



“Orkla India Limited
Q4 FY26 Earnings Conference Call”

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MANAGEMENT: **MR. SANJAY SHARMA – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – OKLA INDIA LIMITED**
**Ms. SUNIANA CALAPA – CHIEF FINANCIAL OFFICER –
ORKLA INDIA LIMITED**
**MR. SIDDHARTH BORKAR – HEAD, M&A AND
INVESTOR RELATIONS – ORKLA INDIA LIMITED**

MODERATOR: **MR. AKSHAY KRISHNAN – ICICI SECURITIES LIMITED**



Moderator: Ladies and gentlemen, good day, and welcome to Orkla India Limited's Q4 FY26 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 this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

And I now hand the conference over to Mr. Akshay Krishnan from ICICI Securities Limited. Thank you, and over to you, sir.

Akshay Krishnan: Hi, this is Akshay Krishnan from ICICI Securities. It's a great pleasure to host the Q4 FY26 earnings call of Orkla India Limited. I right now hand over the call to Mr. Siddharth Borkar to take over the proceedings. Thanks.

Siddharth Borkar: Thank you, Akshay, for hosting us. Hello and welcome, everyone, to the Q4 FY26 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've 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: Thank you, Siddharth. A very good evening to everyone. My name is Sanjay Sharma; I'm the Managing Director and CEO for Orkla India. I am joined along with our CFO, Suniana Calapa, to take you through our results.

It is great to connect with you as we present our quarter four and full year FY26 results. We deeply value the continued trust and support from all our investors. I'm sure you have seen our investor deck that we have uploaded, and I will be walking you through that, so I will give you slide references and you can turn along with me as we go ahead.

So let me begin with a quick overview of our business before I walk you through our quarter 4 and full year results. Let's go to Slide 5. Orkla India, a quick introduction for people who are coming to these presentations for the first time. Orkla India is a multi-category food company, anchored by trusted heritage brands such as MTR and Eastern. MTR is a 100-year-old brand and Eastern is a 40-year-old brand. We operate in two categories of spices and convenience food.

Our business model is built on a very fundamental premise that food is local. Our growth charter is driven on the premise of going deep rather than building a broad generic portfolio across India. We have consciously focused on winning in our core markets, particularly in South India, where we have a strong cultural and consumption relevance. The skew of the business resonates the growth charter. We generate 70% of our revenues from our core markets in the South, with international business contributing 21% of our total revenue.

This is supported by a strong distribution network of 679,000 retail touchpoints, combined with a manufacturing footprint of eight in-house facilities and 22 outsourced units, enabling us to operate both at scale and with agility.

Now you can move to Slide 7. A few comments on the macroeconomic environment. The broader macroeconomic environment in India continues to remain resilient, supported by a healthy GDP growth, an improving consumption trends, and continued formalization across categories.

From a policy perspective, the environment remains supportive, with measures such as GST simplification and continued fiscal and monetary support aiding consumption and driving formalization.

On inflation, we have seen a cool-off from earlier highs. However, in the recent months, there are early signs of inflation returning, especially in key agri-commodities which are relevant to our business.

That said, there are also external headwinds to monitor. The West Asia conflict has introduced volatility, leading to input cost pressures and intermittent supply chain disruptions. Despite these near-term uncertainty, the macroeconomic environment remains broadly conducive, and we are well-positioned to navigate these evolving dynamics.

We can move to Slide 8. During FY26, the deflationary trend that we have been battling with for the last two years has gradually bottomed out and as of now, reversed. As we exit the year...

Moderator: Sir, sorry to interrupt you, we have lost your audio. Can you hear us? Participants, please stay connected. Ladies and gentlemen, thank you for your patience. We have line for Sanjay sir reconnected. Sir, please go ahead.

Sanjay Sharma: Yes, you can hear me loud and clear, I guess?

Moderator: Yes, sir.

Sanjay Sharma: Okay. Thank you. I'm sorry for the drop-off of the call. So let me just start off from the macroeconomic environment again. So, as I was talking about how inflation was seen to be cooling off from earlier highs, and however, in recent months, we've seen early signs of inflation returning, especially in key agri-commodities which is relevant for our category.

That being said, there are also external headwinds to monitor. The West Asia conflict has introduced volatility leading to input cost pressures and intermittent supply chain disruptions as well. Despite these near-term uncertainties, the macro environment remains broadly conducive, and we are well-positioned to navigate these evolving dynamics.

Coming to Slide number 8, give you a quick overview of the key commodity and price trends. During FY26, the deflationary trend gradually bottomed out and has now reversed. As we exit the year, we are seeing a recovery in spice prices, with quarter 4 showing an 6.5% uptick versus the lows that we were seen earlier in the years, indicating the beginning of an inflationary cycle.

Key spices such as chili and coriander have seen inflation of 20% to 30% and 10% to 15% respectively, marking a clear shift in commodity trends.

In general, our supply chain remains robust, given that 95% of the raw materials are being sourced locally. We have a marginal import dependence. To navigate this environment, we are driving operating efficiencies and working closely with our business partners to manage and mitigate the overall impact, while progressively passing on price increases to consumers to offset the impact of inflation.

Moving to Slide 10. Now let me take you through our consolidated FY26 performance. We've delivered a revenue from sales of products of INR 2,493 crores, up 5.7%, alongside an EBITDA of INR 424 crores, growing at about 7%, reflecting the resilience of our business despite challenging operating environments.

