"Orkla India Limited
Q1 FY27 Earning Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Q1FY27 Earning Conference Call of Orkla India Limited. hosted by ICICI Securities.

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 touch-tone phone. Please note that this conference is being recorded.

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

Aniket Kamble: Thank you, Danish. It's an absolute pleasure from ICICI Securities to host the Q1FY27 Earnings Call of Orkla India Ltd. I now hand over the call to Mr. Siddharth Borkar to take over the proceedings. Thank you and over to you, Siddharth sir.

Siddharth Borkar: Thank you, Aniket, for hosting us. Hello and welcome, everyone, to the Q1 FY27 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. 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: Thanks, Siddharth. A very good evening to everyone. My name is Sanjay Sharma. I'm the Managing Director and CEO for Orkla India. And I'm joined along with our CFO, Suniana Calapa, to take you through our results. This quarter marks an encouraging start to our new financial year.

We've delivered 11.5% growth in revenue from product sales, and we've maintained a healthy profitability with an EBITDA margin of 17.5%. These results reflect the strength of our brand portfolio, the resilience of our business model, and a continued focus on executing against the long-term strategic priorities.

We deeply value the continued trust and support from our investors. Before I take you through the details of the results, let me give you a quick introduction to Orkla India. So, if you could move along with me to Slide Number 5 if you have our presentation. Orkla India is a multi-category food company anchored by trusted heritage brands, such as MTR and Eastern.

We operate in two categories spices and convenience food. Our business model is built on a fundamental premise that food is local. Our growth charter is consciously focused on winning in our core markets, particularly South India, where we have a strong cultural and consumption relevance. However, we do sell our products across India as well. We generate 70% of our revenues from our core markets of South India, with international business contributing 21% of our overall revenues.

The balance revenue comes from the rest of India. This is supported by a strong distribution network combined with a manufacturing footprint that enables us to operate with both scale and agility.

Before I turn into our performance, it's worth framing the macro backdrop we are operating in. Broadly, constructively, but with risks we are watching closely. So, if you could move to Slide 7. Growth remains resilient. India's real GDP is among the fastest growing in the world. External factors have driven only a slight moderation, while the fundamentals, such as consumption, investment, and government spending, stay healthy.

Inflation ticked up in June 2026 with both CPI and food inflation rising on higher food prices, a delayed monsoon, and increased transportation costs. Even so, FMCG demand stays encouraging, as an improving sentiment, a gradual recovery in discretionary spending, and a stable growth continue to support category momentum.

We remain mindful of external risks. Tensions in West Asia continue to affect commodity prices, freight, and supply chain stability, while monsoon progression will shape agricultural output, rural incomes, and rural demand. Amid both opportunity and uncertainty, our focus remain-- is unchanged execute with agility, hold cost discipline, strengthen supply chain resilience, and keep investing behind our brands and growth initiatives.

If you can move to slide number 8, I will talk to you about the raw material inflation that we've been facing. After 8 quarters of deflation, spice prices have begun to normalize. We now are climbing sharply. In quarter 1, we've seen an increase of 32.8% versus the same period last year.

Key commodities have seen a steep inflation over recent quarters, with chilli up 78% and coriander, which has gone up 40%. We have consistently passed these higher cost through to consumers via pricing. The impact rose from 6.5% last quarter, to 11.4% in this quarter. At the same time, we are driving operating efficiencies and working closely with our business partners to manage and mitigate the overall impact.

Coming to business highlights. If you could move to slide number 10. After 8 quarters of subdued deflation-driven growth, Quarter 1 FY27 delivered a strong double-digit revenue growth of 11.5%. Excluding Kerala, the growth improves to 12.1%, reflecting an internal sales restructuring underway there, which I will cover later.

Profitability has stayed healthy with an EBITDA of INR115 crores at 17.5% EBITDA margin, a sequential improvement of 150 basis points versus the last quarter. These results reflect the strength of our brands and the resilience of our business model. We sustained strong sequential margins despite significant raw material inflation and impact of West Asia conflict, while continuing to invest behind our brands and long-term growth initiatives.

If you can move to slide 11. Quarter 1 FY27 was characterized by a broad-based growth across categories, channels, and geographies. Evidence that Orkla India is powered by multiple engines, not just any single market. We delivered a revenue growth of 11.5% supported by volume growth of 1.7%.

Net of Kerala, volume growth is at 4.4%. This performance reflects a combination of healthy underlying demand, portfolio strength, disciplined execution, and pricing actions undertaken to address raw material inflation. Domestic business delivered a strong growth of 11.8%, benefiting from robust execution in general trade and improving consumption trends.

