



**“Orkla India Limited
Q3 and FY '26 Earnings Conference Call”
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**MANAGEMENT: MR. SANJAY SHARMA – MANAGING DIRECTOR AND CEO,
OKLA INDIA LIMITED**

**MS. SUNIANA CALAPA – CHIEF FINANCIAL OFFICER,
ORKLA INDIA LIMITED**

**MR. SIDDHARTH BORKAR – HEAD, M&A AND INVESTOR
RELATIONS , OKLA INDIA LIMITED**

**MODERATOR: MR. ASHUTOSH JOYTIRADITYA – ICICI SECURITIES
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Orkla India Limited Q3 and FY '26 Earnings Conference Call, hosted by ICICI Securities 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashutosh Joytiraditya from ICICI Securities. Thank you and over to you, sir.

Ashutosh Joytiraditya: Yes, thank you Vansh. Hello and good evening, everyone present on the call. I, on behalf of ICICI Securities, welcome you on Orkla India Limited's Q3 FY '26 Earnings Call. I now hand the call over to Mr. Siddharth Borkar from Orkla India Limited for further remarks. Thank you.

Siddharth Borkar: Thank you, Ashutosh, for hosting us. Hello and welcome everyone to the Q3 FY '26 results for Orkla India. I am Siddharth Borkar, Head of M&A and Investor Relations at Orkla India. I am joined by Mr. Sanjay Sharma, Managing Director and CEO at Orkla India, and Ms. Suniana Calapa, CFO at Orkla India. I hope you've gone through the investor presentation and other materials that we have uploaded...

Moderator: I'm sorry to interrupt you again, sir, but again your voice is breaking.

Siddharth Borkar: Okay. I hope you've gone through the investor presentation and other materials that we have uploaded. In today's call, we'll walk you through some of the key highlights of the quarter and then we'll open the floor for Q&A. I want to draw your attention to the disclaimer slide as stated in our earnings presentation.

With that, I hand it over to Sanjay.

Sanjay Sharma: Good evening, everyone, and thank you for joining us today. Thank you, Siddharth, for handing over the call to me. My name is Sanjay Sharma. I'm the Managing Director and CEO for Orkla India. This is the second time we are interacting as we present our quarter three FY '26 results, and we truly appreciate having you with us again. A heartfelt thank you to all the institutions and individuals who continue to place their trust in us.

Over the last 19 years of our presence in India, we've been able to build a strong value-creating company, and we are confident that we will continue on that path in the years ahead. For those joining us for the first time, I will start with a quick introduction of the business, and then Suniana, who joins me, who's our CFO, and I will take you through our quarterly performance and then answer any questions that you will have.

Let me start with a quick introduction for Orkla India. Orkla India is a South India focused multi-category food company built around strong heritage brands with deep consumer trust. Our

portfolio includes MTR, which is a 100-year-old brand with a very strong legacy, and Eastern, which has been there for 40 years of market presence in Kerala and other parts of India.

Both the brands that we have hold leadership positions in their core markets: MTR in Karnataka and Andhra Pradesh, and Eastern in Kerala. We operate across two primary categories: Spices, which contributes 67% of our revenue, and Convenience Foods, which contributes 33% of our revenue.

Together, addressing a wide range of consumption occasions across the day. Our business model is built on a fundamental premise that food is local. Taste preferences, cuisines, and consumption habits vary significantly region to region. As a result, in our category, brands with strong local relevance consistently outperform generic national-level offerings.

Our market leadership is supplemented by the strong distribution reach of 673,000 touchpoints that we have across India, but most of these touchpoints are in our core markets. I would say almost 70% of these touchpoints. In parallel, we have built a meaningful international business underpinned by migration of Indians. International operations contribute approximately 21% of our consolidated revenues, with our products reaching consumers across 45 countries.

We've also retained our position as the largest branded spice exporter for 24 consecutive years, underscoring the scale and consistency of our execution and supply chain strength. Now, let me just reflect on the macroeconomic environment that we are operating in. We see a steady, improving macro environment.

As per the latest economic survey, India's growth is projected at around 7%, and we believe that the outlook remains encouraging. The government has also done a series of initiatives over the last 12 months, such as lowering income tax slabs, lowering interest rates, and the most important, the GST 2.0 reductions which have been done across multiple categories, especially foods.

I think all these initiatives will lead to a greater amount of money coming into the wallets of consumers, and with this, we expect the consumption trends to improve. The GST restructuring now covers 100% of our products portfolio in the 5% bracket.

A quick touch on the raw material and commodity trends which we operate and which we buy and are largely associated with our products. First, let me speak about spices. In spices, I would like to reiterate the fact that we've had two straight years of deflation. This unprecedented price movement of over 30% was led by chili, which reduced by 50%. This has impacted our value realization, but we remain focused in driving volumes.

Hence, in the quarter 3 of FY '26, deflationary trends in spices continue to weigh on the revenues. However, we are seeing inflation in key raw materials, and we expect top-line benefits to phase in as the inventory turns. On Convenience Food portfolio, wheat and SMP are the crucial raw materials that we buy. The inflation here has been manageable.

