a scale benefit because cost side, as we have talked about, it has been an adverse cost environment. We have yet taken price increases to minimize the cost impact. In most areas, we were able to address the cost impact. In few areas where we have contracts where we have B2B, etc., we have been gradual or let's say they haven't followed the curve of price increases. They are, of course, part of constant negotiations with accounts. So, overall, one is we see strong strength in portfolio in terms of rising power. That's one take out.

As we build scale, we do see 100 basis points improvement every year coming to scale. As we improve premiumization, that could also yield another 80 to 100 basis points every year. And through synergy over the next two years, we should get another 100 basis points every year. That's the way you should look at it for the next two years.

Percy Panthaki: So, FY30 12% is a fair estimate.

Nitish Bajaj: Yes, that is the number we would want to get to in three years' time from now.

Percy Panthaki: Got it. That's all from me. Thanks and all the best.

Moderator: Thank you. Next question is from the line of Shirish Pardeshi from Motilal Oswal. Please go ahead.

Shirish Pardeshi: Hi, Nitish. Good afternoon and thank you for the opportunity. I am quite impressed. The trajectory is improving. I was more curious with the Rs. 10 price point on Popcorn RTC disruption. The growth is looking better. But how do you manage the supply chain and what is the contribution this Rs. 10 is going to give, and which are the markets which we have put this product? And similarly, in the e-commerce, what kind of RTC contribution we are getting?

Asheesh Kumar Sharma: Okay. Thank you, Shirish. In the Popcorn section, if we look at the RTC, which is the hot-and-fresh to be made Rs. 10, we continue to expand geographically across the country in all the regions. Because we were already leading there with our Rs. 10 packs. So, that part continues.

Our facilities which are in Kashipur and Kothur continue to produce more and more efficiently because we had headroom of capacity. And as capacity utilization is increasing, that is adding to our profitability on the instant Popcorn business. Now coming to the Ready-to-Eat business, there the Rs. 10 expansion till about last year was predominantly in North. And so we expanded and have now made some inroads in East, West and South, we are working on it and gradually expanding.

Now, the key of a Rs. 10 product lies in two-fold. You have to have assorted manufacturing because two biggest components of cost in pack snack in Rs. 10 is basically your packaging cost and your freight cost. Now, assorted manufacturing is ensuring that our freight costs are under control and as capacity utilization of those plants is increasing, it is becoming better and better in terms of margin.

Now, with the assorted manufacturing, we are also able to optimize packaging costs because we do not have to have a very, very long shelf life. So, with a very efficient four and a half to five-month shelf life, we are able to give fresh products in the market. The third is to build the supply chain efficiently, we use a model which is that we ship a large part of it to the customer or our distributors directly from our factory. So, they receive as good as four or five-day latest manufactured products only for our bag snacks. Now, there are some distributors who are at a much smaller volume which we continue to route through our CFA, but as the volume builds up, we move them to direct shipments. Now, that is the third leg which is adding efficiency in our Rs. 10 packs.

Nitish Bajaj: And just to add one more lever to this entire thing, on e-commerce side, we are also seeing premiumization of bigger pack sizes driving the growth. So, while we are seeing retail being driven at a Rs. 10 price point, in e-commerce, it is Rs. 25 to Rs. 50 price points which are driving the growth. And of late, our focus is, of course, on expanding towards Rs. 50 MRP packs. It's not only our focus, it is also the channel team's or account team's focus to drive greater growth towards Rs. 50 price point packs. And that is also helping us improve EBITDAs. One very important thing which I would like to share is, historically, our Ready-to-Eat Rs. 10 was a dilutive to margin business. But over the last 18 months, we have actually made it accretive to our margin business. So, today, when we see the growth, and of course, it's very similar to the business profile now, but today, our Ready-to-Eat Rs. 10 price point pack or Ready-to-Eat total portfolio does not dilute our margin as it keeps going. It is actually being accretive or in the very same dimension as our core business overall.

Asheesh Kumar Sharma: Also, if you look at the 39% RTE growth, you will find that the bigger packs, as we do, which is more than the Rs. 10 price point packs are growing at 42, and the other ones are growing probably at 33. The better part is that e-commerce, which is larger, is now growing at almost 55%. So, the appearing bigger packs, more profitable ones are growing faster than overall but definitely, the expansion in GT is key to keep building saliency and make an unbeatable mode of distribution.

Shirish Pardeshi: Okay. What I wanted to just check, just follow up. If you are selling Rs. 100 Popcorn Ready-to-Eat, in that, what is the share of Rs. 10 and what is the share of beyond that Rs. 25, Rs. 30? If I look at the e-commerce channel, it's also showing a lot of growth. And even this retail is also showing the growth. So, I think if Nitish is saying that is margin attractive, my only worry is that in the medium-term, is this margin sustainable?

Asheesh Kumar Sharma: So, I think, first of all, what Nitish talked about was the margin of the Rs. 10 also, that is also improving. But the overall margin is what it has come where it is accretive now. In the accretive margin, the bigger pack, last year, probably the ratio would have been one-third, two-thirds. It has probably moved to 64:36 now, with the faster growth. Now, the bigger pack business is about one-third, two-thirds. So, even if it is growing by, say, 10%-15% basis points faster, that ratio would change in only 1% or 2% regularly. But what is happening is the Rs. 10 profitability in absolute is also improving.

Nitish Bajaj: And I think, see, in Ready-to-Eat, as Asheesh said, our capacity utilizations are also rapidly improving. So, while we may have headwinds in the form of commodity inflation or packaging cost inflation, which we witnessed last year, we haven't seen any impact of that in any way. Our margins are only, say, marginally ahead of what they were in Quarter 4 before this situation of packaging inflation came in. So, we have been able to tide over that impact without any kind of margin dilution because we have growth, capacity utilization, the way we manage distribution, freight, the way our larger, bigger packs are growing. All of these are also helping us continuously keep a margin-accretive position. So, I do not see this to be in mid-term becoming a lost leader. We do not really have Rs. 5 portfolio. I think that is also a very important point to consider. Our business is dominantly Rs. 10 or big packs in the ratio of two-thirds to one-third.

Shirish Pardeshi: Got that Nitish. My second and last question is on premium staples. It's looking at the price, and the volume mix is really doing good. But my only fear is that if the price escalation happens, will this 7% volume will fall to zero or how one should look at it because the price equation is the driver for this business.

Asheesh Kumar Sharma: Yes. So, there is one part which is the entire price table of all the commodities. Now, we do understand that the Sunflower is really running a little ahead of others. But just to give you an idea, in our premium staples, we also have Sundrop Heart. Now, we have launched another variant in it, in Sundrop Heart itself with a different blend, which is allowing us to make sure that the least inflated commodity is where we are able to offer our consumers an attractive price. So, while we are passing on per kg, will there be a contraction? Not so much at a consumer level, because we have two different things. But yes, if it happens, we have a safety net below it. We have two variants, one in the form of Sundrop Lite and another in the form of Sundrop Heart Plus, which we have aggressively priced and changing the formulation that we had there. So, we have an approval for those and that is how in the longer run, we will play at both levels. Yes.