What is particularly encouraging is the consistent acceleration in volume growth over the last four years. From 1.8% in FY23, we've scaled this up to 5.9% in FY26, demonstrating the strength of our brands and continued focus on driving consumption-led growth.

At the same time, we've also delivered a strong absolute EBITDA expansion, growing from INR 312 crores in FY23 to INR 424 crores in FY26, which highlights the operating leverage in the business. The EBITDA has grown at 7% over last year. The underlying growth without the PLI effect is about 12.4%.

Importantly, this has been accompanied by a steady improvement in EBITDA margins, increasing from 14.4% in 2023 to 16.9% in FY26, reflecting our sharp focus on premiumization, cost discipline, and a favourable product mix.

Overall, FY26 underscores our ability to drive volume-led growth while expanding profitability, positioning us well for sustainable and long-term value creation. We'll move to Slide number 12. Coming to our quarterly performance. In quarter 4, we delivered a 6.2% growth, which further improves to 7.8% if you exclude Kerala. Kerala market was impacted due to internal sales restructuring project and softening of HoReCa sales due to the LPG crisis. I will speak more about it further in my presentation.

On the profitability front, we've been able to consistently clock INR100 crores of EBITDA each quarter while sustaining a healthy margin of above 16%. In quarter 4, we reported an EBITDA of INR100 crores with a margin of 16%. The marginal decline in quarter 4 margins is attributed to higher freight costs driven by West Asia conflict and investment in Project BOLT, which is a digital commerce project I will speak about later. This impact is to the tune of 200 basis points on our margin. Despite headwinds, we have continued to sustain a healthy profitability levels during the quarter.

We'll move to Slide 13. Let me take you through the performance of our Spices portfolio. We delivered an overall revenue growth of 6.1% despite issues in Kerala market. Encouragingly, when we look at our domestic business excluding Kerala, growth is strong at 11.1% with volume development of 6.5%.

The growth has been driven by two key levers. First, we are deepening our rural market penetration through targeted consumer activations, which has helped us expand our reach and drive incremental consumption. We've conducted sampling exercises across more than 400 schools and mandis, reaching to an audience of over 300,000 people. These on-ground initiatives continue to strengthen the brand visibility and engagement.

Our innovation programs also continue to build on our deep-rooted knowledge and strong understanding of the regional culinary culture. In this quarter, two more new innovations have been launched: the MTR Karam Gold chili powder for pickles, as the pickle season is about to begin, and the MTR Karam to strengthen our portfolio in the Andhra Pradesh and Telangana market.

Our market positions in our core markets remain resilient, with market shares MAT March '26 in the category in Karnataka improving by 30 basis points and in Kerala, they declined by 50 basis points.

In AP, our shares are stable. We continue to retain a strong number one position in Karnataka and Kerala, driven by increase in penetration. Overall, while Kerala remains a near-time headwind, the underlying performance across other markets reinforces our strategy of driving depth and building a strong regional franchise which continues to deliver resilient growth.

Now let me come to slide number 14 about Eastern distribution. As I said earlier, Eastern acquisition was done in 2021. While all the synergies and improvements have been captured, the only aspect that we had not worked upon was improving the distribution system. Today, our distributions for Eastern operates on a "one system for all" approach, which limits our ability to fully capture the potential across categories and channels.

The legacy route-to-market had many challenges, such as sub-optimal market coverage, lack of customer focus in tune with the trade evolution that has taken place in India, and ineffective focus on convenience food. As the market evolves, this model needed to become more agile, segmented, and future-ready.

Through this restructuring, we are fundamentally re-architecting our distribution model with three clear priorities. First, we aim to significantly enhance our spices coverage, improving reach, availability, and execution at outlet level.

Second, we are focused on accelerating growth in Convenience Food, a high-potential segment, by building sharper distribution and activation capabilities. Third, we are creating a dedicated structure for standalone modern trade, enabling us to capture growth more effectively and strengthen our market shares. While this transition has led to some near-term disruption in Kerala market, these steps are structural in nature and are aimed at building a stronger, more scalable distribution engine.

We'll move to Slide 15 on Convenience Food. In Convenience Food, we've delivered a revenue growth of 6.4%, supported by a robust performance across key segments. Notably, both Meals and Sweets categories have delivered double-digit growth, reflecting increasing relevance in

daily consumption. In overall, the performance reinforces our strategy of scaling up convenience food as a long-term growth driver.

Now we'll move to Slide 16. Our international business has demonstrated strong resilience despite a challenging external environment. We delivered a 11.8% growth in GCC, which represents 70% of our international business, reinforcing the strength of our franchise in the region. In fact, Eastern continues to be the number one Indian spice brand in UAE by household reach.

During the quarter, the ongoing West Asia conflict led to significant operational challenges, including elevated freight costs, port closures, and increased transit time, creating pressure on the overall supply chain. However, through calibrated and timely interventions, we have been able to ensure continuity of operations through a series of steps. Our top priority has been the safety and security of our teams on ground, which has been secured.

Next, we have maintained a strong supply chain resilience, ensuring that our shelves remained well-stocked across markets. From a cost standpoint, we are actively managing the impact through a combination of measured price increases, effective cost controls, and close collaboration with our business partners.

Now I'll move to Slide 17. Let me take you through our digital commerce performance, which continues to be a key growth driver for our business. While we delivered a 23% year-on-year growth in quarter 4, more importantly, on a full-year basis, we've achieved a strong 38% growth in FY26, clearly reflecting the structural scaling of this channel.