At the same time, international business has grown at about 10.1%, highlighting the resilience of our overseas operations despite a dynamic West Asia situation. We continue to see a significant momentum in emerging channels. Within the domestic market, digital commerce grew at 38.1%, while modern trade grew at 18.6%.

These channels are increasingly important drivers of growth, particularly among the younger and digitally-connected consumers. Innovation remains a core pillar of our strategy. During the quarter, we introduced 23 product launches and re-launches aimed at expanding our reach amongst new consumer cohorts.

Many of these innovations have been developed with a digital-first mindset, enabling us to respond more effectively to evolving consumer preferences. From a profitability standpoint, we maintained a healthy EBITDA margin of 17.5%, demonstrating our ability to balance growth investments with disciplined cost management.

Overall, the quarter reinforces the strength of our portfolio, effectiveness of our growth strategy, and our ability to deliver profitable growth. We move to the next slide, slide 12, talk about spices. Our spice business is focused on winning locally in India's regional kitchens.

India's food habits are deeply regional, and this continues to be our competitive advantage. We focus on winning locally through authentic products, superior taste credentials, and deep consumer understanding. This quarter, we've delivered a strong performance with a revenue growth of 11.3%.

In the domestic market, net of Kerala, the NSV growth is 16% with a volume growth of 5.2%. The growth is driven by our enhanced execution focus by implementing a cluster-based marketing approach within every state, strengthening our share of mind amongst consumers, and improving visibility by dominating share of shelf.

If you go to slide 13. In spices, we are sharpening our growth agenda through a combination of local innovations and premium offerings. On the innovation front, building relevance across the state is a key focus area. Even in a state like Karnataka, there are regions which have local cuisines clusters, and here our portfolio relevance is low.

We are addressing these specific regional taste preferences with targeted launches. MTR North Karnataka Podis are peanut-based and everyday meal accompaniments. Similarly, in Andhra

Pradesh, the innovations help us broaden the cuisine participation through basic everyday use spice powders like Kandi Podi, Karvepaku Podi, and Idli Karam Podi.

These products help us attract new consumer cohorts, improve range penetration in underserved markets, and strengthen our relevance across diverse regional cuisines. On the premiumization platform, MTR Prakriti, our premium digital-first single-source spices, continues to build well across metros in India.

We are expanding the range with another basic everyday ingredient, which is Hing. These are the very best quality spices that you can buy. Overall, our spice business continues to deliver strong growth supported by a focused strategy of expanding our core portfolio while creating new growth opportunities through localized innovations and premiumization.

If you go to the next slide, I'll give a quick status on the Kerala distribution restructuring project that we are running. Our Kerala distribution restructuring initiative is well on the way. Today, our distribution for Eastern operates on a one system for all approach, which limits our ability to fully capture the potential across categories and channels.

The objective of this program is across three key strategic priorities. First, to build a stronger convenience food business; second, to increase market share in standalone modern trade; and third, to expand outlet coverage of our spices portfolio.

Let me share some progress. For the foods program, the program was launched in February 2026 and substantially completed in June of 2026. Early results are encouraging. In Quarter 1, we've delivered a 14% improvement in sales productivity and a 6% increase in effective coverage, demonstrating tangible benefits coming out of this initiative.

For the other two segments, which is the standalone modern trade and the spices portfolio, the project is initiated and is under planning and pilot phases. Overall, the Kerala restructuring program is progressing as planned. We have seen meaningful improvements in productivity and coverage. The program will take several quarters to mature. We remain confident in its long-term value creation.

Next slide, we'll go to slide 15 on convenience food. We are focused on building the convenience food portfolio as our next growth platform. Convenience food delivered a strong 11.9% revenue growth, with momentum led primarily by our meals portfolio. The meals portfolio delivered a double-digit growth supported by a strong consumer demand across categories, such as ready-to-cook mixes, meal solutions, and coconut-based products.

Consumers today are increasingly seeking convenience food without compromising on authenticity and taste. This trend plays directly into MTR's strengths. Growth in convenience food will be driven by innovations, helping us build a Southern heritage as well as a Gen Z-focused portfolio. It's going to be focused on digital commerce, and we will be targeting a wider footprint across the top 28 metros.

We are optimistic that the long-term potential of convenience food and will see a significant headroom for growth. Go to the next slide, which is slide 16, accelerating the breakfast play. One of the key growth platforms in convenience food is breakfast. During the quarter, we have initiated significant steps to build our breakfast portfolio across the top 28 metros.