Nitish Bajaj: Also, Shirish, if you look at recent history, we are actually talking our volume expanding in the context of commodity inflation. I do understand when the commodity deflates, the value growth may come down. But volume is intrinsically showing good signs with whatever we are doing, even in the context of inflationary environment. So, I would leave it at that because our endeavor would be to grow volumes by 4-5% in a sustainable way in this category. Historically, we had said we would want to hold volume. With more recent experiences over the last one and a half years, we are now coming to a position of saying we would ideally want to grow volume by 4%-5%. Inflation in category can go in either direction, but our endeavor will be to make sure that volume wise we keep gaining share. And I would say 4%-5% will be somewhere in the kind of growth because this category is growing at about 3%-4% year-on-year in volume terms. So, we want to at least play the category game and continue not making this business a loss in margins or decline in margins as a business.

Shirish Pardeshi: Okay. Just one quick follow-up on this. This is in connection with the Sundrop only. So, Nitish, this Sundrop Heart Jodi Pack will continue throughout the festive season or it's a tactical offer?

Nitish Bajaj: It will continue throughout. It's something which we had as a mode or let's say a strength in our Sundrop Superlite business. We thought it's also an opportunity to make the same proposition and get some trade pull for a proposition which is already successful in our Superlite business. So, it will continue.

Pritesh Chheda: Okay. Thank you and all the best.

Nitish Bajaj: Thank you.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, we will take the last question from the line of Nachiket Kale from Emkay. Please go ahead.

Nachiket Kale: Yes. Hi. Thank you, sir. And thanks for the great insights at the start of the call. So, the segmental insights were really helpful. I just have one question on the Peanut Butter category. I realized we have run into a little bit of a headwind there. So, could you emphasize what's the strategy, I understood the quick comm and Ecom is doing well but as a category, there's intense competition even from some PE funded separate brands as well. So, could you just elaborate further on that?

Nitish Bajaj: Sorry, I would like to understand, when you talked about P&L has got into some headwind, what is the specific concern you are picking up? If I could also nuance it or answer that better.

Nachiket Kale: So, the headwind being competition in the Peanut Butter category.

Nitish Bajaj: Oh, you are talking about Peanut Butter.

Nachiket Kale: Yes, the entire question is on Peanut Butter.

Nitish Bajaj: I somehow heard it as P&L. My apologies. On the Peanut Butter, see, I think India is seeing a very strong protein wave. When we launched Peanut Butter business in the country for the first time, and this was done somewhere in 2010, that time there wasn't any protein wave. So, we had built our category on the proposition of strength and immunity. And as the table spread, the family can consume. So, it wasn't really in the domain of protein as a promise. It was overall good health as a promise, which is what Sundrop as a brand stands for. So, we thought Sundrop as a brand stands for good health. We bring another variant, which is all about good health for the family in the form of Peanut Butter. And that journey helped us establish this category in the country.

Somewhere in the post-COVID era, we have seen protein wave becoming very, very strong. And many players brought in two, three innovations in this area. One came in the form of higher protein variants, where you fortify by adding whey or other forms of protein.

Second came in the form of natural protein butter with which you are not adding any stabilizer, so that your proposition is 100% natural.

Third came because peanut is not a natural taste for Indian palate, came in the form of chocolate, which is a more acceptable taste.

And all these three innovations really took off in the e-commerce channel. We have lost out that race because we did not have any of that product in the portfolio. Today, the market is about 15% in the form of standard Peanut Butter, where we operate in e-commerce and 85% in the form of value-added Peanut Butter. We have about 33% share in the standard Peanut Butter market. We have a 3% share in the value-added Peanut Butter market.

We have brought in now the innovation; our endeavor will be to get to strong double digit and then maybe take it to our natural share over a period of time. We intrinsically believe that we have a quality ecosystem, a manufacturing ecosystem and brand power to be able to do that shift in this category and get improvement in our share significantly to get to double digit in near term and possibly go for our natural share in the longer term. And so that is, of course, what we are talking today is catch up.

We are also working on the side of certain new innovations, like the way the category codes were changed by bringing some new tastes, by bringing some new fortifications. We are also working at our own side on certain new innovations, which could help us further expand the value-added offerings in this space. Through these initiatives, we are very confident that we should get to our growth ambition or our share levels in the longer term and immediately get to stronger growth recovery in the next few quarters.

Nachiket Kale: Yes, true sir. As a customer also got introduced to this category through your product, but it feels like there are multiple subcategories in that segment where you could expand your share. So, thanks for the insights on that front and any insights which you could share on how would you be looking to market it because especially the newer brands, as you rightly said, were taken up the space. They are lot more on the digital front and we keep seeing them spend a lot and they are not inclined towards making profits anytime soon. That competition is tough in that sense.

Nitish Bajaj: Yes, we are cognizant of the operating model. We have already put in very strong team in control of our e-commerce business. And that is what you are seeing in category-after-category, our e-commerce growth is sharper or better than our growth overall and in general, is always ahead of market growth. And that is what we would want to achieve here also. We would, of course, invest in consumer acquisition and brand equity through new-age digital channels. So, we are also putting a full program in place on investing in digital ecosystem for Peanut Butter recovery. So, we will have to play the game as it is being played, that we are cognizant of. We do, of course, have our own manufacturing. So, we do have ecosystem to do it in a sustainable cost basis as we go ahead. So, from the cost side or margin side, we aren't really worried here. We think the value-added offerings anyway offer premium pricing. And hence, as we intensify our effort on gaining share in the value-added side, we can do it profitably.

Nachiket Kale: Thank you so much. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to the Management for the closing comments.

Nitish Bajaj: So, I know we have already over-exceeded the time. So, I would like to thank you all for your questions. If there are any set of questions which we have not been able to answer, I would request you to reach out to our Company Secretary – Kavita and Management and all of us will be happy to respond back to you and address your questions and queries. Thank you so much and wish you all the best.

Moderator: Thank you, sir. On behalf of Anand Rathi Shares and Stock Brokers Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.

"Sundrop Brands Limited Q1 FY27 Earnings Conference Call"

August 07, 2026

MANAGEMENT: **MR. NITISH BAJAJ – GROUP MANAGING DIRECTOR,**
MR. ASHEESH KUMAR SHARMA – CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR
MR. KPN SRINIVAS – CHIEF FINANCIAL OFFICER
MR. ABHINAV KAPOOR – CHIEF EXECUTIVE OFFICER, DEL MONTE BUSINESS
MR. AMITOSH KUMAR BANKA – CHIEF FINANCIAL OFFICER, DEL MONTE BUSINESS

MODERATOR: **MR. AJAY THAKUR - ANAND RATHI SHARES AND STOCK BROKERS LTD.**

Moderator: Ladies and gentlemen, good day and welcome to Sundrop Brands Limited Q1 FY27 Earnings Conference Call hosted by Anand Rathi Shares and Stock Brokers Limited.

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

I now hand the conference over to Mr. Ajay Thakur from Anand Rathi Shares and Stock Brokers Limited. Thank you and over to you, sir.

Ajay Thakur: Hello, good afternoon, everyone. We welcome you all to Sundrop Brands Limited Q1 FY27 Earnings Conference Call hosted by Anand Rathi Shares and Stock Brokers.

From the Management side, we have Mr. Nitish Bajaj – Group Managing Director, Mr. Asheesh Kumar Sharma – CEO and Executive Director and Mr. KPN Srinivas – CFO.

Without much ado, I shall hand over the floor to Mr. Nitish Bajaj for his opening comment followed by Q&A. Over to you, sir.

Nitish Bajaj: Thank you, Ajay and good morning, all. Very happy to be with all of you. I would just like to make one more addition here.

We also have on the call Abhinav Kapoor, who is our CEO for Del Monte Business and Amitosh Kumar Banka, who is our CFO for Del Monte Business. So, that's the Team today available for all of us on the call.