This momentum is also translated into increased contribution, with digital commerce now accounting for 8.7% of our domestic revenues, up from 6.6% last year. This growth has been driven by consistent investments in social media engagement and digital-first activations.

A key highlight in this space has been MTR Prakriti, which is our effort to take a single-source premium spice beyond the South Indian markets, where we are seeing an encouraging traction. We have now expanded this product to five metros across all the quick commerce platforms, including Swiggy, Blinkit, Amazon, Flipkart, and FirstClub, along with our D2C platform.

38% of our sales are coming from non-South markets, indicating a strong acceptance of our core regions beyond our core regions. Additionally, we are seeing 21% repeat rates on D2C, reflecting an improving consumer stickiness.

Slide 18. Building on the strong momentum we are seeing in digital commerce, we have now launched Project BOLT, a focused initiative to accelerate our digital commerce trajectory with the help of an external agency.

Project BOLT is designed to systematically scale up this opportunity and is built on three key pillars. First, we are developing a dedicated digital commerce playbook anchored around people, process, and technology to bring sharper execution and consistency across platforms.

Second, we are focused on winning online market share with an ambition of building a stronger online presence relative to offline presence over a period of time. Third, we are driving digital-first, channel-specific innovations, ensuring that our portfolio is better aligned with the evolving needs of digital commerce consumers.

The project outcome is focused on strengthening our overall digital commerce capability by improving the organization structure and design, building capabilities across our teams, strengthening our ability to generate consumer insights, and finally, deploy the use of technology to ensure to enable dashboards to infuse agility into decision-making and market action. I am confident that this will enable us to accelerate value creation on this key emerging channel.

Now I hand it over to Suniana to take you through the financials.

Suniana Calapa:

Thank you, Sanjay, and good evening, everyone. Let me begin with the financial highlights for FY 2026. I draw your attention to slide number 20. Orkla India delivered revenue from operations of INR 2,509 crores, registering a year-on-year growth of 4.8%, supported by volume growth of 5.9%, the highest in the last four years, reflecting our continued focus on driving volume-led growth.

EBITDA for the year stood at INR 424 crores with a healthy margin of 16.9%, representing an improvement of 30 basis points over the previous year. Unprecedented deflation in spices over the past two financial years led to a reduction in pricing and impacted the company's ability to recognize Production-Linked Incentive PLI income.

Consequently, no PLI income was recorded for the year. On a like-for-like basis, excluding the impact of PLI, our EBITDA grew by 12.4% with a margin expansion of 100 basis points, reflecting strong underlying operational performance.

During the year, the company recorded exceptional items of INR 16.7 crores relating to gratuity expenses following the implementation of the new labor code. Profit after tax before exceptional items stood at INR 298 crores, up 3% year-on-year. Growth was moderated due to the absence of PLI income this year as well as lower financial income, largely due to reduced cash surplus during the year following the dividend payout in the previous year. Reported profit after tax for the year was at INR 286 crores, representing a growth of 11.7%.

Moving on to slide 21. Our performance for quarter four FY 2026. Revenue from operations was INR 626 crores, reflecting a year-on-year growth of 5%. Revenue from sales of products excluding PLI, other operating income was at 6.2%, supported by volume growth of 2.2%.

EBITDA for the quarter was INR 100 crores, up 7% year-on-year with an EBITDA margin of 16%, an improvement of 30 basis points year-on-year. Profit after tax before exceptional items stood at INR 74 crores, representing a growth of 7.5% over the same period last year.

Moving to slide 22. Now let me walk you through the category performance. I draw your attention to the chart on the left, which is the category split. Spices growth for the quarter was 6.1% year-on-year. After nearly seven quarters of continuous spice price decline, we saw an

uptick in the prices of spices during the quarter, and the company has undertaken calibrated price increases to offset input cost increases.

Growth in the spices segment would have been even higher but was impacted by the performance in Kerala. This was driven by external factors such as reduced HoReCa demand due to the LPG crisis, as well as internal factors related to the ongoing distribution restructuring.

Excluding Kerala, the domestic spices business delivered a strong growth of 11.1% with volume growth of 6.5%, reflecting sustained consumer demand and underlying strength of our brands. Convenience Foods grew by 6.4% in quarter 4, driven by double-digit growth in the Sweets and Meals portfolio. The Breakfast portfolio remained steady during the quarter, impacted by a temporary slowdown in two quick commerce platforms undergoing internal restructuring and is expected to normalize going forward.

From a geographic standpoint, the chart on the right, domestic revenues grew by 6.5%. Excluding Kerala, domestic growth was stronger at 8.9%, led by robust double-digit growth in spices. In the international business, we delivered growth of 5.1% during the quarter.

Despite disruptions in West Asia, the GCC region remained a key growth driver, delivering strong growth of 11.8%. In North America, while tariff-related uncertainty impacted the retail environment and led to lower inventory levels, underlying consumer demand continues to remain strong, positioning us well for recovery as conditions stabilize.

Moving on to slide 23. EBITDA growth for the quarter stood at 7%. During the quarter, we ensured continuity of supplies to the GCC region, despite elevated freight costs arising from surcharges and incremental shipping line charges. The company has already initiated measures to mitigate these costs through judicious price increases, calibrated spending, and cost-sharing initiatives with channel partners.