The acceleration of sales in this portfolio will be built on three key pillars. First, widening and investing behind the dry batter play, which is the traditional play we had, to the top 28 metros using digital commerce. In wet batter, as I had highlighted in the last quarter meeting also, we have expanded our play into Hyderabad.

And finally, we have launched 6 new innovations to build a portfolio focused on Gen Z, our first protein-rich breakfast for younger consumers who are seeking convenient and nutritional-led meal solutions. Coming to Project Bolt, which is next slide, slide 17. Last quarter, we had announced Project Bolt. The project works to build digital commerce not just as a channel, but as a strategic capability.

The project is well underway by investing behind people, technology, analytics, and digital-native innovations. It is also helping us spot emerging consumer trends faster and launch innovations more efficiently. Digital commerce continued to deliver a strong performance this quarter, delivering a 38.1% year-on-year growth and increasing our contribution of domestic revenues from 7.2% to 8.9%.

This provides us confidence that digital commerce can become a powerful growth accelerator not only in existing markets, but also in new geographies and new consumer segments. Going to the next slide, about the international business. Our international business delivers to the Indian diaspora across 45 countries. It's an important driver to our growth and diversification.

We delivered a resilient 10.1% year-on-year growth led by a strong 18.1% growth in the GCC region. This performance is particularly encouraging given the disruption caused by West Asia conflict. Despite these challenges, we have maintained a strong product availability, kept our shelves fully stocked in key markets, and supported by the strength and agility of our supply chain.

We've also actively managed the impact of higher operating and freight costs through a combination of cost-sharing initiatives with our partners, internal cost management measures, and selective price increases where appropriate. UK and Europe, where the non-tariff barriers that UK and Europe have non-tariff barriers that prevent us from exporting products containing dairy.

Our innovation agenda on the international business was focused on reformulating our popular paneer-based ready meals into a non-dairy range for UK and European markets. This will unlock new growth avenues internationally. Now, I hand it over to Suniana to take you through the financials.

Suniana Calapa: Thank you, Sanjay, and good evening, everyone. Let's move to slide number 20. Orkla India delivered a strong start to FY '27, with revenue from operations increasing to 10.4% year-on-year to INR659 crores. The growth was led by effective pricing interventions to mitigate commodity inflation and supported by positive volume growth of 1.7%.

EBITDA stood at INR115 crores, up 3% year-on-year. Excluding the PLI benefit recognized in the base period, underlying EBITDA growth was 7.2%. Despite elevated input costs, EBITDA margins remained strong at 17.5%, reflecting a balanced approach to growth, pricing, and cost productivity. PAT before exceptional items grew 9.7% to INR87 crores.

Moving on to slide 21, let's take a look at our performance by category and geography. Spices delivered growth of 11.3% year-on-year during the quarter, demonstrating the resilience of our brands and continued consumer demand despite a highly inflationary commodity environment. As spice prices continued to increase during quarter 1, we effectively managed the pricing environment with market-aligned pricing in pure spices and calibrated price increases in blended spices, helping sustain growth while maintaining competitiveness.

Growth in the quarter could have been even stronger, but for the ongoing distribution restructuring in Kerala, an important strategic initiative aimed at strengthening our route to market and creating a more scalable platform for future growth. Excluding Kerala, the domestic spices business delivered robust performance with revenue growth of 16% and volume growth of 5.2%, reflecting healthy consumer off-take.

Convenience Foods delivered a growth of 11.9% in the quarter, supported by broad-based performance across the portfolio. The meals category continued its strong momentum with double-digit growth, while sweets and breakfast portfolio sustained steady growth. Growth was driven equally by volume and pricing, demonstrating a healthy balance between consumer demand and pricing actions.

Domestic revenues grew by 11.8% in the quarter. Excluding Kerala, domestic growth was stronger at 12.8%, led by robust volume growth of 6.3%. In the international business, we delivered growth of 10.1% during the quarter. Despite a challenging operating environment, the GCC region continued to be a key growth engine, delivering strong growth of 18.1%.

Moving on to slide 22. Orkla India delivered a quarter of profitable growth, with EBITDA increasing 3% year-on-year to INR115 crores and EBITDA margins remaining healthy at 17.5%. As Sanjay highlighted earlier, we have commenced Project Bolt, aimed at strengthening our digital commerce capabilities, which entailed certain strategic investments during the quarter.

Excluding the impact of Project Bolt investments and the production linked incentive benefit recognized in the base period, underlying EBITDA growth was 12.7% with EBITDA margin expansion of 40 basis points. This reflects the strength of the core business, supported by effective pricing actions, cost discipline, and continued focus on operational efficiencies.