As I go along the presentation, I will keep referring to the slide numbers so that you can relate from where I am making certain comments.

So, starting with my set of presentation, I am moving straight to Page #3.

A quick recap for some of you who may be joining for the first time with us on our vision and mission:

As an organization, we stay true to our mission of bringing joyful food experience to the modern evolving consumers, which means that we would work on a portfolio which has a broader, pna-India or greater India appeal. Of course, we shall continue to deliver it through bringing innovative, delicious and convenient packaged food solutions to our consumers.

Also, as a key part of our thesis of why we are a very good platform, Sundrop Brand has gradually started to emerge now as a food platform with reasonable scale and, of course, a very strong profitable growth opportunity in the periods ahead. We have done it through addition of

Del Monte Foods Business to our portfolio, which happened in February '25. As a combined organization, today we operate in categories which are high growth and also have reasonably strong margins.

We have brought in a very intensive focus on our core portfolio. So, we have made strategic choices around portfolios which we have been investing in over the last 18 to 24 months. And those sharp calls are also starting to show dividends in the way our growth trajectory has shaped up over the last 1.5 to 2 years.

We do have very strong and growing salience in emerging alternate and fast-growing channels, which is specifically to call out modern trade and e-commerce. There our salience is also significantly increasing.

As a Management, our team is focused on profitable growth as a key thesis. We are working strongly to improve our EBITDAs, leveraging the scale benefits, leveraging the platform benefit of our organization, and also consistently looking at cost efficiency and value improvement opportunities for our products and portfolio and the way we operate business.

Overall, thesis has seen a little bit of change. Historically, we were more driven with CapExes within the organization to drive growth as a thesis. We have changed it over the last two years to say that we will follow a capital efficient approach, which means we will use a mix of good manufacturing platform available outside of our own ecosystem also and use third-party systems wherever available and of high-quality order to drive innovation and growth and of course expand the efficiency and utilization of our own capital assets.

And we are also driven to look at both while we grow organically on the portfolio, we are actively also looking at inorganic opportunities, which could help us accelerate the growth momentum of our business.

As a platform today, I am moving on to page number, Slide #5. As a platform today, we have three key brands ACT II, Del Monte, and Sundrop. Just as a quick reminder, ACT II and Del Monte, we have perpetual licenses for greater India geography. When I say greater India geography, it covers India, Sri Lanka, Nepal, Bangladesh, and also Myanmar, Bhutan geographies. So, we have a perpetual license for these two brands. For larger geography, we are also affiliated with the parent companies, and we have exclusivity to be having the first right of anything which they would want to bring in these brands in this part of the country. We of course have global rights for Sundrop brand and these three brands put together form the bulk of our business as we operate today.

Coming to Quarter 1 numbers, I am on Slide #6:

I am very happy to share that we have consistently been delivering accelerated growth trajectory and in this quarter, we have closed the quarter with 15% consolidated revenue growth.

Some key insights to this:

Of course, sequentially, we have grown 11% over last quarter, 15% over previous quarter last year. Within the mix, if I can look at our B2B business has continued to be a shade better than our overall business, growing at 18%.

Our e-commerce, which is very important future growth channel for us, has maintained a strong trajectory ahead of industry growth rates at 32%, which means we are gaining share where in most categories that we operate in.

Our investments:

We have been upping our investment right from Quarter 4 of FY25 in Sundrop business and Quarter 1 of FY26 in Del Monte business. So, as we have moved on that journey, we have also understood much more sharply as to which initiatives are giving stronger outcomes and hence today we operate at a much healthier level of A&P spends as a percentage of total sales and we have been growing them either sequentially or quarter-on-quarter, but overall, our levels is significantly higher than previous years. We have been looking at expanding our margins.

Of course, last year we had seen rapid margin expansion driven by specific initiatives where we had got external partners to look at our cost efficiencies. We have been able to maintain and sustain those and also build on to those. So, in this quarter also, while the environment was very inflationary and we are all aware, we have seen significant inflation in certain commodities, significant inflation in packaging material side, but despite that environment, we have been able to further improve our gross margins by about 110 basis points and as we have closed the quarter, we have closed the quarter with a very stable, healthy EBITDA margins of 7%, which is what we also have achieved very similar number in Quarter 4 of last year.

Moving on to Slide #7, I will give you some flavor of the two businesses inside:

Sundrop business is about 56% of our total business, has grown in Quarter 1 at about 16%, accelerated somewhat from our 14% growth in Quarter 4, 15% growth in Quarter 1 last year and a full year growth of 12% last year.

Similarly, if I look at Del Monte business, which is another 44-45% of our total business, has accelerated to 14% growth, same number in Quarter 4 was about 9%, was in Quarter 1 last year at about 8% and full year last year was about 9%. So, as a group, we have accelerated growth.

The important point I would want to make is whatever we are doing is driving our growth sustainably. So, you are continuously seeing marginal accelerations, but fundamentally we are wired to drive capital efficient growth as of the last week. So, we are continuously working to up the ante, but you would only see on a quarter-on-quarter basis, marginal improvements, which you would have seen over the last year, where we moved from about 4%-5% growth, which we had before we really took the investment thesis on this business to about 15% growth now.

On the choices we have made and now on Slide #8, our core categories where we invest, that business is, of course, showing greater acceleration overall and today contributes to about 60% of our total business, up from about 53% about three and a half years back. This may have gone down a little versus Quarter 4, which was where it stood at about 62% because we are seeing some of our initiatives taken on premium staple, oil business continuing to do well for us and driving growth in line with our overall business growth. So, while that is still not from an advertising set of investment growth portfolio for us, but whatever we are doing on that commodity side management, cost side management is helping us maintain a good growth rate even in our oil business.

I am moving to now Slide #9, which is where our core category and staple business is covered. So, on the Popcorn business, I am very happy to say that we have been consistently maintaining over the last full year and also multiple quarters, a growth rate of close to 18%. And this is backed by a very strong volume growth of 12%. And hence, this is a very strong growth hero, which is driven by our investment thesis for the business.

On Culinary, which is a mix of Ketchup, Mayo and dressings business, we have seen acceleration of growth with growth moving to 15% versus about 10% last year. On the volume side, the business has been growing at about 8%. So, I think our volume growth has been stable. We have been able to increase the pricing power. Also, of course, some of the pricing decisions were necessitated by the commodity environment in this business, which we were able to pass to the consumers while maintaining our wanting growth momentum.

Moving on to premium staples business:

Again, a very strong growth trajectory of 16% in value, 7% in volume versus Quarter 4, it is a shade lower on value at about which was at about 20%. But if I were to look at full year last year perspective, we have maintained the growth rate of about 16%. And from a full-year trajectory, our growth has expanded to 7% this year versus about 3% last year.

Italian business, which I talked about, which is a mix of our Olive Oil and Pasta business. Again, very strong. And this is the first time we are returning to value growth in this business. We had talked about our commodity environment, which has softened in this business in last year, which we had passed on to consumers. Because of which, while we were growing volume, we were seeing value decline last year. As we enter into this year, we are now seeing by choice fructifying into both value and volume growth.

So, our volume growth has been more or less maintained at last year's level of 16% to 17%. While we have returned to 8% value growth. And this value growth should further expand to closer to 15% value growth, if we are able to sustain our volume growth of 15% in the quarters ahead.