Let me come back to spices. We do extensive fieldwork on tracking the development of spices crops in India. The new season for chili has started from December onwards and it will go on till March. For other spices, the fresh season crop will start coming into the market from March onwards till July.

Based on our crop surveys done by our procurement team, we have seen a reduction in the cropping areas as farmers, because of the extreme low prices, have moved away to more profitable crops. We are seeing the effect of this in the price development of raw materials. Early indicators are suggesting that there will be an inflationary trend in spices in the coming year.

With this, let me come on to our business performance. Let me walk through our business performance for the quarter. We have delivered a steady revenue growth of 4.1% supported by a healthy underlying volume increase by 5.4%. Partly, the growth has been impacted due to festival timing effects. You will recall that in 2024, the festival season was in the end of October and early November.

The effects of this is largely seen on the Convenience Food portfolio, where we see a very bump up as far as the sweet platform is concerned. Our spices portfolio continues to deliver a fantastic volume growth of 10.1%. However, the revenue growth remains modest because of deflation in key raw materials.

Our Convenience Food portfolio posted a 6% revenue increase. We usually see the effects in sweets portfolio during festival season as I was mentioning earlier, so the results are muted due to the early festival season sales which came into last quarter.

Digital commerce, one of the fastest-growing channels, has expanded by 43.4% supported by multiple initiatives across social media and digital commerce platforms. EBITDA grew by 17.7%, translating into a healthy EBITDA margin of 16.1%.

Now let me go into our two categories. Let me start with spices. In spices, our sustained effort to drive per capita sales through driving of penetration, range, frequency, and value has resulted in a strong 10.1% volume growth across the spices category.

This has been executed through two key initiatives that we have taken. First is building consumer engagement through our advertising campaign, and second is driving distribution by increasing availability, range presence, and visibility of our core range. These programs have continued in this quarter and in the last quarter as well. Our advertising campaigns have a strong cultural connect and symbolisms. MTR ran its Puliogare campaign in Karnataka and Sambar campaign in AP and Telangana.

For Eastern, which has a focus in Kerala, we ran a major campaign that was launched just shy of Christmas season. Chicken Masala is one of our largest selling products. A 360-degree campaign was launched in TV and digital. Eastern's Chicken Song, which is what we launched as an advertisement, Eastern's Chicken Song adopted a cultural storytelling approach aimed at resonating across age groups.

The brand plays pivotal to Kerala's enduring relationship with chicken curry and an everyday comfort favorite food of Kerala and a centerpiece of celebrations across homes and communities. In a very short period of time, this campaign was able to generate over 1 million views on digital. Besides this, Eastern continued this focus on building itself as a non-vegetarian masala in Karnataka, driving its distribution and advertising through innovation of Chicken Kebab.

On the distribution excellence front, MTR added 22,000 outlets in quarter four across Karnataka and Andhra Pradesh, materially expanding numeric reach and availability at point of purchase. On-ground visibility drives were executed across 25,000 outlets in quarter four with a sharp focus on INR5 and INR10 packs as range penetration drivers packs across core masalas of Sambar, Puliogare, Rasam, and Garam Masala. These are our top four selling masalas. On Eastern, our efforts continue to focus on driving availability and visibility of our core product range in an endeavor to drive consumption.

In 2022, MTR learned from Eastern how to play the pure spices category. Since then, over the last three years, we've more than doubled our volumes and driven penetration for MTR from 20.3% in 2022 to 30.6% in 2025 in Karnataka and from 4.3% in 2022 to 13% in 2025 in Andhra Pradesh. Rural markets have also continued to develop to deliver a strong double-digit growth.

Rural infrastructure was further strengthened with an addition of 53 new rural distributors, taking a total rural distribution network to 765 across Karnataka, Andhra Pradesh, and Telangana, helping us reach over 5,000 new villages above 3,000 population in our core markets.

Coming to Convenience Foods. Our strategy here is to transform our offering in line with the developing consumer needs for higher convenience. Our Convenience Foods categories are built largely on three key platforms, Sweets, Breakfast, and Meals. In the current quarter, we saw both Breakfast and Meals deliver a solid double-digit growth. On Breakfast, our South Indian breakfast remains the core pillar of MTR's portfolio, led by its flagship products of Rava Idli, Dosa Mix, and Upma Mix.

In quarter four, MTR delivered an impressive growth in South Indian breakfast across all the regions, particularly North and West regions where the value growth was 17%. This performance was underpinned by a strong traction on quick commerce platforms, with digital commerce in breakfast growing 45% in quarter four. MTR maintained a high share of voice along with strengthening visibility and consideration in key metros such as Delhi and Mumbai.

MTR's fresh Idli-Dosa batter business, which we launched two-three years ago, has continued to develop positively. The good news is that the business model with its margin has reached a position where we can now look for expansion of the same to other metro towns. On Meals, a broad-based growth was driven by the Minute portfolio and the Cooking Ingredients portfolio. Task here is to continue to innovate and build a new portfolio of offerings.