Additionally, as Sanjay highlighted earlier, we have commenced Project BOLT, aimed at strengthening our digital commerce capabilities, which entail certain strategic investments during the quarter. Adjusting for these factors, including the absence of PLI, elevated freight costs and investments in Project BOLT, underlying EBITDA growth for the quarter would have been 28.9%, underscoring the strength of our underlying operating performance.

The strong EBITDA performance was driven by effective pricing actions, operational efficiencies, and disciplined advertising promotional spends and cost optimization. PAT before exceptional items grew by 7.5%, supported by improved gross margins, operating leverage, and lower depreciation.

Moving on to slide 24. The company continues to maintain a strong balance sheet and remains focused on driving working capital efficiencies. Return on capital employed stood at 27.7%, with a marginal decline primarily driven by an increase in reserves. While in the previous year, the company had paid out dividend as part of its balance sheet optimization, this year, the board has taken a considered decision to retain cash reserves to support future growth investments.

As of 31st March 2026, the company maintained a healthy cash surplus of INR 600 crores, providing strong financial flexibility to fund strategic initiatives and drive long-term growth. During the year, the company generated cash from operations before taxes of INR 355 crores, reinforcing our position as a strong and consistent cash-generating company.

Cash conversion for the year was impacted by TDS on dividends deposited during the year. Adjusted for this, cash conversion was at 98% of EBITDA. With a continued focus on inventory discipline, trade working capital days improved by two days.

Overall, we delivered a resilient performance in FY26 with volume-led growth and sustained profitability despite external headwinds. With strong underlying fundamentals and a robust balance sheet, we are well-positioned to drive consistent profitable growth and drive long-term value creation.

Back to you, Sanjay, for your concluding remarks.

Sanjay Sharma:

Thank you, Suniana. Let me conclude by saying that while FY26 came with its share of external challenges and execution transitions, the underlying fundamentals of the business remain strong. On spices, after two years of unprecedented deflation, we are now seeing inflation re-emerge. We have taken calibrated pricing actions to ensure that we continue to drive volume growth while improving value realization.

While the West Asia conflict has impacted operations, we have responded with agility, ensuring business continuity and consistent product availability. In recent times, we have seen further increase in input cost pressures across the industry, additionally impacting packing materials and logistics. We will continue to monitor the situation and take appropriate actions.

Finally, as we look ahead, we remain sharply focused on driving long-term growth through strategic initiatives like the restructuring of Eastern's distribution network to make it more agile, scalable, and future-ready, and through initiatives like Project BOLT, where we are strengthening our digital commerce capabilities to accelerate growth in this high-potential channel.

Despite short-term disruptions, the fundamentals of our business remain strong. With improving volume growths, expanding margins, and focused investments in distribution and digital, we are confident of delivering sustainable long-term value.

Thank you. And we are now happy to take your questions.

Moderator:

Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Resha Mehta from GreenEdge Wealth Services. Please go ahead.

Resha Mehta:

Thank you for the opportunity. First is just a suggestion, if, you know, we could keep some more gap between, you know, the release of results and the con-call, which would help us to analyze the results better.

I have three questions. The first one is, you know, is the Kerala distribution restructuring impact expected to last, you know, basically for how long would we see this impact going ahead, and when was this project started? That's one.

Second is exports, you know, since 70% are to the Gulf region, and we have seen that in Q4, it's only grown by 5% our exports business. So if you could comment on are fresh shipments going, what is the likely -- assuming, you know, this current situation West Asia crisis continues, you know, what is the kind of growth that we can expect from exports considering 70% is to GCC?

And also, is the tariff-related issue in USA behind, because now I believe it's just 10% tariff that it's attracting, so probably if you could comment that, you know if exports to the US are also getting impacted? That's question number two on exports.

And third is on the inflation and the pricing. So while I believe some pricing action was initiated in quarter four, if you could comment on, you know, what is the kind of inflation that, you know, we are currently seeing, what is the kind of price hikes that we've taken on a blended basis on the portfolio, and what is it that, you know, we are expecting to, you know, take further price hikes if any? Thank you, these are my three questions.

Sanjay Sharma:

Yes. Thank you for your question. I was just writing it down, so sorry for the pause that was there, for me to remember what are the questions and what to answer. So let me start with Kerala distribution. I think as I said that, you know, we've acquired Eastern in 2021, and distribution was -- Eastern had a very unique distribution system, and we needed to learn this distribution system and understand the nuances of the distribution system before we make any changes.

Finally, we kicked off the project in this quarter, earlier up in the quarter, and I've outlined the key objectives of those changes in my narrative. So how long will the impact last? I think we will see -- we are well on the way in terms of the project, and we will see the impact for at least another couple of quarters. May not be a high impact as we are starting to -- you know, we've already implemented two out of the three phases.

One phase has already been implemented, another phase will be implemented by the end of May, and then the final phase will take at least two more quarters ahead of us. So I would imagine that by last quarter, if not first of January 2027, you will see that the full project will be -- the full restructuring will be completely done. So do expect some level of impact coming through in the next two quarters or so.

With regard to exports, you said that 70% of our business comes out of Gulf. The number that you mentioned of 5% growth, 5.1% growth is at a total business level. Gulf markets, we have grown at about 11.5%, despite the West Asia challenges that are there. We do expect to continue to track a growth rate going ahead.