Peanut butter or our peanut spread business, that has been a spot of bother for us. We have taken certain calls. I would say we have some signs of recovery on this business, but it still continues to be negative. So, while we were about 8% to 10% negative in value and volume last year, we have been able to bring it to about a 3% decline in this period. I will give you some flavors as we get into category on slides ahead.

Moving on to Slide #10 on the Popcorn business of ours:

Both Ready-to-Eat and Ready-to-Cook formats are showing very, very strong growth. Ready-to-Cook business, which is the historical business, continues to grow at about 9%. This is the way the business had originated for us.

Along the journey, we had also expanded our presence into convenient Ready-to-Eat formats. And that business has been accelerating growth year-on-year and quarter-on-quarter. And we are now running at about 39% growth, up from about 33% growth we had last year. So, the momentum is further strengthening. This momentum, which is expansion in Ready-to-Eat business, is driven a lot by distribution led penetration in the general trade, because we see there is a very strong opportunity to expand the penetration of Ready-to-Eat category in West and South. And we have already been able to demonstrate that in North followed by East. So, North followed by East, we have been able to establish this category very deeply in terms of distribution. And we are working to expand that in West and South, as we go along the growth journey on Ready-to-Eat business.

On Ready-to-Cook business, again, it is a mix of driving new trials through distribution expansion, where our price point plays a very critical role. But we are seeing the evolution of quick commerce channel in the country, that is also helping us drive consumption of in-home, both through Ready-to-Cook formats, and also Ready-to-Eat formats in higher pack sizes and higher price point. So, quick commerce channels are actually helping us drive consumption at home. But that is coming through a mix of both Ready-to-Cook and Ready-to-Eat formats.

We are working to expand our Sweet Popcorn and Cheese portfolio, because in these we see strong growth opportunities. So, in Quarter 1, we did some launches specifically in the Sweet Popcorn area, where we do see strong growth opportunity as our country is a sweet tooth country. And this is one segment which ACT II has historically not exploited. So, we are starting to work in that area as well to drive stronger.

Moving on to Slide #11. On edible oil business, as I said, our growth momentum has been sustained. We are very happy to share that we are now growing in volume. Historically, we have had situations where lack of focus on this category had led to volume declines. But now by maintaining a very selective sharp focus in certain geographies of strength, channels of strength, we are able to now get both volume and value growth in this category. Value growth, I must say, is linked to the inflationary environment in this category. Generally, this category is price sensitive. Our stated position on this category will be to protect volumes. And going forward, we would want to at least grow 4% to 5% on volume terms, outpacing the category growth or at least be in line with category growth on this business.

What we have also done is we have looked at selective innovations, selective channel focus, new pack size introductions, etc., where we found growth opportunities and those initiatives are helping us do well in this category.

Moving on to Peanut Spreads business:

We do face headwinds on this business in modern trade and e-commerce channels because the market moved from plain Peanut Butter formats to more value-added formats like chocolate flavored variants or higher protein fortification variants. We were late to do innovations in those categories and we had seen the impact of that in share. Over the last nine months, we have been able to beef up our portfolio with a full-fledged range in these high growth variants, whether it is high protein segment or a chocolate segment. And that is now starting to see some results in e-commerce, e-commerce channels, where we have returned to a growth of 16%. And that is what is helping us arrest the decline in this business from an 8% to 10% decline last year to a 3% decline as we close Quarter 1.

We are very confident that this strategy will help us return back to growth in this category. Our overall ambition would stay to get our foods business to go at mid-teen to higher-teens level and we would stay focused to get our Peanut Butter business also in this dimension as we move along our investment journey on this business.

Moving on to Slide #13 on the Culinary business, which I said is a mix of tomato Ketchup and Mayo business. This business is fairly distributed business in both retail and B2B side. We are seeing very strong growth in B2B, which is helping us expand this business stronger. But of course, our B2C business is also growing. So, combination of B2B strong growth and specific high intensity channels like e-commerce, modern trade in the retail are helping us drive very strong growth in this business. We are also seeing exports growing on back of some key accounts we have in Southeast Asia, which is helping us grow.

So, overall, this business remains a high investment focus because we do see opportunities to drive growth on the rising consumption of western foods in the country as also on the back of very strong distribution footprint opportunity we have in this business.

Moving on to Slide #14 on our Italian business mix of Olive Oils, Pasta and Ready-to-Eat olives. That business is growing both in volume and value terms at 15% growth in volume and 8% growth in value.

Olive Oil, which is the hero product, which is the core equity driver for this, which is where we have started high investment and are only going to up the ante of investment in the period ahead, has seen very sharp growth of close to 20% in volume terms. Driven by even stronger growth in e-commerce channel where we are increasing our investment pie, but this is of course a category where we will drive both from consumer saliency and general saliency point of view in the journey ahead.

Similarly, Pasta business is again growing by 10% with strong growth in e-commerce and food service channels.

Moving on to Slide #15 on our e-commerce business, this is the highest growth area for us from a channel point of view. We have significantly shifted the focus of organization to invest ahead of curve in this channel. We are also using this channel to drive our innovation, our certain new category entries and that combination of investment plus innovation led growth is helping us deliver 32% growth in this channel.

Very strong growth we have always talked about in quick commerce channel, which was historically also driven with the expansion of quick commerce in the country, but I am very happy to also share that hybrid platforms have also started to grow strongly for us in this area.

More importantly, some of the new categories which we started investing on in the last one year, now we are seeing that business growing 3x to 4x of that nature as we invest to gain shares in those categories. Of course, we are still very small players and that's why the growth today is looking aggressive, but as we build the base, the absolute quantum of increase on that business is also looking very promising.

Overall, our brand spend, and I would want to nuance it for you, I am on Slide #16, have grown from last quarter at about 49%. You would be well aware and many companies in our ecosystem have talked about reclassification of spends, which is linked to how the trade visibility spends, which we would do in modern trade were accounted for. They were typically being included in marketing spends. Now, as per the new guidelines, we are reflecting them as trade spends, so they are being netted off from the sales. As an outcome of this, we do see a sharper growth visible over Quarter 4, but if I do like-to-like comparison, our spends are growing at about 12%-odd versus Quarter 4 and are about 5% lower versus Quarter 1 last year. To nuance it from a definition of 5% lower versus Quarter 1 last year, we had, as I said, gone into investment journey in Sundrop from Quarter 4 of FY25 and in Del Monte from Quarter 1 of FY26.

At that phase, anyway, we had significantly upped our investment. As we have understood the various investment initiatives, today we are in a very strong position to do ROI-centric marketing investment, which is what is the overall thesis on which we will try to go for this business.

Moving on to Slide #17, our automation of salesforce, which was a very critical tool for our productivity of sales organization, that project had worked well. I had talked about us reaching the point where we have the larger retail universe of Sundrop on the platform being achieved in Quarter 4, so that, of course, has continued, but in addition to that, we are now seeing a significant fraction of entire billing, history generation, data generation of our outlet sales coming through this platform. Roughly about 80% of our outlets are today getting billed on this platform. At the end of last quarter, this number was about 75%, and this will, of course, be a very strong initiative for us to optimize our coverage costs for the organization or the platform put together, as also drive productivity improvement initiatives in the channel ahead.

On the margin improvement side, I am on Slide #18:

We, of course, have seen very, very highly inflationary environment. Despite that environment, we have been able to continue and sustain our initiatives where we had led improvements in TechMech, manufacturing and logistics costs. So, overall, on the material side, despite inflationary environment, we have seen 40 basis point improvement versus last year, where we had seen significant improvements of the nature of 200 to 300 basis points, and on other expenses also seen another 70-bps reduction in margins, and that is translating to about 110 basis points improvement in our overall margin.