Profit after tax before exceptional items grew by 9.7%, driven by our operating performance and supported by our higher other income, primarily from returns on surplus cash balances. Now back to Sanjay for his concluding remarks.

Sanjay Sharma: Thank you, Suniana. So, as we close this presentation, I think Orkla India has returned to double-digit growth with a healthy profitability. More importantly, we are building multiple growth engines across spices, convenience foods, digital commerce, and the international business, positioning the company for a sustainable, profitable growth over the long term.

These are long-term investments designed to enhance the relevance of our brands in a world where consumer preferences, purchase journey, and food habits are changing faster than ever before. These are still early days, but they give us confidence that the investments we are making today are creating a stronger platform for sustainable, profitable growth over the years ahead.

With that, I thank you once again for your continued trust and support. We are looking forward to updating you on our progress in the coming quarters, and we'll be happy to take your questions now.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question comes from the line of Resha Mehta with GreenEdge Wealth. Please go ahead. Resha, you may please proceed ahead with your question.

Resha Mehta: Thank you for the opportunity. So, I have broadly three questions. The first one being on growth. Here just a few clarifications. In opening remarks, you said that the price hike taken in Q4 was 6.5% and in Q1 was 11.4%. Is that number correct?

Sanjay Sharma: Price -led growth in last quarter was 6.5%, which has now increased to 11.4%. Yes.

Resha Mehta: And the other bit, Suniana ma'am said that Kerala distribution restructuring impact, so that-- so, if we exclude Kerala, what is the revenue growth and the volume growth at a consol level?

Suniana Calapa: So, the volume growth is 4.4% and the revenue growth is 12.1%.

Resha Mehta: This is at a consol level, right?

Suniana Calapa: This is at a consol level. Yes.

Resha Mehta: Got it. So, so while the price hikes have been sharper but inflation has been way far ahead, right? Like you called out overall spices inflation 30%, chili around 80% and so on. So, what kind of price hikes are we expecting going ahead?

Sanjay Sharma: Going ahead, our strategy on pricing is pretty clear and pretty much linked to how the market responds. And I'm going to talk about largely spices, because that is where we are seeing hyperinflation coming through. So, on spices in the pure spices category, our pricing is linked to how the mandi pricing moves. So, we normally keep a 10% premium over the wholesale price of chilli and that is the basis on which we price the entire product.

So, if the wholesale rate of chili or the mandi rate goes up, we mirror the same price up in terms of our PTRs to the trade. When it comes to masalas, we calculate the cost impact and we normally keep a price premium of anything from 15% to 25% over our competitive benchmark.

Resha Mehta: When you say masalas, those are pure spices, right, you're referring to?

Sanjay Sharma: No, when I say masalas, those are blended spices. So, they are basically recipe-based products like chicken masala or a garam masala or a sambar masala. These are blended spices, where we tend to get much higher margins and they are basically, do not get impacted by, let's say, commodity -- they don't behave in a commodity-like manner.

Resha Mehta: Right. So, basically, then, if we see our price hikes are much lower than, so let's say, the last two quarters, our price hikes are close to around 18-odd percent, while the spices inflation is at 30%. So, which means that we would have been sitting on low-cost inventory?

However, if I look at our balance sheet, we don't carry a lot of inventory. So, how would you explain this gap between the reported spices inflation of 30% while we've taken around 18% price hike and not impacting margins?

Suniana Calapa: So, Resha, I'll explain that. So, like Sanjay mentioned, for pure spices, which is the single spices of chili or coriander or turmeric, we mirror the market price. That is about roughly 26% of the total business. So, if your commodity price increases by whatever 25-odd percent, you will give or take a few percentage points, see a similar price increase come through in pure spices.

The bigger portion of spices business that we generate is basically from masala. That roughly constitutes about 39%, 40% of our total revenues. There, we take calibrated pricing actions. So, we take pricing actions as required to ensure that we meet a certain margin threshold, however, while also maintaining our relative price index versus competition. So, we use slightly different approaches for pure spices and for blended spices.

Resha Mehta: And even if I were to exclude Kerala, our volumes at 4.4% seem pretty underwhelming. So, any thoughts here or what is, let's say, in such an inflationary environment, do -- would we effectively see volumes really going to like low single-digits or mid-single digits?

Sanjay Sharma: Sorry. Can you just repeat your question?

Resha Mehta: If I were to exclude Kerala, our volumes growth has been around 4.4%, right? So, does it imply that in such an inflationary environment when we are going to be taking such steep price hikes, our volumes are going to get impacted quite steeply? So 4.5% kind volume growth seems pretty underestimate. So, just your thoughts here. That going ahead of this inflation would in 4% range?