We've been tracking double digits in the last two quarters in the Gulf. We hope to continue the same. We are seeing, you know, the supply chains are still not fully set. We are seeing some amount of delays in the shipment of consignment, but we've got adequate stocks available in the market, so we don't see any further supply-related issues really coming in the way.

With regard to tariffs in the United States, as you talked about, the frequent changes that have happened over the last one quarter where the tariff structure went from a 50% tariff down to 16%, 17% tariff, which is normalizing the tariffs in pre-tariff wars that were there, has resulted in, us having inventories of multiple tariff levels in the US. So we are looking at flushing those inventories out, and the business will return to normalization once those inventories are flushed out. With regard to...

Resha Mehta: Sorry, just a clarification here. So the 5% revenue growth in international business in Q4, is purely attributed to the probably the, de-growth in the US business, is that understanding right?

Sanjay Sharma: Yes. The growth in the US markets has been very soft. Yes.

Resha Mehta: Sure.

Sanjay Sharma: Okay.

Resha Mehta: And...

Sanjay Sharma: With regard -- yes. Your last question was around inflation, right?

Resha Mehta: And the price hike.

Sanjay Sharma: Yes, so I think, Sunaina, if you could take that question.

Suniana Calapa: Yes. So as you can see that for the quarter of March, our volume growth was 2.2% whereas we recorded a revenue growth of 6.2%, if you just look at sale of products. So it's roughly reflecting a 4%, price increase. We did start to take up price increases in quarter four.

We expect to take another round of price increases in quarter one of FY27. We're obviously watching the situation and the environment very carefully and will take appropriate calibrated price increases as the need arises depending upon what kind of input cost increases, we see.

Resha Mehta: Sure. Thank you so much.

Moderator: Thank you. Next question is from the line of Akshay Krishnan from ICICI Securities. Please go ahead.

Akshay Krishnan: Hi. So sir the net of Kerala, the domestic spice growth remained at around 11.1%. Now how should we think about...

Sanjay Sharma: Akshay, sorry to interrupt, your voice is coming muffled. Can you speak though the handset please?

Akshay Krishnan: Okay. Sure. Is this clear?

Sanjay Sharma: Yes. Go ahead.

Akshay Krishnan: Yes. Yes. Yes. So the net of Kerala, the domestic spice growth remained at close around 11.1%, now how should we think about the timeline of Kerala normalizing, and can we restructure the RTM drive structurally higher growth versus the historical levels?

Sanjay Sharma: That is pretty much the intention, Akshay, out there. I think the idea is to, you know, I think fundamentally our objective is to ensure that there is minimal disruption in terms of impact to business because we do understand the quantum of business that we do in Kerala. And it is very important for us to do the restructuring in a very structured and a systematic manner.

So we will -- we are not taking any decisions that have wide-ranging impacts on the distribution channel per se. We are going district-by-district, step-by-step, and ensuring to -- ensuring that there is a minimized impact on the business.

The long-term outcome of this restructuring is to ensure that we cater to the segmented distribution needs that we have in the market, as well as be able to increase the level of distribution.

Now if you remember our DRHP, we've spoken about the fact that we've got 70% distribution in Kerala and the closest competitor to us is at least 2x -- we are 2x the closest competitor. So we do have a distribution dominance in Kerala, and the idea is, you know, we have a numeric reach of only 70%, so this restructuring could also help us increase our distribution.

So we do see that post the restructuring and we will have a positive momentum on all lines of business, whether it is convenience food, whether it is modern the regional modern trade and OFO outlets which are there, open format outlets in Kerala, as well as the spices and the masala distribution that we have.

Akshay Krishnan: So how should we think about the timeline, sir, maybe in the near-to-the medium-term, what will be the approx?

Sanjay Sharma: So as I said earlier, I think we are addressing this project in a step-by-step basis, district-by-district basis where we are restructuring our distribution network. So we are trying to minimize the impact on the business, and therefore it will actually take us a little bit longer time. We do see that by 1st of January 2027, this project should be complete and the new distribution system should be working seamlessly in the business.

Akshay Krishnan: Okay, great. Great, sir. My next question is to Suniana. The EBITDA growth has been it's been outpacing the revenue growth over the last few quarters. Now how much of this current growth is structurally versus the temporary benefit like the lower ad spends and the mix?

Suniana Calapa: So thank you, Akshay, for the question. If you look at our performance even over the long term, you know, our EBITDA growth has been quite handsome. We've grown our EBITDA from 14.4% in 2024 to about 16.9%.

And we can say that roughly half of this improvement in EBITDA, which is roughly about 250 basis points, half of it would be on the back of raw material price reductions that we've seen over

the last two years. But more importantly, the remaining half has come on the back of operating efficiencies, cost reduction, and price management and mix-related changes.

Akshay Krishnan: Okay, great. Great. Thanks. And one final question if I may. Now Digital Commerce is actually growing faster than the GT and the MT aspect of the channel. Now are you seeing incremental household penetration driving through this digital platform, or is growth coming in from the channel migration within your existing consumer base?

Sanjay Sharma: Um, yes, I think that's a very interesting concept. I think it's a bit of both. We are reaching out to those households that were not buying us with products with our portfolio. We are able to get growths out of markets other than South India also, so it is adding to improved penetration in non-South markets. But in some of the Southern markets, we are seeing some impact of this coming into the urban metro cities. So it's only restricted to the metro cities, it's not going beyond that.