Moving on to Slide #19 – innovation we have talked about has been now central to our work thesis. We have been expanding our innovation portfolio over the last 12 to 18 months. And if I look at now, what we have launched in the last 24 months, we have launched close to 100 products and we are getting about 4% of our overall sales through this portfolio.

If I also talk about sequentially how it has built up, in Quarter 1, sitting at about 6% of our overall sales, and hence, we are seeing increased traction. We would want roughly about 6% to 8% of our growth, which is, let's say, 40% of our growth ambition, if we have to talk about growth of mid-teens or higher, to be funded out of innovation, and that journey is shaping up very strongly.

Moving on to Slide #20, the entire consolidated P&L statement:

As I talked about it, growth of top line 15%, material size, we have grown a shade lower and hence material size efficiency has improved by about 40 basis points. Our cost side controls are stronger, which is what is helping us improve our margins further. A&P, as I talked about, looks about 12% lower here, but in real terms, this will be about 5% lower. More importantly, I think we need to keep in mind that we are today doing 5% to 6% of our top line being invested on media and promotion.

If I look at core portfolio where we invest, that number now actually, because 60% of our business is core where we invest, that number translates close to about 8% of our investment going in advertising and promotion, and that we are going to maintain or build as we go along in this journey. As an outcome of this, our EBITDA has improved sharply, grown strongly versus last year, and we are sustaining the 7% EBITDA levels, and these are, of course, normalized net of ESOP costs, which we have shared always in the past. So, net of ESOP, we have sustained the numbers of about 7% of top line.

Moving on to Slide #21, I am just summing for all of us why Sundrop Brand is a very strong portfolio to look at:

We do have a portfolio of stable, well-known brands which cater to the needs of evolving Indian consumer who is getting more affluent, who is getting more open to Western Food choices. We do as a platform ride on all consumer megatrends, whether it is increasing consumption of out-of-home, whether it is increasing exploration of new food choices, and of course, our categories are sitting in areas where penetration continues to be a strong driver of growth.

These categories also offer significantly stronger margin versus commodity side, and in some of them today we have leadership position, in some we have a challenger position, but overall, given the context of penetration, growing growth of category, and the share gain opportunity, we do have a very significant headroom for sustainable growth in these businesses.

We would continue to deliver that through investing, making right choices on portfolio, which we have already done, but also right choices on investment vehicles, which we have sharply understood over the last one and a half years of journey, and that will ensure that our growth always remains more capital efficient.

Last two points on this, there is still complementarity on channel and manufacturing strengths. We have started to make some moves in this direction, but there is significant headroom, and over the next one and a half years of journey, you will see that also panning out to drive better improvements in margins and also, of course, continuing our strengthening our growth momentum.

So, that's all from my side. I would like to now close the session from the presentation point of view and open it for Q&A.

Thank you so much.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. First question is from the line of Navin from Ithought PMS. Please go ahead.

Navin: Yes, good morning, sir. Am I audible?

Moderator: Yes, please go ahead.

Navin: Yes, congratulations on a good set of numbers. So, first question is going to be on A&P spends, right? So, sequential increase, year over year dip. So, a little bit more on just two things about this, right? So one, have we become inherently a lot more efficient with our marketing or have we changed area of focus from maybe a particular brand or a particular segment to another? Has cost kind of changed comparatively? A little more on this, please.

Nitish Bajaj: Sure. Thank you, Navin. So, I will just nuance it a little more for you. See, we started the investment journey on portfolio, both in Sundrop and Del Monte in Quarter 4 of FY25 and Quarter 1 of FY26 respectively. And when we got into, we took calls on certain categories to invest. Largely, our focus has remained on those categories. But having said that, we did, for example, take an investment call on Juices portfolio in Quarter 1 of last year. We are saying it is not so core, we have not seen good results, so we are dropping that call. But fundamentally, whatever we have called as a core portfolio in Sundrop, there we continue to invest. And in Sundrop Brands as a business, we have only expanded our investment in Quarter 1. If I talk the same in the context of Del Monte, we started with certain categories, we have only taken a call not to invest in Juices business. Net-net, I also qualified by saying, while you see a 12% decline, if I take the impact of reclassification of trade spends, it's actually 21.4 versus 22.9, which is just about a 5% decline. And that is just the optimization. Overall, I think the confidence you need to have is, investing in portfolio remains a key thesis for our group, and as a management, we will continue to do it. We did have some learning, and these are very smaller set of optimizations, which have been done in one specific portfolio. The core categories, which we have been talking for the last one year, have remained strong on investment, and they will continue to be strong on investment.

Navin: Got it, sir. That's very clear. Just a couple more questions. One question would be Popcorn, right? So, with Ready-to-Eat specifically, we are entering categories like Cheese and Popcorn, where admittedly, a brand like 4700BC has been thriving so far. So, like, could you just help me understand post the acquisition of that brand by a bigger company? Are you seeing some more aggression on the like on ground? Are you seeing more distribution in GT? Would you like to highlight any difference between like our ACT II offerings and those offerings that have been very successful for them?

Nitish Bajaj: Yes, sure. So, we constantly review portfolio evolution. See, we are a category leader in Popcorn business. We constantly monitor how the portfolio has been evolving. And of course, as more players come in category, you see greater dynamics of innovation and investment, which in generally, I would believe is good for the category. We today would hold closer to 85% share of the category. So, we are a very strong dominant market leader. We haven't yet seen any significant shift from the way category was operating pre-acquisition of 4700BC by a large player. From our context, we have, of course, significantly upped the investment. And we have understood which are the choices in portfolio, which we could ride on and expand our share further, and of course, continue to grow. So, Sweet Popcorn, I talked about it. We did see that we have an opportunity to be stronger share or bigger share. And that is what we have picked up and starting to focus on invest behind.

Cheese Popcorn in some pockets, we saw that's a flavor which let's say we were not really leveraging in e-commerce channel. So, we brought that also into e-commerce portfolio so as to expand our growth.

These are, I would still say, constant innovation, constant new opportunities of growth, either by doing category first initiatives or also some initiatives which will help us drive share gain.

Moderator: Sorry to interrupt, Mr. Navin, may we please request you to rejoin the queue for the follow-up? Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants in the question queue, please limit yourself to two questions only. Should you have a follow-up question, please rejoin the queue. Next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Could you call out the volume and value growth of core and non-core as blended core and blended non-core, what will be the volume and value growth?

Nitish Bajaj: Yes, so overall, if I look at, we have talked about 60% of our portfolio is core and that is growing at about 14% to 15% in value terms and about 9% to 10% in volume terms. In the non-core, the oils, which is growing a shade faster in value at about 16%, volume is about 7%. And then in the non-core, outside of oil, and oil is about 20% of our business, edible oil is about 20%. So, contour-wise, you would see that 80% of our business today is growing at about 15% to 16% in value and about 8% to 9% in volume. Balance of the business, which is another 20% of our business, is seeing a very similar or homogeneous growth because we are seeing our CP manufacturing business also seeing good volume traction. We do make energy drinks for certain companies. We are seeing good volume traction in that business. So, blended, that business put together is still continuing to grow at about 15%-odd in value and about 8% in volume. But core portfolio, where we invest, I would say our growth is 9% to 10% in volume and 15% in value.