Sanjay Sharma: Your voice is breaking a little bit but I think I got the essence of your question. What I can tell you is that if you look at the domestic -- we've got two portfolios in our business. We got the spices portfolio and then we've got the convenience food portfolio, right?

When you look at the domestic business, let's keep the international business on one side. Let's look at the domestic business, because I think that is where the impact of volume growth really comes out of, right? That is where we are trying to increase our volumes and other things.

If you take out -- if you look at the domestic market and take out Kerala, we have actually grown at about 12.8% and 6.3% in terms of volume out there in the domestic business. So, if you look at that is both spices and convenience food combined out there. So, I think delivering a 5%, 6% volume growth is a fairly substantial impact that you're creating in the market. So, I don't really fully agree that it's a little underwhelming.

Resha Mehta: Understood. And am I audible? Just one last question.

Sanjay Sharma: Yes, you are audible.

Resha Mehta: Yes, last one is on exports. So, this basically I think the volume compression has then come from exports. So, while GCC has grown handsomely at around 18%, but the international business has grown at 10%, which means that the pressure that you were talking on the US market in the last quarter, fair to assume that is still continuing like multiple priced products are still out there on the retail shelves in US?

Sanjay Sharma: That is correct. Having said that, US has rebounded into positive territory in terms of growth. In terms of value growth, yes.

Resha Mehta: All right. Thank you. That's it from me.

Moderator: Thank you. The next question comes from the line of Kunal Thanvi with Banyan Tree Advisors. Please go ahead.

Kunal Thanvi: Yes, hi. Thanks for the opportunity. I had two questions. One was on like when we look at 1Q FY'26 -- when we look at FY'26 as a whole EBITDA margin was in the range…

Sanjay Sharma: Your voice is breaking, sir. If you could just get a better connection.

Kunal Thanvi: Is it better now? Can you hear me?

Sanjay Sharma: Yes, it's a little better.

Kunal Thanvi: Yes. So, my first question was on like when I look at FY'26 margin profile, right, Q1 numbers look very different from last three quarters of last year. Can you help us understand, were there any one-offs in Q1 of last year? Because margins and the operating profits were very high in Q1 compared to the other three quarters.

And second, in last year because it was an IPO year for us, are there any expenses which were related to IPO which will not repeat in FY'27, if you can help us understand these two things. Thanks.

Suniana Calapa: Yes. So, Kunal, last June 2025, we delivered an EBITDA margin of about 18.7% and largely, this came on the back of better gross margins. Our gross margins last year were about 45.6% and this was also on two accounts. One, we were in a deflating environment, and two, also, we had recorded in the first quarter some PLI impact. So, therefore, the gross margins were much better in quarter one. That was one of the primary reasons for EBITDA margins being much higher.

Two, the question was that if we had recorded any one-off IPO expenses in June of 2025, the answer is no. There was a small amount of transaction bonus that was recorded but that was a small amount that was recorded in June of 2025, so nothing material recorded with respect to IPO. And it was an offer for sale, so the expenses were largely borne by the selling shareholders.

Kunal Thanvi: Sure. Thank you. And one last question is on the -- when we see this kind of inflationary environment, especially in the spices and the masala portfolio, the safe volume growth expectation should be in this range of mid-single digits to start with because of prices going up. Is that understanding right?

Sanjay Sharma: Yes. I mean, in general, when you see extremely high inflation, you tend to see some moderation in volume. But if you look at how, I mean, if you exclude Kerala and then look at the growth, I think the growth has been fairly reasonable, I mean, 12.8% and a 6.3% volume is a fairly good trajectory. So, there is a little bit of, you know, help from the tailwinds that we are getting in the FMCG industry and the consumption trends that are developing in a good way.

Kunal Thanvi: And are there any other price increases that we expect to take?

Sanjay Sharma: Very difficult to say at this point of time. I think we have more or less taken all the price increases that we needed to take, but we are living in a very dynamic environment at this point of time. So, we would like to see how things evolve and then and then take those calls.

Kunal Thanvi: Sure. And these price hikes that we've taken are already reflected in this quarter's numbers, right?

Sunaina Calapa: The price hikes are mostly reflected in the quarter's numbers. There could be some impact coming through in quarter 2 as well.

Kunal Thanvi: Sure. Thank you, and all the very best.

Sunaina Calapa: Thank you.

Sanjay Sharma: Thank you.