On Sweets, as mentioned earlier, the overall business declined due to advancement of the festival season. However, our ready-to-eat sweets, which we recently launched about a couple of years

ago, products like Mysore Pak, the segment has delivered a strong growth of 47.5% during the full festive season, which is quarter two plus quarter three combined. The new range is now distributed across 50,000 outlets. In Convenience Food, our innovations grew at 41.6%, indicating a good traction for all the new concepts that we have launched.

The third pivot of our business is the international business. Our business in GCC countries continue to grow at 16.4% in the past quarter. Our strategy is anchored strongly on the flagship brand Eastern and its two-pronged -- and has a two-pronged approach. One, for our core Malayali consumer base, we are transforming our offerings from a pure spices and masala play to a total food play covering platforms like Breakfast, Meals, and Sweets.

At a second level, we are accelerating our penetration with a launch of Arabic masalas to appeal to the local Arabic population. With respect to the Malayali consumer base, our plan is to grow our range to a total food brand. Recently, we've launched the 5-minute breakfast range, which we had launched in Eastern domestic business in GCC. We also plan to -- we will also continue to drive strong consumer activation to grow the core spices range in the Middle East.

In UAE, Eastern is now the number one Indian spice brand in household reach across all households, not just Indian households, but all households. Our Arabic range also continues to grow. Eastern Arabic range now contributes to one-third of brand Eastern's household penetration in Saudi Arabia.

Coming to Digital, we continue to capitalize on the rapid expansion of digital commerce with revenues in this channel which are growing at 43.4%. Internally, we have continued to drive improvement in ways of working by improving the quality of listing, the quality of content, driving influencer marketing using real-time analytics to improve performance marketing and campaign effectiveness. These initiatives have continued to drive sales development in line with the industry. Today, we get 9.5% of our sales from digital.

Digital commerce has also helped us in targeting a new consumer segment in a sharper way. This is the affluent young consumer who is seeking the very best global standard product in every category. To serve this emerging need, we have recently launched MTR Prakriti, MTR's first-ever digital-first brand with its own dedicated D2C site and the only D-com-led business targeting all India led by metros.

MTR Prakriti is leveraging our deep knowledge in the spices domain. MTR's foray into premium spice space is with four key products. One is Byadgi Chili, second is Guntur Chili, third is Araku Turmeric, and the fourth is Kumbhraj Double Parrot Coriander. All of these are single-origin, handpicked, produced in small-batch spices promising a distinctly superior experience aimed at the discerning consumer seeking absolutely the very best as far as spices are concerned. With this, MTR is targeting all metros and any consumer -- Indian consumer -- seeking only the best in spices.

This quarter, we've also got a few notable awards. First is the Great Places to Work. Two of the most critical assets of our business is our people and our culture. Post-the merger of Eastern with MTR Foods and the creation of Orkla India, this was the first engagement survey that we conducted.

We are now certified as a Great Place to Work, which testifies our strong employee value proposition of being a home to grow as well as our good work culture. This is also a testament to the way that we have managed the integration of two diverse companies and two diverse cultures.

Our advertising and marketing campaigns are also built by—have also been recognized by the industry. Our campaigns are built by positioning our offerings and resonating a strong cultural integration. Some of these innovative local campaigns did see recognition from Economic Times and Business World Awards. Our Puliogare campaign and the annual food festival Karunadu Swada have been recognized for the uniqueness and effectiveness.

Now I will hand it over to Suniana to help you take through the details on the financials.

Suniana Calapa:

Thank you, Sanjay, and good evening, everyone. Let me begin with the financial highlights for quarter three FY 2026. Kindly take a look at slide 18. Orkla India delivered revenue from operations of INR636 crores, recording a year-on-year growth of 3.4% supported by a healthy volume growth of 5.4% during the quarter. EBITDA for quarter three stood at INR102 crores, reflecting a strong double-digit growth of 17.7% and a healthy EBITDA margin of 16.1%. Profit after tax before exceptional items was INR68 crores, representing a year-on-year growth of 3.8%.

Moving to slide 19, let's take a look at our category performance first. Spices delivered strong volume growth of 10.1% year-on-year reflecting sustained consumer demand and brand strength. Overall, spices revenue growth was moderate at 3.1%. This was primarily due to continued deflation in spices, especially in chili. To remain competitive, the company partly passed on decline in raw material costs, particularly in pure spices, resulting in lower price realization of approximately 7%.

Convenience Foods in the quarter grew by 6% driven by strong double-digit growth in the breakfast and meals category, reinforcing the strength of our value-added portfolio. Sweets during the quarter saw a temporary decline attributable to the shift in festive season. From a geographic perspective, domestic revenues grew by 2.9% led by strong double-digit volume growth in spices, partly offset by decline in price.

Growth in Convenience Foods, particularly sweets, was relatively softer due to the festive shift. International revenues grew by a healthy 8.7% in the quarter, with GCC markets leading the performance driven by strong growth in Convenience Foods, mainly in breakfast and in meals.