Pritesh Chheda: My second question is around your key pillars of, if you could call out the key pillars of your growth strategies, not at the brand level, but generally at the overall level, and what will it lead or translate into value and volume growth for the core categories?

Nitish Bajaj: Okay. So, in the key categories that we are investing on, Popcorn, Ketchup, Mayo, and let's say Italian. So, I will first talk about Popcorn, Ketchup, and Mayo.

There, I would say there are three key pillars for growth:

First is, of course, distribution expansion because categories have opportunity to either gain share by category penetration expansion, like Popcorn, or gain share by distribution expansion, which is Mayo and Ketchup.

Second area is, of course, investment because as you want to either gain share or you want new consumers to come in, your media investment needs to go up. So, we are going to invest ahead of curve on these categories.

Third area, specifically for these categories, will be in the area of innovation or new products through which we can do certain share gain strategies.

Coming to Italian business, and Italian business, I would say is still more top-town, metro, and new channel-like e-commerce focus. There, the growth will be driven not so much by distribution, but more by innovation and investments.

And on Peanut Butter, again, I would say innovation is something which will be very central to drive growth for us because we had a catch-up to do. We have already done the catch-up, but we will also want to do certain innovations to drive stronger growth and share recovery in that business.

Pritesh Chheda: What will it lead to value and volume growth for categories? Will we see improvement from what you are doing or what you are recording today in volume?

Nitish Bajaj: So, see, volume growth, intrinsically, if you look at, in most categories, we are seeing 4% to 5% volume growth. We are today already ahead of curve in volume growth, which means we are able to gain some share in most categories. Of course, Popcorn-like categories, we are the ones who define category. But outside of that, I would think sustaining 10% kind of volume growth is what we will really pivot towards. And value growth, we would want to add another, let's say, 4% to 5%. And innovation-led growth could be another 4% to 5%. So, in a longer term, if I can go to high-teens growth, it's something we would aspire for. And broader mix will be 50% through volume, 25% through price, and 25% through innovation.

Moderator: Sorry to interrupt, Mr. Chheda, may I ask you to rejoin the queue?

Nitish Bajaj: Sorry Pritesh to say, when I say 25%, I am talking about mid-25% of mid-teen growth to high-teen growth.

Pritesh Chheda: I got it. Thank you very much. Thank you. All the best.

Nitish Bajaj: Thank you.

Moderator: Thank you. Next question is from the line of Balaji Vaidyanath from Nafa Asset Management. Please go ahead.

Balaji Vaidyanath: Good morning. Thanks for the opportunity. A couple of questions. One is on the Italian portfolio. It seems like we have had a fall in realization to the tune of 6% to 10%. Is it fair to assume that it's some kind of quick commerce discounting that we are doing on this portfolio?

Nitish Bajaj: Sorry, I couldn't understand. Which portfolio did you mention? Italian. Italian portfolio. Abhinav, you want to answer this?

Abhinav Kapoor: Hi. Good afternoon. This is Abhinav. So, see, if you look at the Italian portfolio, Nitish talked about it during his presentation. If you look at the entire of last year, we have been in a commodity deflation cycle. So, essentially, when we buy it, we have been buying it at lower pricing, which we have passed on to the end consumer.

And this is that while we did see volume growth, we did see a value decline last year. Now, this year, for example, with the growth, I would say the price is stabilizing in the market. We have now started to see a value increase, which is coming through. But last year, Quarter 1, the price pass out only started from, I would say, Quarter 2 onwards. Quarter 1, we are still running on higher inventories with the old pricing. So, that is the change that you are seeing right now. This will stabilise going onwards from Quarter 2. So, currently, there is a significant...

Balaji Vaidyanath: It's not any masculine quick commerce discounting, correct?

Abhinav Kapoor: No.

Balaji Vaidyanath: Fair enough. My second question is, you have seen that B2B is roughly growing at about 18% and e-commerce is around 32%. So, is it fair to assume that the GTMT number is probably low single digits in terms of growth?

Nitish Bajaj: You are talking for Del Monte or Del Monte specifically or overall?

Balaji Vaidyanath: Overall portfolio, sir. Overall business.

Nitish Bajaj: So, see, we have shown you the flavor of various categories, right? Now, Popcorn is a dominantly retail business. We have actually no business of Popcorn in the B2B side. That we have said is growing at about 18%. So, it is dominantly retail-led growth. Similarly, Italian business is again dominantly a B2C consumer retail business. That business volume-wise is growing at about 15%. Again, retail growth. Staples or oil is again a fully retail business for us, growing at 16% in value. Culinary is the only business which is a mix of retail and B2B. So, yes, when you are saying, we are saying the growth is around 18 to 20, B2B growth would be sharper and retail growth would be a tad lower. But math is very simple for you to say, if one is going at 18%, the other may be going at 10% to 12% in that range.

Balaji Vaidyanath: Got it. My last question is just a short one. In terms of this edible oil this 15% growth that we have seen, how much of that is price inflation pass-through?

Asheesh Kumar Sharma: So, Narendra Ji, if we see that, it shows we have a 7% volume growth and 15% value growth. So, that is about 9% is the price that we have been able to pass. What we normally look at in edible oil is, we are trying to pass the per kg price increase in absolute terms, so that in the longer term, we manage the absolute profit margin that we make from our staple business.

Percentage margin passing, price increase passing on in staple business is little more difficult because of the commoditized nature. So, we are slowly passing on. So, we passed on almost the entire per kg price increase in staples to the consumer, leading to a 9% price increase. And we got a still a volume growth of 7, taking the total to about 16% value growth.

Balaji Vaidyanath: Got it. Thank you so much and wish you all the best. Thank you.

Moderator: Thank you. Next question is from the line of Siddhesh Deshmukh from IIFL Capital. Please go ahead.

Percy Panthaki: Hi, sir. This is Percy Panthaki here. I just wanted to understand the situation on the merger of the two organizations. So, things like having common distributors for Del Monte and Sundrop, things like merging the internal sales force and so on. So, what is the situation there? What are the kind of timelines, etc.? And when all this is finally completed, how many basis points of savings do you think that this can extract?

Nitish Bajaj: Yes. So, broader pictures is we have been very cautious about it because we want to make sure that we do everything the right way. Now, fundamentally, the only area of overlap, if I see strongly, is the general trade retail coverage. Modern trade is anyway account team structured. So, it is fine. E-commerce, again, is account team structured. We have already consolidated it under a single operation team. So, as we stand today, e-commerce, we are already operationally, while account managers could be different, but we have consolidated it under a single team. Fulfillment of channels still remains CFA-led. We have talked about the fact that CFAs, we are already on the journey of consolidating. So, right now, Del Monte has 10 unique CFAs. About two are already consolidated. Third one is underway. And by end of this year, we should be able to complete larger, let's say, about eight CFA consolidations between Sundrop and Del Monte. So, only two unique CFAs will remain for Del Monte by the end of this year. So, that is already going on.

Coming to your question on sales team. Now, sales team, only in the context of general trade, we need to do it via first the backbone, which we call as the ERP fulfillment of this thing. We are in the journey of ERP evaluation, and very soon, we will also be thinking on how do we want to go about delivering ERP migration to a single set of ERP for two organizations. Post which, and I would say that within next 12 months, we should be able to get to that stage. And post that, we should also see how we can gradually bring the sales organization to be more cohesive. We have done one experiment already in East, where today for the entire East of the country, Del Monte business is being distributed through Sundrop team.