Moderator: Thank you. The next question comes from the line of Resham Jain with VVD Asset Managers. Please go ahead.

Resham Jain: Yes. Hi. Thanks for the opportunity. So, I have two questions. The first question is with respect to the overall growth aspirations. If you look at India as a country, 7%-7.5% real GDP growth plus 3%-4% inflation. So, as a country, we are growing at around 11-odd percent in nominal terms. So, from Orkla perspective, given that we have spices and we have convenience food also, so how should one think about growth aspiration compared to the country's growth? That's my first question.

Sanjay Sharma: Our ambition is always to deliver double-digit growth as far as the business is concerned. I think that is what we-- we do recognize what you're saying. We may-- we may move a percentage point here and there in terms of real GDP growth, but essentially, I think our focus will be to continue to drive double-digit growth. The other-- for us, actually, the key focus is really on trying to see how we can expand the volumes.

So, we are, as a business, you know, inflation will go up and down. We are focused on driving a volume growth on a regular basis, and that we are-- and the second key factor that we are driving is really building out of the convenience food portfolio, where we see much lesser impact and volatility on account of inflation. So, that is broadly the space that we are looking at growing our business.

Resham Jain: Okay. I asked this question specifically because 1/3rd of our portfolio is convenience, where as a country itself, because of the demographic changes and other things, it's growing at a much faster pace. So, I thought the overall growth aspiration would have been much higher than some multiplier of GDP growth. That would be the fair way to assess the management execution. You have been doing quite a bit of things. So, that is the real way I would look at the overall growth, because you mentioned in this quarter also.

Sanjay Sharma: We are not very far away from where you are thinking, but we are not allowed to give forward-looking guidance as a business. We don't give forward-looking guidance as a business, but we are pretty much aligned to the way you are thinking.

Resham Jain: Okay. Great. All the best. Thank you.

Sanjay Sharma: Thank you.

Moderator: Thank you. The next question comes from the line of Balaji Vaidyanathan from NAFA Asset Managers. Please go ahead.

Balaji Vaidyanathan: Yes. Good evening. Thanks for the opportunity. This is more a sort of an observation than a question. So, you know, we acquired Eastern in 2021. It's been more than half a decade. And, you know, we are coming on the back of quote, unquote, a black swan event. And only now, spice-- spice prices are seeing some amount of reflation. And then, there is West Asia war on the back of it.

So, suddenly, when the management decides to embark upon this restructuring, it is a little disappointing, because as minority shareholders, why should we be kind of be put through this burden when it could have been done way before the IPO itself, you know?

And we are arguably missing the best cycle as far as the spice market, considering that sub-scale, sub-optimal players are able to report, like how the previous participant asked, 2x to 3x the GDP growth of the country. And here, we are barely struggling to show maybe 0.9x to 1x GDP growth of the country.

Sanjay Sharma: Balaji, thank you for your observation. I would like to point out that we started the distribution restructuring project of Eastern in February of 2026. Okay. We, I don't know if you know the history of what we have done with Eastern. When we acquired Eastern, for the first 3 years, the entrepreneur continued to run the business because it was a completely new territory for us.

Kerala is a very difficult market, unlike any other market that you see in India. It's a very difficult market, and most FMCG businesses tend not to perform very well in that territory. So, it was a huge learning experience for us, and we needed to also stabilize the business that we take over.

We have now, in January of 2025, replaced the entrepreneur with a new CEO who came into to play, and he settled into the business by 2026. We started the project in February 2026 with a view that we will correct the long-term with a view that whatever we are going to correct the long-term trajectory of the business. We had not anticipated the West Asia crisis, and we had, of course, you never know about commodity prices. It was fairly early in the cycle at that point of time, so we had not anticipated that.

So, I think we live in an extremely ambiguous and a volatile world, and management tries its best to try and ensure that we are able to manage the business in the most effective way and give the best returns to the minority shareholders also.

So, it's in retrospect, I think we can comment on how things are done, but when you are running the business on an ongoing basis, I think it is important for you to understand and appreciate the circumstances that develop around a business.

Balaji Vaidyanathan: Thank you so much. If you could just throw some light on what the market share movement has been, you know, in, have we actually lost any kind of market share whether it is in the Kerala market or Karnataka market or is it flat or, you know, if you could throw some light on that, please?

Sanjay Sharma: Sure. Thank you for that again. In the Karnataka market and the Andhra Pradesh market, we have gained anything from 30 basis points to 50 basis points in terms of market share. In the Kerala market, we have a marginal decline of about 30 basis points in terms of market share.