Moving on to slide 20, EBITDA growth remained robust at 17.7% in quarter three with EBITDA margins holding strong at 16.1%. This performance was driven by volume-led revenue growth,

lower advertising spend in the quarter due to the festive season shift, and sustained focus on operational efficiencies. In addition, excluding the impact of production-linked incentives, EBITDA growth for the quarter would have been even stronger at 23.2%.

While EBITDA growth was strong, PAT before exceptional items grew at a measured pace of 3.8% primarily due to lower other income following the dividend payout of INR600 crores in FY 2025. During quarter three, the company recorded exceptional items of INR15.8 crores relating to gratuity expenses following the implementation of the new labor code. Consequently, PAT after exceptional items was negative 14%. The company remains firmly focused on driving volume-led growth, accelerating the expansion of its value-added portfolio, and continuing to strengthen its operating efficiency.

Moving on to slide 21, let's take a look at our year-to-date performance. The company has delivered a strong rebound in volume with year-to-date December volume growth of 7.1% supported by solid performance across both spices and Convenience Foods. Revenue from operations grew by 4.7% reflecting the company's decision to pass on price benefits to consumers, particularly in spices, in response to lower raw material costs. Year-to-date EBITDA grew by 7% driven by volume-led growth and continued operational improvement. EBITDA margin expanded to 17.2%, an improvement of 40 basis points year-on-year led by sustained operational efficiency initiative.

In addition, excluding the impact of production-linked incentives, the EBITDA growth for year-to-date FY 26 would have been at 11.9%. Profit after tax before exceptional items grew by 1.6% with growth moderated by lower other income. Now back to you, Sanjay, for your concluding remarks.

Sanjay Sharma:

Thank you, Suniana. Let me just sum up the quarter, the performance this quarter. Business development continues to be in the right direction with focus on volume growth in spices. Digital channels and rural both have been doing well for us. Overall strategies to drive depth in local geographies are moving in the right direction. We have been able to drive penetration over the three-year periods that we are tracking penetration on, and we have a strong margin development path as we continue to reap the benefits of operating leverage.

With expected improvement in overall consumption, spices deflation now behind us and inflation coming up ahead, we hope to see some good quarters ahead of us. Before I conclude, a few remarks regarding how do we see development going ahead. Our efforts to -- will continue to build spices through a strong local focus. We will continue to drive consumption in our core geographies.

Our efforts over a three-year horizon have helped us improve penetration in our core geographies and we'll continue to do more of that. We have a strong conviction on -- of an improved top-line performance supported by an improved environment for consumption, a strong volume development and a deflationary cycle turning around. On convenience food, all three platforms have shown promise and successful innovation development.

Our business models are stabilizing and are resilient. We are also strengthening our digital commerce capability in the organization. Furthermore, we are systematically expanding our footprint focus to play across major metros. Our demand flow has been developing very well. On the international business, that has been developing well in the Middle East. We will -- we now see an improving global environment and bilateral FTAs are expected to support less volatile environment for business in the future.

I believe this should be good for exports from India. And from a profitability point of view, we have delivered a strong EBITDA growth and profile and we expect to maintain the same. Thank you very much for your attention, and we'll be happy to take any questions that you may have.

- Moderator:** Our first question comes from the line of Rajit Aggarwal from Nilgiri Investment Managers.
- Rajit Aggarwal:** **Good evening, sir** I have a few questions related to the sequential movement in revenue and EBITDA margins. Is it possible to share the volume growth or the volume decline from Q2 to Q3? And then I'll have a follow-up question on that?
- Sanjay Sharma:** So I'll give this to Suniana. I think Suniana is best suited to answer this.
- Suniana Calapa:** Yes, so Rajit, the volume growth in quarter two, which was also a Diwali quarter, was at about 7.7%. And you've seen the numbers for this quarter, it's a 5.4%.
- Rajit Aggarwal:** Right, ma'am. No, I wanted to know the volume movement from Q2 to Q3.
- Suniana Calapa:** Yes, from Q2 to Q3 the absolute volume growth ?
- Rajit Aggarwal:** Yes, ma'am.
- Sanjay Sharma:** In metric tons.
- Suniana Calapa:** In metric tons. Okay. So it is slightly down, Rajit. It is versus sequential quarter-on-quarter, the growth is minus 4%.
- Rajit Aggarwal:** So most of the de-growth in top-line is explained by the volume de-growth?
- Sanjay Sharma:** Sorry?
- Rajit Aggarwal:** Most of the de-growth sequential decline in topline but we -- explained by the volume de-growth. And there could be some upside on the revenue or the realization, right? Since the sequential decline is just minus 2%?
- Sanjay Sharma:** I think you need to also take into account the festival season effects that are there out here. Given the fact that Orkla has had a festival season quite late in the year last year, which was -- when I say last year, it's 24 -- so it was somewhere in the first week of November. So a large portion of the festival season sales was captured in October and November.

Rajit Aggarwal: Right, sir. And given that the Q2 had certain impact due to GST transition and we had -- I mean, there were some comments in the last call saying that 25% of the sweets portfolio was impacted and then 7 to 10 days of billing could not take place. The sales could have been much higher in Q2 and a subsequent -- and hence the decline could have been starker in Q3. Is that understanding correct from the top line?