Akshay Krishnan: Okay. And when we tie it up amongst the Tamil Nadu, AP, Kerala, and Karnataka, how does it work around? How do you do it on the picking order of this?

Sanjay Sharma: In terms of?

Akshay Krishnan: In terms of the digital commerce growth versus the GT and the MT.

Sanjay Sharma: I don't have we don't share market-specific numbers on this, that's too much of a detail for us to share. But essentially, a lot of the growths on the digital commerce is also coming on account of expanding beyond the South. So South, also contributes heavily, but also beyond South does well.

Akshay Krishnan: Okay. Okay. Thank you and good luck, sir.

Sanjay Sharma: Yes.

Moderator: Thank you. Next question is from the line of Ravi Purohit from Securities Investment Management. Please go ahead.

Ravi Purohit: Yes, hi, thanks for taking my question. Um, I have one suggestion and three questions. Suggestion is same as one of the earlier speakers has said that if you could keep a gap between releasing the quarterly results and the presentation and the con-call, right? It allows us to kind of go through the numbers carefully.

And my questions are essentially, so I think, you know, we've given out a couple of interviews in the run-up to IPOs and post-IPO also, that on a long-term organic capability of growth within the system is about 12% to 13% which we've done in the last 10 years. And I think we had reiterated that we are confident about doing so in the coming years as well.

So given this restructuring and the, you know, issue that we are facing in West Asia, is it fair to assume that we may not do so in the very near-term like in current year and next year? Or do you think the price increases that we are taking because of inflation in commodity and spices will kind of give us, you know some decent growth in the coming year? That was one.

And second, if we look at the margins of, you know, the companies like MDH and Everest, right? Those two companies typically have similar turnover or slightly higher turnover than ours and make about 20%, 25% EBITDA margins, right? We are at around 16% odd. I'm assuming Eastern contributes much lower margin as compared to let's say MTR brand.

But if you could help us understand over a medium-term what is our margin aspiration? Would Eastern also become a more profitable franchise over a period of time and if yes, does this current restructuring kind of, you know, have a kind of role to play in that?

And my last question is more, you know, strategic in the sense from a parent's point of view. You know, so, you know, a lot of MNCs have Indian subsidiaries, and I think, you know, Mr. Sharma, you probably are one of the longest-serving CEOs that we've seen in any other listed MNC space in India. So, you know, I think kudos to both the promoters Orkla and to you.

So my question is basically how does Orkla kind of assess performance of the Indian management now that it is a listed company? Is creating shareholder wealth one of the KPIs, and is -- is the interest of the management aligned with Indian shareholders? And if yes, you know, how -- how does that get measured, right?

Does it get measured by the share price performance, ESOPs that are given out to Indian, you know, management in -- for the Indian company or ESOPs on Orkla ASA? So if you could just kind of help us understand on this alignment part with the minority shareholders of Indian, you know Indian listed entity. Those are my three questions, sorry.

Sanjay Sharma: Yes. Thank you very much. I mean, you asked three questions, we'll try and answer to the best of our abilities, and in case we need clarifications, we'll come back to you on terms of what the question was. I've tried to write down everything what you've said.

First question of yours was really about whether we'll be able to do near-term double-digit growth as we go ahead due to the West Asia conflict and due to the restructuring that we are doing. Is that right?

Ravi Purohit: Yes. That's right.

Sanjay Sharma: Yes. So I think our aim is to continue to -- our goal is to continue to work towards a double-digit growth performance, and we are pretty confident that we will move towards that in the near-term. I think the West Asia conflict we have pretty much streamlined our supply chains.

One has to understand that -- also understand the fact that when you have market disruptions like this, which are like the West Asia conflict, the market also a lot of small players tend to stop supplying into these markets because of the humongous costs of freight and delayed timelines and other issues that come into the play.

So the market tends to open out, you know, have lesser supplies of smaller players, and players like us which are able to bear the cost and transfer the cost to the consumer are able to serve these markets better. So we do expect that these near-term disruptions that have happened will not really impact us in a sharp way as we go ahead into the next few quarters.

We may see some disruption on account of the Kerala distribution project, but that also we are working in a very step-by-step calibrated way, so that it doesn't impact performance of the company in a big way. The other thing on this is the fact that, you know, the company over the last two, three years has seen a slowdown in terms of revenue growth.

But we -- what you can very clearly see has been the way the volume growths have developed over the last few years. We've gone from 1.3% upwards to about 5.9% in terms of volume growths. So now that inflation has, you know, the macroeconomic environment is changing and the input cost inflation is returning, you will see that the revenue growths will also start to go up.

Our focus will be on ensuring that we continue to drive volumes and the result of that should be a much higher value growth coming through. So that is the first piece of your question. On Everest and MDH, Sunaina, would you like to answer that?

Suniana Calapa:

Sure, Sanjay. So Ravi, thank you for your question. Clearly, I think our focus is to drive top-line growth, mainly volume-led growth. So we are focusing very hard to grow penetration, to improve the growth of convenience foods not just in our core south markets but also, you know, nationally. So our disposition is to drive top-line revenue growth which will be volume-led. And we are also investing therefore on strategic initiatives.

We spoke of Project Bolt, so we are making investments to also help us improve a very important channel which is digital commerce, so we are making investments. But that said, we will continue to drive, you know, profits. We will continue to focus on operational efficiencies. We have a whole host of programs which we've spoken of earlier, like we continue to evaluate our manufacturing footprint. If there are opportunities, we will rationalize our manufacturing footprint further.