So, and I think that is also one of the important reasons why it is imperative for us to restructure the distribution out there, so that we can be far more effective in the market to ensure that we win and build our shares in the market.

Balaji Vaidyanathan: Okay, sir. Thank you so much. And one last broad question. I know you don't give guidance, but, you know, say, 3 years down the line or whatever it is, sir, do we have any kind of internal target that we should be 1.5x GDP growth, 1.6x GDP growth or some such figure, that we would probably like to have, considering that we have, huge potential in the convenience foods category as well? So, from an overall growth point of view, can Orkla be looked upon as a company that can grow 1.5x GDP?

Sanjay Sharma: We certainly have the -- if you look at the basics of our business, we certainly have one of the most powerful food brands in our portfolio. We also have a very strong record in the past. If you look at since inception, since 2007 that we've been in the in the market before the IPO, the business and the brand MTR that we had, we have grown that business by about 12%, 13% CAGR over a long period of time.

After acquiring Eastern and our strategy also involves, I mean, one of the reasons we did the IPO was also to get structural flexibility as far as our business is concerned and to be able to not just look at organic growth drivers, but also to look at inorganic growth drivers as far as the business is concerned.

And therefore, I think I believe that there is a very strong opportunity to build the food business. We also have a very unique approach, which resonates very strongly to the fact that India does not have one cuisine across the entire country and building ourselves through multiple local regional brands is going to be a very powerful and a very successful strategy for this market.

So, I truly believe that we have what it takes. I do not -- there's a good reason why we do not give forward-looking statements. I would urge you to look at our past performance and do keep watching this space as the next quarters unfold in front of you.

Balaji Vaidyanathan: Thank you so much, and wish you all the best, sir.

Sanjay Sharma: Thank you very much, Balaji.

Moderator: Thank you. The next question comes from the line of Aniket Kamble from ICICI Securities. Please go ahead.

Aniket Kamble: Yes. Hi, team. So, PLI scheme, so last year, we could not realize the PLI benefits due to not meeting certain CAGR thresholds. For FY'27, for this quarter, we are back on double-digit growth. What is your outlook or what is your anticipation for PLI this year?

Suniana Calapa: Aniket, thank you for your question. I believe that it's still early days. It's just one quarter that we've passed. So, we'll keep tracking our growth and if we become eligible for the PLI, then we shall start to accrue it.

But at this point in time, it is difficult to confirm whether we will be eligible for PLI and we will take the suitable measures as the quarters go by. And I'd just also like to remind you, this is also the last year for the PLI scheme, so FY '26-'27 is also the last year of the PLI scheme.

Aniket Kamble: Sure, ma'am. Another thing on the input cost inflation. So, since last two years, we were in -- the spices was in deflation mode and since last two quarters, we are witnessing a hyperinflation in that. How are we prioritizing volume versus protecting our margins?

Sanjay Sharma: Yes. I think on that, Aniket, our approach to pricing is very clear and I'd articulated that earlier. In pure spices, we mimic the commodity prices and we pass on the price directly to the consumer, because we keep a 10% premium over the wholesale price of chili, whole chilli and we keep a 10% premium and we based on that we price ourselves. In my mind, I think 10% is the basic -- their basic premium that one should keep.

On the masala side, I think when we started the year and we started to see the prices go up, we did two exercises. One is that we ensured that when the prices had gone down, our competitive index relative to some of the key competitors that we have locally had gone up, so we corrected our price index out there and then we looked at the cost, the balance cost impact and we've passed it on to the consumers.

Our disposition at any given point of time, especially in masalas, is to ensure that we err on the side of volume growth rather than driving our costs up. So, if there are any minor changes in cost, we typically don't take a price increase and we err on the side of margin. That is the one of the reasons if you look at it and I spoke about a figure of 6.3% volume growth. That has come despite the fact that we have taken very high price increases in masalas.

We've still been able to deliver a 6.3% volume growth without Kerala in the domestic business. That is coming at the back of a very fine balancing between pricing and margin management out there.

Aniket Kamble: Sure, sir. Thanks. And last question on digital commerce. So, this quarter, digital commerce has grown to about high single-digit of our domestic revenue. How is the profitability on our digital channels versus, let's say, traditional channels such as GT?

Suniana Calapa: So, Aniket, I'll take that question. So, our digital commerce is a key growth lever and the profitability is extremely strong. And the reason for the profitability being strong vis-a-vis some of the other channels is also the portfolio that we sell on digital commerce.

So, the portfolio that we sell on digital commerce is largely convenience foods. It's nearly a 60-40 mix of convenience foods to spices and even in spices, it is blended spices that sells more than pure spices. As a result, because of the mix, a very, very good mix of products that we sell on digital commerce, margins in digital commerce are extremely healthy.