Sanjay Sharma: Yes, I think because the GST impact came into the sweets portfolio where the GST reduced I think from 12% or 18% to 5% and we had to manage that transition. So we would have lost some sales in quarter two. We could have certainly done better out there and therefore there would be an impact in terms of volume out there.

Rajit Aggarwal: And you think the sweets portfolio or the convenience food portfolio will be able to buck the trend in the next or the subsequent quarters?

Sanjay Sharma: Most certainly. I think as I said -- as we said -- I mean if you look at the overall performance for convenience food on a YTD basis, we are at about 12.1% growth. So overall portfolio is still -- I mean while we see quarter-by-quarter growth variations, the overall development is very good. We are starting to see the breakfast portfolio doing nearly a double-digit growth.

The sweets portfolio doing a double-digit growth, and the meals portfolio also doing a very strong double-digit growth. So overall the convenience food portfolio on a YTD basis is still running a 12% growth.

Suniana Calapa: And Rajit, if I could just add, we should also break up the business between spices and convenience foods. So while overall there was a decline of 4% in volume, spices, which is about 67% of our business, the volume growth was about 3.4% sequentially.

Rajit Aggarwal: Right, ma'am, right. That's helpful. On the EBITDA margins as well, again in Q2 we had an impact due to the GST transition. There were additional advertising expenses and labor costs involved, which probably are not there in this quarter. And despite that, the Q3 EBITDA margins are lower than the Q2 EBITDA margins. Any reasons for that?

Suniana Calapa: Yes, so that is also primarily led by gross margins. We've seen softening of gross margins primarily related to mix effects. Convenience foods comes at significantly better gross margins. So we've seen some softening in the gross margins and that's led to the EBITDA margins being slightly softer versus the previous quarter.

Rajit Aggarwal: Right, sir. And if I can just squeeze in one more question related to the expenses. Sequentially again, the employee expenses have reduced by about INR6 crores. And other expenses have also reduced by similar amount. Any one-offs? I mean, is this related to that GST transition only because of which the Q2 expenses were higher?

Suniana Calapa: Q2 was slightly higher because we had some one-off expenses related to the IPO etcetera, sitting in September. Plus we've also done some off-rolling of manpower in some of our locations, and that's also led to reduction and therefore that's, you know, permanent in nature.

- Rajit Aggarwal:** Ok, that's very helpful thank you.
- Suniana Calapa:** Thank You.
- Moderator:** Our next question comes from the line of Dishant Jain from Quasar Capital.
- Dishant Jain:** **Thank you for the opportunity** Sir, can you provide some more details on the international markets other than the GCC countries? Like how are we growing there or doing there?
- Sanjay Sharma:** So I think 70% of our sales comes out of the GCC markets and you've seen the growth coming out of there. On the rest of the markets, I think on US markets and the North American markets we are I think flat in terms of -- there's a decline in our growth out there, largely on account of the fact that last year we changed our distribution network and there's been a little bit -- and also the Red Sea crisis was there last year.
- So there was a lot of stock build-up that had happened as far as the US markets are concerned. We still don't have any concerns in United States on account of consumer offtakes, largely on account of the fact that because of the tariffs -- so we still believe that tariffs have not impacted consumer offtakes.
- It's really the high stock build-up that had happened in the United States. Over this year we've seen that the Red Sea crisis has reduced substantially and the delivery times into the US have improved, in fact reduced a lot. So we've been able to cut the stock levels to -- we are working to cut the stock levels to normalized levels by the first quarter of this year.
- Dishant Jain:** Okay, sir. And since in domestic we have a local state kind of a business, so are we planning for some inorganic acquisitions of different -- in different states?
- Sanjay Sharma:** Yes, so as far as M&A is concerned, I think it's an important strategy for our growth to go beyond our local agenda. But we don't make any comments about M&A. As you know, the nature of the beast by itself is quite fickle and we are -- I can assure you that that has now become a major priority for us and we are working quite aggressively with a few opportunities that we are looking at.
- Dishant Jain:** Sure. And lastly, on the -- would we be able to provide OCF number for nine months? Operating cash flow number?
- Suniana Calapa:** No, Dishant, we will not be able to provide the OCF number for nine months.
- Dishant Jain:** Ok, thank you for the opportunity.
- Moderator:** Our next question comes from the line of Resha Mehta from GreenEdge Wealth.
- Resha Mehta:** Thank you for the opportunity. So, the first question is you know on this trend, inflationary trend that we are seeing and on the spices side. So have we already started seeing that inflation

creeping into our procurement and hence, do we see that we would be able to pass on the prices to consumers by taking price hikes anytime soon or have -- or have we already taken price hikes?

Sanjay Sharma:

Yes, so based on our mandi buying we participate in the mandi 52 weeks in a year. So we are starting to see that the rates are starting to go up. We are participating in the mandi at this point of time and the materials are coming in. We're also sitting on covers for raw materials in our business. And therefore, based on how the trends are moving as far as the mandis are concerned, we are looking -- we have -- we are continuously adjusting our prices.