We're continuing to outsource more and more because we see that we get better margins by outsourcing some lower value-added, you know, categories of ours. In addition, we are very focused on optimizing costs. So all of this, you know, we believe will yield results and we will see, you know, profits improve. But we're clearly focusing on growing topline led through volume growth.

Ravi Purohit:

Sunaina, if I -- if I may ask, you know, so not -- not as a target, but as an aspiration, right? I look at MDH, I look at Everest, and all the good spice manufacturing companies who have very, very strong brands like ours. They make EBITDA margins in excess of 20%, 25%, some years even as much as 25%, 30%.

So as an aspiration, not for this year or next, let's say over a three to five-year period, where would our aspiration be? And between MTR and Eastern, do you, you know, where do you think, you know, over what period of time can Eastern also kind of come at par with let's say MTR margins? And if you could just help us understand that nuance also, it will be helpful.

Suniana Calapa:

So Ravi, we don't put out guidance, so I will refrain from giving you specific guidance on, you know, where we expect our margins to be in a few years. But you're right, clearly MTR delivers better EBITDA margins. We've seen an improvement in MTR's EBITDA margins from the time

that Orkla acquired MTR in 2007 up until now. We're also on a similar journey in the case of Eastern.

We've seen an improvement in Eastern's EBITDA margin from the time we acquired Eastern in 2021 up until now. But clearly, there is more opportunity to improve the Eastern's EBITDA margin. I spoke of some of the cost programs that we have implemented and we will continue to work on. Sanjay also spoke of the distribution restructuring program in Kerala, and I think one of the objectives is to also accelerate the growth of convenience foods.

Eastern today is very heavily indexed on spices and more so pure spices, and by shifting and accelerating the growth of convenience foods, we expect that margins in Eastern will also improve. So we clearly have plans to improve also the EBITDA margins of Eastern.

Sanjay Sharma: Your last question was about value creation and how does Orkla look at aligning the shareholder interest and the management incentive programs that we have. So, we do have an ESOP program that runs for the management, and the clear focus on that is around ensuring that the shareholder wealth and the shareholder value creation is kept at the centre of that program. So, the management incentive is aligned to shareholder value creation as we go ahead.

Ravi Purohit: Okay. Great, thanks a lot and all the best. I'll come back in the queue.

Sanjay Sharma: Sure, thank you.

Moderator: Thank you. Next question is from the line of Umang Shah from Banyan Tree Advisors. Please go ahead.

Umang Shah: Hi, sir. Thanks for taking my question. Am I audible?

Sanjay Sharma: Yes.

Umang Shah: Okay, thank you. Sir, first question was, when you say 2.2% volume growth, is it like underlying volume growth that FMCG companies like HUL report, or is it volume growth across segments?

Sanjay Sharma: Sunaina, would you like to take that?

Suniana Calapa: Yes. Umang, this is tonnage growth. We wouldn't want to talk of what other companies report, but this is absolute tonnage growth.

Umang Shah: So does this mean that within segment, so just to give an example, if you are selling certain kgs of blended spices and next year if you're selling higher number of pure spices, will the tonnage between the two get combined and you will report a number, or will the volume growth among segments be calculated and then 2.2% will be arrived at?

Suniana Calapa: This is a cumulative tonnage growth across all categories.

Umang Shah: Okay. Okay, sure. Sure. Thank you for this. Second was how much -- just wanted to understand how the PLI scheme works for you, and if we are assuming that there is an inflation in the spices

prices going forward, how do we think about the PLI income that we will be expecting next year?

Suniana Calapa: Umang, I'll take that question. So the PLI was a six-year scheme, it was introduced in '21-'22. This is the first year that we've not recognized PLI because there are certain CAGR thresholds that are prescribed under the scheme, and because of unprecedented levels of deflation for two consecutive years, we've fallen short of the threshold and consequently, we've not been able to realize the PLI for FY26. FY27 is the last year of the PLI scheme. It is still early days, so clearly if we meet the threshold, we will start to recognize it, but it's early days and difficult to comment at this stage.

Umang Shah: Got it, sir. Got it, ma'am. And ma'am, when was the last year that you recognized the PLI scheme and what was the quantum?

Suniana Calapa: FY25, we recognized INR 20.5 crores.

Umang Shah: Got it. Got it. That helps me. And just last -- just last one question. We had within Eastern, are you planning to grow convenience foods in India or in GCC markets, and how would it be differently positioned from MTR?

Sanjay Sharma: Yes, I'll take that question, Umang. I think so our businesses are segmented separately. The international business is the international business. The domestic business consists of MTR and Eastern. So, when you look at Eastern's business, dominant portion of its business comes out of spice and masala. So one of our key objectives, strategic objectives is to really build Eastern as a food company, which means that we want to invest behind convenience food portfolio and build it up further.

Now, Eastern as a brand, as we spoke earlier, appeals largely to the Malayali diaspora and in the state of Kerala. And therefore, the convenience food range that we have behind Eastern largely serves the Malayali diaspora through products such as the Madhuram range, which is the sweet mixes range that we have where we have a range of different payasams that we sell, as well as the five-minute -- as well as the breakfast range where we have powders as well as the five-minute breakfast form, which is the high convenience form of Kerala breakfast.