Aniket Kamble: Sure, ma'am. Thank you. Super helpful.

Moderator: Thank you. Our next question comes from the line of Ravi Purohit with Securities Investment Management. Please go ahead.

Ravi Purohit: Yes. Hi. Most of my questions have been answered. Thank you.

Moderator: Thank you. Our next question comes from the line of Yasser Lakdawala with M3 Investment. Please go ahead.

Yasser Lakdawala: I mean, in periods of spice inflation, do consumers downgrade to loose spices or unorganized spice players in the pure space? And once a consumer is sort of used to branded spices, do they continue to stick to brands? Like, any thought process you could probably share on that?

Sanjay Sharma: Actually, it's a strange mix of events that take place when the prices go up and down. When the prices go down, we see a large proliferation of unbranded players that come into the market. Okay?

And when the prices go up, these two see these unbranded players actually disappear, because there is no science in making pure spices. It's just taking the whole spice and grinding it and packing it into a plastic thing and selling it. But when the prices go up, when inflation really goes up, we do see a movement towards branded products because what we see is that a lot of these small brands actually disappear. And this is a basic everyday product that the consumer uses.

When you look at it from a consumer basket perspective, the total spice cost in the whole consumer basket of food is just about 2.5% of the total expenses. So, even if you see a 30% inflation, you're actually just seeing the total cost going up from 2.5% to 2.8% or 2.9% of the total to nearly 3% of the total household expenditure. So, it's not really a very substantive hit. However, consumers may behave in different ways when depending upon which particular product that they are talking about.

Yasser Lakdawala: Sure. And Sanjay, it'd be great if you could highlight how many geographies are we sort of present in via the online sort of commerce for our convenience food business and sort of what is the scope for us to sort of reach more pin codes, because we've we continue to grow strongly in that part of the business. So, if you could shed some light on that, that would be helpful.

Sanjay Sharma: Sure. While we say we are a local business and we are focused in the South, we've been always present in anything between the top 100 to top 150 towns of India through general trade distribution also. So, even in digital commerce, I don't have the exact number of pin codes with me, but I if you can leave your number with one of us, then we will reach out to you and let you know the exact number of pin codes that we are delivering.

But our focus with digital commerce is largely to play in the top 28 towns, and beyond also, because we are seeing very good business development happening in the smaller pin codes of India also.

Yasser Lakdawala: Absolutely. Thanks that. And lastly there's been like recent crackdowns on sort of food establishments and there's been a lot of online activisms in terms of like, say, packaged food labels. Now, Orkla we've sort of one of our pillars has been like we offer high-quality products. So, how do we sort of leverage that that that sort of quality focus that we have and how do we intend to stand out.

And just building on that how do we sort of any plans on increasing our A&SP spend to further drive volume growth and sort of consumer sort of activation in terms of our portfolio of brands and the sort of the impact of quality? If you could highlight something on those lines any thoughts you have on this will be helpful.

Sanjay Sharma: Yes. So, thank you for that question. I think one is the fact that around this activism, I think activism is also coming at the back of consumer demand and consumer expectations. So, we are cognizant about what happens, and what are the narratives that are being built around. And if you look at some of the new products that we are launching, they are like -- we've launched six new products as far as the Gen Z is concerned, which are palm oil-free and which are protein-enriched.

So, people are looking for nutritionally-enriched meals. So, we are taking into cognizance in terms of what the consumer expectations are and we do keep a close watch on the activism that happens. We have programs around salt reduction that we are running inside the company. There are programs around building products that are nutritionally strong for the consumers. So, and all of those you will start to see playing out as we as we move ahead.

So, we are closely listening to what is happening on the social and digital channels, and we are we're picking up consumer trends and innovation trends out of that, and accelerating the innovation program. And as you would have seen in in narrative earlier on, we've done 23 innovations in this quarter. So, we are trying to leverage the narrative in a positive way so that we can build the entire business. And for this, if we need to spend more behind A&SP, we are quite open to doing that, because there is one focus that is very clear as far as the business is concerned.

We've had 8 quarters of single-digit growth that we have had, despite the fact that we had strong volume growth. The ask from the market has always been to look at double-digit growth. So, we are we are now investing behind growth. Growth is going to be the single most important driver, and more importantly, volume growth is going to be the single most important driver as we go forward.

Yasser Lakdawala: Thank you.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for the closing remarks. Thank you, and over to you, team.

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.

Moderator: Thank you. Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.