We have two parts of our business, one is the pure spices business where we track the mandi rates on a weekly basis, we track the wholesale rates in Karnataka and Kerala, and we keep adjusting the prices based on what the wholesale, landed wholesale rates are in the two respective states. So on pure spices, these adjustments continue to happen as part of a regular process. The other part of our business is the blended spices business and on the blended spices, it's a more recipe-based, it's more based on heritage and culture and our brand equity.

Here we are able to certainly pass on all the price increases. However, masalas out here is a composite of multiple pure spices. So if you were to take Sambar, it consists not just of chili, but it also consists of coriander, it also consists of turmeric. So the effects out there are not really substantial and we will be observing the development of prices as we make changes in prices as we go ahead.

Resha Mehta:

So basically safe to assume that no price hikes have been taken at a blended portfolio as of yet?

Sanjay Sharma:

It's too early because the season starts only in the -- in December. So by the time the price effects, it takes us time to execute price effects also. By the time the effects will come, it will be mostly in the first quarter onwards or late first quarter onwards.

Resha Mehta:

Okay. So maybe Q2 onwards is when we start seeing some inflation benefit also from a revenue growth standpoint. Would that understanding be right?

Sanjay Sharma:

You will see some effects in Q1 -- sorry in Q4 and in Q1 of next year.

Resha Mehta:

But the deflation will completely go out of the base by Q1 or Q2?

Sanjay Sharma:

See, our pricing strategy is based on how the mandi pricing is done -- is developing. It is not based on our covers. It is more based on our mandi pricing. So given the mandi price movement which will start happening for chili in December and January and February as we are starting to see and some of the other crops will start coming from March and April, we will start to see the full effects coming in—some effects coming in quarter 4 of this year and some effects and major effects coming in quarter 1 of next year.

Resha Mehta:

The reason I'm asking this question is because there's been a very wide volume revenue growth gap. And that is majorly attributed to the deflationary cycle. So just trying to understand, when

is it that we see the anniversarization of this deflationary cycle and start seeing the benefits of inflation in our revenue growth very constructively?

Sanjay Sharma: Yes, so I think it will still remain what I just answered to you.

Resha Mehta: Got it. And what was the spices volume growth for Q1 and Q2? I think Q3 you all have called out it is 10%. For Q1 and Q2, what was the spices volume growth?

Sanjay Sharma: Give us a second, we'll just tell you.

Suniana Calapa: Yes, so spices volume growth in Q2 was 5.9%. And was 8.7% in quarter 1.

Resha Mehta: Sure. And I think you were referring to some cross-learning from the Eastern acquisition for the pure spices portfolio of MTR?

Sanjay Sharma: That is right.

Resha Mehta: If you could just kind of elaborate on that?

Sanjay Sharma: So –in MTR, before we acquired Eastern, 90% of our sales in the spices and masala category used to be largely out of blended spices and only 10% of our sales used to come out of pure spices. And we never used to play pure spices as a category very seriously because it was a very commodity category and it used to have a very strong price sensitivity.

After we acquired Eastern, we got to understand how to -- how to deal with the market when we deal with pure spices. And Eastern had a very good system by which they did it. Part of which was how we bought in the market and how the buying and the selling supply chain was linked and what was the basis of doing pricing and being active in the market.

The other underlying thing that we also understood out of that was the fact that still a large portion of the market was unbranded. 60% of the market is still unbranded and 40% of the market is branded in pure spices. So there is a very strong linkage between how the unorganized market works and the branded market. So we can only play within a band of 10% to 15% price premium out there.

I think some of these learnings when we understood and we aligned our pricing models and the - and the cost of our formulations and other things from the learnings that we got out of Eastern, we were then able to effectively play in Karnataka and be effective against the smaller local brands that were dominating the -- the local market of Karnataka. Even though we were very expensive as a -- as a pure spice brand.

We were still the number one brand in pure spices. But we saw here an opportunity where we felt that the only distribution gap that we had in this category was largely linked to the fact that there were outlets that used to carry pure spices and did not carry blended spices. So we found that being present in pure spices was actually a very important strategic initiative that will

actually help us increase our distribution and thereby increase the presence of the brand in terms of penetration and households.

So we decided therefore to use the learnings out of Eastern and get into the market. We made the shift in 2022 and over the last three years we've actually more than doubled the volumes of MTR in these in Karnataka and in Andhra Pradesh and that has led to the increase in penetration from 20.3% to 30.6% as far as Karnataka is concerned and from 4.3 in 2022 to 13% in 2025 in Andhra Pradesh.

Resha Mehta: And which in turn has led to revenue of pure spices increase for MTR from 10% to how much now?

Sanjay Sharma: The salience of pure spices I don't have the number at the back of my hand. Maybe we can have that sent to you at a later date.

Resha Mehta: Sure. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Nitin Shakhder from Green Capital Single Family Office. Please go ahead.