Coming to the last point on what is the kind of value maximization or synergy benefits we see from this exercise. I would say about 200 basis point improvements could be seen from this exercise, but this could be delivered over the period of next 18 months.

Percy Panthaki: My second question is on the overall margin journey. If we have to move from, let's say, 4% to 5% EBITDA margin to, let's say, a low double digit, let's say around a 12% kind of margin over the next about three years or so. So, that's about close to 700 basis points kind of expansion. 200 basis points can come from these measures that you spoke about. What would be the breakup of the remaining 500 basis points?

Nitish Bajaj: Yes. So, firstly, I would just like to first clarify, as we stand today, our EBITDA margin is close to 7%. Of course, there is ESOP, which we have not baked into those numbers. If I was to bake in the ESOP number, the number would be close to 5.66% in that range. So, we are a tad higher, I would say sharply higher also than 4%, which we used to be about a year and a half back. So, that's the first thing.

Now, journey from 7% to 12%, ESOP is a front-loaded cost in the P&L. It will continue for about next, I would say, 18 to 21 months at the level where it is. After that, the next two years, the ESOP cost will be marginal to the P&L. And hence, that in itself should see 100 basis points improvement in delivery, if I were to talk a non-ESOP adjusted number. ESOP adjusted number, I have already told you, is 7% as it stands today. Taking this 7% number, which is ESOP adjusted number to 12%, about 200 basis points I have said could come through how we leverage this energy of operations alone. The balance is, of course, the growth momentum, value maximization through premiumization of portfolio. Overall, our endeavor is to improve our margins by 300 basis points every year, of which we would want to deploy half back to the business and half back to the shareholders. That's the broader thesis.

When I say back to business, that is to ensure we sustain our growth momentum in mid-teens to high-teens level. So, that will give us the scale benefit, margin expansion of another 100 or basis points as we improve our scale and we leverage our assets better. This year, as we are talking about Quarter 1, this is largely a scale benefit because cost side, as we have talked about, it has been an adverse cost environment. We have yet taken price increases to minimize the cost impact. In most areas, we were able to address the cost impact. In few areas where we have contracts where we have B2B, etc., we have been gradual or let's say they haven't followed the curve of price increases. They are, of course, part of constant negotiations with accounts. So, overall, one is we see strong strength in portfolio in terms of rising power. That's one take out.

As we build scale, we do see 100 basis points improvement every year coming to scale. As we improve premiumization, that could also yield another 80 to 100 basis points every year. And through synergy over the next two years, we should get another 100 basis points every year. That's the way you should look at it for the next two years.

Percy Panthaki: So, FY30 12% is a fair estimate.

Nitish Bajaj: Yes, that is the number we would want to get to in three years' time from now.

Percy Panthaki: Got it. That's all from me. Thanks and all the best.

Moderator: Thank you. Next question is from the line of Shirish Pardeshi from Motilal Oswal. Please go ahead.

Shirish Pardeshi: Hi, Nitish. Good afternoon and thank you for the opportunity. I am quite impressed. The trajectory is improving. I was more curious with the Rs. 10 price point on Popcorn RTC disruption. The growth is looking better. But how do you manage the supply chain and what is the contribution this Rs. 10 is going to give, and which are the markets which we have put this product? And similarly, in the e-commerce, what kind of RTC contribution we are getting?

Asheesh Kumar Sharma: Okay. Thank you, Shirish. In the Popcorn section, if we look at the RTC, which is the hot-and-fresh to be made Rs. 10, we continue to expand geographically across the country in all the regions. Because we were already leading there with our Rs. 10 packs. So, that part continues.

Our facilities which are in Kashipur and Kothur continue to produce more and more efficiently because we had headroom of capacity. And as capacity utilization is increasing, that is adding to our profitability on the instant Popcorn business. Now coming to the Ready-to-Eat business, there the Rs. 10 expansion till about last year was predominantly in North. And so we expanded and have now made some inroads in East, West and South, we are working on it and gradually expanding.

Now, the key of a Rs. 10 product lies in two-fold. You have to have assorted manufacturing because two biggest components of cost in pack snack in Rs. 10 is basically your packaging cost and your freight cost. Now, assorted manufacturing is ensuring that our freight costs are under control and as capacity utilization of those plants is increasing, it is becoming better and better in terms of margin.

Now, with the assorted manufacturing, we are also able to optimize packaging costs because we do not have to have a very, very long shelf life. So, with a very efficient four and a half to five-month shelf life, we are able to give fresh products in the market. The third is to build the supply chain efficiently, we use a model which is that we ship a large part of it to the customer or our distributors directly from our factory. So, they receive as good as four or five-day latest manufactured products only for our bag snacks. Now, there are some distributors who are at a much smaller volume which we continue to route through our CFA, but as the volume builds up, we move them to direct shipments. Now, that is the third leg which is adding efficiency in our Rs. 10 packs.

Nitish Bajaj: And just to add one more lever to this entire thing, on e-commerce side, we are also seeing premiumization of bigger pack sizes driving the growth. So, while we are seeing retail being driven at a Rs. 10 price point, in e-commerce, it is Rs. 25 to Rs. 50 price points which are driving the growth. And of late, our focus is, of course, on expanding towards Rs. 50 MRP packs. It's not only our focus, it is also the channel team's or account team's focus to drive greater growth towards Rs. 50 price point packs. And that is also helping us improve EBITDAs. One very important thing which I would like to share is, historically, our Ready-to-Eat Rs. 10 was a dilutive to margin business. But over the last 18 months, we have actually made it accretive to our margin business. So, today, when we see the growth, and of course, it's very similar to the business profile now, but today, our Ready-to-Eat Rs. 10 price point pack or Ready-to-Eat total portfolio does not dilute our margin as it keeps going. It is actually being accretive or in the very same dimension as our core business overall.

Asheesh Kumar Sharma: Also, if you look at the 39% RTE growth, you will find that the bigger packs, as we do, which is more than the Rs. 10 price point packs are growing at 42, and the other ones are growing probably at 33. The better part is that e-commerce, which is larger, is now growing at almost 55%. So, the appearing bigger packs, more profitable ones are growing faster than overall but definitely, the expansion in GT is key to keep building saliency and make an unbeatable mode of distribution.

Shirish Pardeshi: Okay. What I wanted to just check, just follow up. If you are selling Rs. 100 Popcorn Ready-to-Eat, in that, what is the share of Rs. 10 and what is the share of beyond that Rs. 25, Rs. 30? If I look at the e-commerce channel, it's also showing a lot of growth. And even this retail is also showing the growth. So, I think if Nitish is saying that is margin attractive, my only worry is that in the medium-term, is this margin sustainable?

Asheesh Kumar Sharma: So, I think, first of all, what Nitish talked about was the margin of the Rs. 10 also, that is also improving. But the overall margin is what it has come where it is accretive now. In the accretive margin, the bigger pack, last year, probably the ratio would have been one-third, two-thirds. It has probably moved to 64:36 now, with the faster growth. Now, the bigger pack business is about one-third, two-thirds. So, even if it is growing by, say, 10%-15% basis points faster, that ratio would change in only 1% or 2% regularly. But what is happening is the Rs. 10 profitability in absolute is also improving.