The range relative to MTR is dramatically different. The product in the Eastern range is largely products like appam and puttu and idiyappam and other things which are typical Malayali breakfast items. So the ranges are typically dramatically different and do not overlap with MTR.

Umang Shah: Got it. And sir, in terms of profitability, is it profitable on a standalone basis, the Eastern convenience foods?

Sanjay Sharma: Yes, I think that is the idea also. I think the earlier Eastern's convenience food business had much lower margins, but with the value-added concepts that we are launching under Eastern, which is the five-minute breakfast and the new Madhuram range that we put into the market, the profitability is much, much better than what it was earlier.

Umang Shah: Got it. Got it. Thank you so much for your time, sir.

Moderator: Thank you very much. Next question is from the line of Praveen Jayaraman from Avendus Spark. Please go ahead.

Praveen Jayaraman: Thanks for the opportunity. Hope I'm audible.

Sanjay Sharma: Yes.

Praveen Jayaraman: Yes, sir. So I have three questions. So when we divide on the segments and we say 65% comes from spices and 35% on convenience food, within spices, what would be the breakup of pure spices and blended spices, sir? This is the first one. Moving on to the second one, which comes on the convenience food side.

We can associate the taste being local and people who are from South settled in other parts might be the major target for convenience food, especially on breakfast or meals. In this background, how are we placed in convenience foods in other than South markets, like any percentage of contribution coming from other than South markets here, and what would be the distribution methods which we are using here on convenience food for other than South market?

Associated question also like, I saw the breakfast portfolio to represent a flat performance this quarter. What would be the associated reason here, sir? So these are couple of questions. And on the last one, recently I saw a SEBI filing on launching fresh products in Hyderabad.

Is this a wet batter which we are coming up in city of Hyderabad? Also on outbound travel as an opportunity, so what -- like what is our outlook or thinking here, like do we have any tie-ups with airlines, et cetera? So these are my set of questions.

Sanjay Sharma: Thank you, Praveen. Sunaina, you want to take the first question? I don't think we give guidances on how much is the split between pure and blended spices, but I defer that to Sunaina. So Sunaina just dropped off. So I will wait for her to come back. Let me try and answer some of your other questions.

One is, your distribution methods outside, we have a unified distribution system across -- for the rest of India other than the South part of India where MTR and Eastern tend to sell through the same distribution channel. But our entire intent to grow in rest of India is now going to be largely focused through the digital commerce stream and that is going to be the single biggest driver for us.

Our growth in rest of India is actually driven by breakfast by appealing to at two levels. One, to appeal to the diaspora that comes out of the south and the second is also in terms of driving products that are now seeing an appeal to be made in non-south households also. So products like idli, dosa, sambar, vada, all these products are also products where North Indians and other people from other communities also want to consume them and make them at home.

So we are trying to expand our reach using the digital commerce channel and build presence out of other parts of India also. And in that same effort you rightly observed that we have now extended the fresh wet batter portfolio now into Hyderabad city. That is the -- I had spoken about

it in my last quarter also that we had not expanded it largely on account of the fact that the business model was not stable.

We have now established stability as far as the business model is concerned and the earning model of the business is concerned and therefore, we are ready to extend the product to one more additional city. So we've now taken it to Hyderabad and we will see the performance how it does from here on. But breakfast there is a clear charter to drive growth.

You also rightly observed that breakfast in this quarter to have a lower growth than the meals and the sweets portfolio that was largely impacted and I think Sunaina also talked about it in our presentation was largely impacted on account of two digital commerce platforms that had gone into restructuring in terms of their business model. So, we got lesser orders from some of these channels and therefore it's a temporary setback. But we will come back on these -- on building the business up through the digital commerce channels. Sunaina, are you back?

- Suniana Calapa:** Yes, Sanjay. I'm sorry. Yes.
- Sanjay Sharma:** Yes, I think the first question was really around the fact that pure Spices and blended spices. What is the ratio between the two? But I don't think we are giving that guidance, right.
- Suniana Calapa:** Yes, in the past we've given it out. It's about roughly 26% pure spices and about 39%, 40% is blended spices. Yes.
- Praveen Jayaraman:** Okay, thanks. That would be helpful.
- Sanjay Sharma:** Praveen, any other question of yours which is not answered?
- Praveen Jayaraman:** Yes, sir. So, one on the outbound travel. So like -- okay, you can go ahead.
- Sanjay Sharma:** Yes, so we don't have real -- really any such arrangements. I think that is a -- that's a market that is there. We've not really tied up with any airline or anything to do this. We do get some orders from certain airlines, we service them, and if anyone is travelling abroad, then they tend to pick our products up from the retail outlets or the digital commerce platforms.
- Praveen Jayaraman:** Sir, why I came up with this is like for the first-time travellers for abroad, once they see that in airplane, that can be like a brand recall for us -- for those set of people, especially if you're targeting GCC or countries like that, people who stay there. This is just a thought process.
- Sanjay Sharma:** Yes, thank you for your suggestion. We will take that into consideration.
- Praveen Jayaraman:** Okay, sir. Thanks.
- Moderator:** Thank you. Ladies and gentlemen, we'll take that as the last question. I'll now hand the conference over to Mr. Siddharth Borker for closing comments.
- 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 again in the future. Thank you so much.



Orkla India Limited
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Moderator:

Thank you very much. On behalf of ICICI Securities Limited, that concludes this conference.

Thank you for joining us and you may now disconnect your lines. Thank you.