Nitin Shakhder: Hi, good afternoon to the management of Orkla. This is Nitin Shakhder from the Green Capital Single Family Office. My question is more as an investor. Just wanted to understand the export market initiatives that Orkla is taking into the European market with some of the packaged foods and just wanted to get a sense of the increase in the distributor network and some areas and territories that you're targeting because there is a demand for Indian food not only from the Indian diaspora, but also from people who are wanted to have global food and convenience food. So it seems like a good market to tap into now and increase your exposure. So just wanted to have management comments on that, please?

Sanjay Sharma: Sure. So let me give you the genesis of the international business that we had. I think we believe that food is local and therefore the only way food migrates from one place to another place is when people migrate. It's valid as far as India is also concerned because let's say a North Indian will not have Puliogare and Bisi Bele Bath and a South Indian will not have Paneer every day.

So only way Bisi Bele Bath and Puliogare will migrate to North of India is if a person from Karnataka migrates into Delhi. And that's been typically the reason how food is migrated. Similarly, when you look at international business, Eastern migrated out of Kerala from Kerala to Middle East because we all know that a large amount of Malayalis have actually migrated into the Middle East.

And, of course, they will continue to consume local food which they have grown up on and therefore the brand their favorite local brand in Kerala was Eastern and therefore Eastern had the opportunity to go into GCC and build itself. Similarly is the story of MTR. MTR also migrated from Karnataka into United States and other country in Europe and other countries

largely on account of the migrations of Kannadigas and the larger South Indian community that go -- went out there who wanted their familiar food and therefore continued to buy our brand.

So this is the reason why our food migrates. When we did the Eastern acquisition, we had a strong synergy between MTR and Eastern. It is the basis on which we built the international business. Now, we have now merged both these businesses, we have now created one entity which now contributes roughly 21% of our total sales and you can see that there are very complementary footprints because Eastern, a major portion of its business actually almost 90% of its business came out of GCC whereas 10% from few other scattered countries whereas MTR was very strong in the rest of the world, and had a very strong footprint of around 35 to 38 countries.

When we merged both the businesses, both the brands have been now taken to over 45 countries across the world and that's the business. So MTR is strong in North America, Canada, Europe, Australia, New Zealand, Japan, Singapore, Malaysia and all these places whereas Eastern largely' s dominance was in the GCC part. That's the way we have constructed our business.

Our business continues to grow at the back of immigration, and I think despite the headwinds on immigration which are there either in the US or Europe and Australia and all around the world, people are still migrating and we do still get -- we still get a lot of demand from different parts of the region. The international business we run on three key business models. The first is focus countries where we have our own organizations. These are fairly large country where we have actually set up a country teams that runs the entire business.

The second is medium-sized businesses which is -- the first is largely GCC. The second is US-Canada where we are -- we've reached a certain scale and we are now starting to build and customize our business for the region out there, and try and launch products that are meaningful for the international market where we are now starting to put feet on street in the major portion of the countries that we cover are mostly opportunistic markets where we have distributors, where we ship products to.

We get demand from there, where we are shipping products to when they monitor the sales and marketing activities at a very broad level. It's largely left to the distributor and our people visit these areas to ensure that we do some level of market development that happens in countries. So this is the way our international business is structured.

Nitin Shaktidher:

Okay, great. Thanks a lot for that great background. My question was also in connection to let's say what we're seeing initially on import duty and free trade agreements being signed between Europe and India. So is that a opportunity for a company like Orkla to develop the European market a lot more? Obviously, as you rightly said, it's a factor of immigration and where like-minded people have like-minded food.

But that's nothing to say that there is a-- there is a market for spices in East Europe, there is a market for fusion food as well. It's not only that the Indian Malayali consumer will consume

that. Yes, there will be a preponderance of that, but is there a potential to develop the market in areas in Europe which you think might have lower volume right now but maybe in the long run the volumes might pick up?

Sanjay Sharma:

Yes, I think, we have a very, very different business philosophy, and the philosophy largely governs the way we run our business across India and across the world. We do believe that food is local, and it's important for us to reflect the local culture in a very, very strong way, and that is what helps you differentiate, helps you deliver taste and flavor to consumers as long as it resonates with the local culture. We do not believe in a generic approach of taking a commodity and trying to sell a single type of commodity to the rest of the world.

And we believe that that is a undifferentiated and a very commodity-like approach which will not generate margins and effectiveness in the market. And therefore we don't pursue such strategies. Therefore, we are very strongly linked to the culture of -- to the migration of relevant target groups and serving them with the kind of food that they have consumed in India. So of course, theoretically, such a market exists everywhere in the world.

Everyone uses spices and -- but you have to understand that, the spice that I sell in India, may not be the right spice that I may go and sell in let's say a Poland or Germany or Norway as a matter of fact because their taste palettes and their acceptance of the spice levels are very, very different. We see that kind of a nuance as far as India is also concerned. So the spice concerned -- spice that we sell in Karnataka is very different from the spice that we sell in Andhra Pradesh.