Nitish Bajaj: And I think, see, in Ready-to-Eat, as Asheesh said, our capacity utilizations are also rapidly improving. So, while we may have headwinds in the form of commodity inflation or packaging cost inflation, which we witnessed last year, we haven't seen any impact of that in any way. Our margins are only, say, marginally ahead of what they were in Quarter 4 before this situation of packaging inflation came in. So, we have been able to tide over that impact without any kind of margin dilution because we have growth, capacity utilization, the way we manage distribution, freight, the way our larger, bigger packs are growing. All of these are also helping us continuously keep a margin-accretive position. So, I do not see this to be in mid-term becoming a lost leader. We do not really have Rs. 5 portfolio. I think that is also a very important point to consider. Our business is dominantly Rs. 10 or big packs in the ratio of two-thirds to one-third.

Shirish Pardeshi: Got that Nitish. My second and last question is on premium staples. It's looking at the price, and the volume mix is really doing good. But my only fear is that if the price escalation happens, will this 7% volume will fall to zero or how one should look at it because the price equation is the driver for this business.

Asheesh Kumar Sharma: Yes. So, there is one part which is the entire price table of all the commodities. Now, we do understand that the Sunflower is really running a little ahead of others. But just to give you an idea, in our premium staples, we also have Sundrop Heart. Now, we have launched another variant in it, in Sundrop Heart itself with a different blend, which is allowing us to make sure that the least inflated commodity is where we are able to offer our consumers an attractive price. So, while we are passing on per kg, will there be a contraction? Not so much at a consumer level, because we have two different things. But yes, if it happens, we have a safety net below it. We have two variants, one in the form of Sundrop Lite and another in the form of Sundrop Heart Plus, which we have aggressively priced and changing the formulation that we had there. So, we have an approval for those and that is how in the longer run, we will play at both levels. Yes.

Nitish Bajaj: Also, Shirish, if you look at recent history, we are actually talking our volume expanding in the context of commodity inflation. I do understand when the commodity deflates, the value growth may come down. But volume is intrinsically showing good signs with whatever we are doing, even in the context of inflationary environment. So, I would leave it at that because our endeavor would be to grow volumes by 4-5% in a sustainable way in this category. Historically, we had said we would want to hold volume. With more recent experiences over the last one and a half years, we are now coming to a position of saying we would ideally want to grow volume by 4%-5%. Inflation in category can go in either direction, but our endeavor will be to make sure that volume wise we keep gaining share. And I would say 4%-5% will be somewhere in the kind of growth because this category is growing at about 3%-4% year-on-year in volume terms. So, we want to at least play the category game and continue not making this business a loss in margins or decline in margins as a business.

Shirish Pardeshi: Okay. Just one quick follow-up on this. This is in connection with the Sundrop only. So, Nitish, this Sundrop Heart Jodi Pack will continue throughout the festive season or it's a tactical offer?

Nitish Bajaj: It will continue throughout. It's something which we had as a mode or let's say a strength in our Sundrop Superlite business. We thought it's also an opportunity to make the same proposition and get some trade pull for a proposition which is already successful in our Superlite business. So, it will continue.

Pritesh Chheda: Okay. Thank you and all the best.

Nitish Bajaj: Thank you.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, we will take the last question from the line of Nachiket Kale from Emkay. Please go ahead.

Nachiket Kale: Yes. Hi. Thank you, sir. And thanks for the great insights at the start of the call. So, the segmental insights were really helpful. I just have one question on the Peanut Butter category. I realized we have run into a little bit of a headwind there. So, could you emphasize what's the strategy, I understood the quick comm and Ecom is doing well but as a category, there's intense competition even from some PE funded separate brands as well. So, could you just elaborate further on that?

Nitish Bajaj: Sorry, I would like to understand, when you talked about P&L has got into some headwind, what is the specific concern you are picking up? If I could also nuance it or answer that better.

Nachiket Kale: So, the headwind being competition in the Peanut Butter category.

Nitish Bajaj: Oh, you are talking about Peanut Butter.

Nachiket Kale: Yes, the entire question is on Peanut Butter.

Nitish Bajaj: I somehow heard it as P&L. My apologies. On the Peanut Butter, see, I think India is seeing a very strong protein wave. When we launched Peanut Butter business in the country for the first time, and this was done somewhere in 2010, that time there wasn't any protein wave. So, we had built our category on the proposition of strength and immunity. And as the table spread, the family can consume. So, it wasn't really in the domain of protein as a promise. It was overall good health as a promise, which is what Sundrop as a brand stands for. So, we thought Sundrop as a brand stands for good health. We bring another variant, which is all about good health for the family in the form of Peanut Butter. And that journey helped us establish this category in the country.

Somewhere in the post-COVID era, we have seen protein wave becoming very, very strong. And many players brought in two, three innovations in this area. One came in the form of higher protein variants, where you fortify by adding whey or other forms of protein.

Second came in the form of natural protein butter with which you are not adding any stabilizer, so that your proposition is 100% natural.

Third came because peanut is not a natural taste for Indian palate, came in the form of chocolate, which is a more acceptable taste.

And all these three innovations really took off in the e-commerce channel. We have lost out that race because we did not have any of that product in the portfolio. Today, the market is about 15% in the form of standard Peanut Butter, where we operate in e-commerce and 85% in the form of value-added Peanut Butter. We have about 33% share in the standard Peanut Butter market. We have a 3% share in the value-added Peanut Butter market.

We have brought in now the innovation; our endeavor will be to get to strong double digit and then maybe take it to our natural share over a period of time. We intrinsically believe that we have a quality ecosystem, a manufacturing ecosystem and brand power to be able to do that shift in this category and get improvement in our share significantly to get to double digit in near term and possibly go for our natural share in the longer term. And so that is, of course, what we are talking today is catch up.

We are also working on the side of certain new innovations, like the way the category codes were changed by bringing some new tastes, by bringing some new fortifications. We are also working at our own side on certain new innovations, which could help us further expand the value-added offerings in this space. Through these initiatives, we are very confident that we should get to our growth ambition or our share levels in the longer term and immediately get to stronger growth recovery in the next few quarters.

Nachiket Kale: Yes, true sir. As a customer also got introduced to this category through your product, but it feels like there are multiple subcategories in that segment where you could expand your share. So, thanks for the insights on that front and any insights which you could share on how would you be looking to market it because especially the newer brands, as you rightly said, were taken up the space. They are lot more on the digital front and we keep seeing them spend a lot and they are not inclined towards making profits anytime soon. That competition is tough in that sense.

Nitish Bajaj: Yes, we are cognizant of the operating model. We have already put in very strong team in control of our e-commerce business. And that is what you are seeing in category-after-category, our e-commerce growth is sharper or better than our growth overall and in general, is always ahead of market growth. And that is what we would want to achieve here also. We would, of course, invest in consumer acquisition and brand equity through new-age digital channels. So, we are also putting a full program in place on investing in digital ecosystem for Peanut Butter recovery. So, we will have to play the game as it is being played, that we are cognizant of. We do, of course, have our own manufacturing. So, we do have ecosystem to do it in a sustainable cost basis as we go ahead. So, from the cost side or margin side, we aren't really worried here. We think the value-added offerings anyway offer premium pricing. And hence, as we intensify our effort on gaining share in the value-added side, we can do it profitably.

Nachiket Kale: Thank you so much. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to the Management for the closing comments.

Nitish Bajaj: So, I know we have already over-exceeded the time. So, I would like to thank you all for your questions. If there are any set of questions which we have not been able to answer, I would request you to reach out to our Company Secretary – Kavita and Management and all of us will be happy to respond back to you and address your questions and queries. Thank you so much and wish you all the best.

Moderator: Thank you, sir. On behalf of Anand Rathi Shares and Stock Brokers Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.