In Andhra Pradesh we sell Guntur chili which has a much higher heat index than the spice that we sell in Karnataka which is largely Byadgi chili which has a much lower heat index and a much higher color index. So there are these technicalities which are related to very basic fundamental principles of how food and cuisines are developed which is largely by talking about the 300-kilometer radius of availability of ingredients that have a very strong influence on the kind of cuisine that you have.

So unless you don't understand the cuisine of different portions of India or abroad, world, I'm afraid you'll be only taking a very generic and an unprofitable approach to building your business and therefore we don't pursue it like that.

Nitin Shaktidher:

Okay, thank you. That's a very fair point and all the best for the future. Thank you.

Sanjay Sharma:

Thank you.

Moderator:

Thank you. Our next question comes from the line of Akshay Darji from Self shine Industries. Please go ahead.

Akshay Darji:

Hello, sir. I am audible?

Sanjay Sharma:

Yes, you are.

Akshay Darji: Yes, my question is within the South India core market, are you seeing any change in consumer demand compared to quarter two?

Sanjay Sharma: I think that's an excellent question, Akshay. As we said that certainly the consumption environment is improving, and therefore we are seeing an uptick as far as consumption is concerned. It is slow and we do -- we do feel that the markets are warming up to a better environment.

Akshay Darji: Okay. And my next question is like, what is the growth plan for the next two years to expand the business?

Sanjay Sharma: I think our growth strategies are very clearly articulated. I think first is, we have two brands which is MTR and Eastern. We still believe that there is a strong potential to grow as far as both these brands are concerned in its core market. As you know that MTR is the number one brand in Karnataka and is the number two brand in Andhra Pradesh. Eastern is the number one brand in Kerala.

Now, just to -- our entire business model is about focusing in the local geographies as far as spices is concerned and driving the growth through driving penetration by driving range, by driving price and by driving consumption of our products. Just give me a second. Yes, by driving range, by driving penetration, range, frequency, and value of the products.

So we will continue to do that. Let me -- and you know, one of the major perspective that we get from investors as far as our business is concerned that because we are a local business, we may have a limited potential to grow, and that is completely not true. It may have been true at some point of time where India was not developed.

Today if you look at India, and especially when you look at South, 30% of the GDP actually comes out of the southern part of India. The per capita income as far as the southern Indian states is about 1.2 to 1.9 index to the average per capita income across India. We also have the highest annual per capita spend as far as the packaged foods is concerned and we also have the highest spice consumption as far as India is concerned. So Southern India is a very, very rich market.

The second aspect that I would like you to consider is the fact that we did a quick back-of-the-envelope calculation on per capita sales of MTR brand in Karnataka and we realized that today we get roughly INR110 per consumer out of Karnataka in terms of per capita sales, which means that we are largely selling 120 grams of Sambar which is our largest product which we sell for INR75 for 100 grams. We are largely at INR110, we are largely selling 120 grams of Sambar per person.

And Sambar is consumed five times in a week, and to make Sambar you need to use at least 10 to 12 grams, which means that we are largely covering 10 to 12 consumption occasions out of 265 consumption occasions available as far as Sambar is concerned. So we believe that there is still a long runway to growth that is available for us as far as South of India is concerned. So as

far as spices is concerned where it is very, very important for us to be locally focused and reflect the culture, we will continue to focus on the South.

The second portion is convenience food. Here we are now, a large portion of our sales largely we've been -- it's not that we are not distributed across India, but despite being distributed across India, we have a large portion of our sales coming out of the southern part, but we are now slowly starting to realize, and I said that in my narrative in my presentation also, that we're starting to see that because of e-commerce we are now able to sell some of the products in convenience foods across other towns in India also.

I think that is something that we are experimenting with and we are also looking at launching specific products that could actually go across the country. So with convenience food we are now starting to see our ability to get a better bang for the buck, as far as building our sales only in the metro towns of India is concerned. So that is another small experiment that we are doing, and we may in a calibrated manner build ourselves as far as digital commerce is concerned.

The third thing that we are doing in terms of growth is our international business. Our large focus is going to be in the GCC countries where you are seeing that we've got a very, very good growth pattern developing, and the US markets, these are the two key markets that we will continue to invest in and build. We've got a dedicated team out here, we have a dedicated people.

We've got feet on street that will help us build and control the entire distribution of our business and we will continue to actively participate as far as digital commerce development both in India as well as in the international market is concerned. So these are broadly the four - three-four pillars of growth that we will be pursuing.

Akshay Darji:

Okay. Yes. Thank you.

Moderator:

Thank you. Ladies and gentlemen, due to the time constraint, that was the last question for today. I would like to hand the conference over to Mr. Siddharth Borkar for the closing comments. Thank you and over to you, sir.

Siddharth Borkar:

Okay, thank you for attending this call.

Moderator:

Sorry Mr. Siddharth, but your voice is breaking.

Siddharth Borkar:

Is it better now?

Moderator:

Yes, yes.

Siddharth Borkar:

Thank you all for attending this call. Please do get in touch with us in case of any further questions and we look forward to interacting with you in the future. Thank you.

Moderator:

Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.