23rd May, 2025

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Codes: BSE Scrip code 500215, Co. code 1311
NSE Symbol SUNDROP, Series EQ-Rolling Settlement

Dear Sir/Madam,

Sub: **Transcript of the Analyst & Investor Call held through Video Conference on May 20, 2025**

In continuation to our earlier letters dated 13th & 20th May, 2025 and pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Analyst and Investor Call of the Company held through video conference on 20th May, 2025.

The transcript is also available on the website of the company i.e.
https://www.sundropbrands.com/analyst-calls.aspx

You are requested to take this on record.

Thanking you,

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

JYOTI CHAWLA
Digitally signed by JYOTI CHAWLA
Date: 2025.05.23 18:00:11 +05'30'

Jyoti Chawla
Company Secretary & Compliance Officer

Encl: A/a

"Sundrop Brands Limited

Q4 FY '25 Results Conference Call"

May 20, 2025

MANAGEMENT: **MR. NITISH BAJAJ – GROUP MANAGING DIRECTOR – SUNDROP BRANDS LIMITED**
MR. ASHEESH KUMAR SHARMA – CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR – SUNDROP BRANDS LIMITED
MR. MANISH MEHTA – DIRECTOR – SUNDROP BRANDS LIMITED
MR. HARSHA RAGHAVAN – DIRECTOR – SUNDROP BRANDS LIMITED
MR. K. P.N. SRINIVAS – CHIEF FINANCIAL OFFICER -- SUNDROP BRANDS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the conference call of Sundrop Brands Limited Investor Meeting. We have with us on the call today, Mr. Nitish Bajaj, Group Managing Director; Mr. Asheesh Kumar Sharma, CEO and Executive Director; Mr. Manish Mehta, Director; Mr. K. P.N. Srinivas, CFO.

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. Please note this call is being recorded.

I now hand the conference over to Mr. Nitish Bajaj, Group Managing Director. Thank you, and over to you, sir.

Nitish Bajaj: Good morning, all, and thank you so much for attending this investor presentation for Sundrop Brands Limited. I'll begin by one, of course, you have heard the team which is around us. I'll just share my presentation. And if you could just confirm if the screen is visible, and then I'll start. Yes, visible?

Moderator: Yes, sir, please go ahead.

Nitish Bajaj: Thank you, and good morning, all. So, you're already familiar with the vision and mission of the company. We have embarked on a new journey for Sundrop Brands Limited. And in this pursuit of our becoming a very large food organization, we stand committed to bring joyful food experiences to the modern consumer.

Our mission, of course, stays around creating innovative solutions, giving tastier products and also which are more convenient on-the-go solutions for our consumers. You are familiar that we have done a re-naming of our company, Agro Tech Foods as Sundrop Brands, that re-naming is now in place. We already have the approval of the new brand name for the organization. We did this change because this resonates, one, very well with the historic equity, which Sundrop as a brand had and which is where the company found its creation.

And also, we are elevating through this route, one of our big brands to the role of a corporate brand. A quick journey, and I will not spend too much time here. I'll just focus on what happened in the last 2-odd years. So, in 2024, you are familiar that we had a new set of shareholders. CAG-Tech came in, in 2024. We also did the re-naming of the brand. We did the recasting of the vision and mission for the organization.

In Feb '25, we also completed the acquisition of Del Monte Foods Limited by taking 100% stake of this organization. So to all the investors who are present here, I'm very happy to inform that we have completed this acquisition on 6th February '25. Del Monte Foods is now a wholly-owned subsidiary of Sundrop Brands.

Of course, as a part of this transaction, 35.4% stake was issued to Bharti Group, who bought about 21% share and then Del Monte Pacific Limited, which bought about 14% shareholding of the organization. CAG Tech remains the largest investor with 34% shareholding.

Now this is what we today have. Now with this acquisition, we have a big scale platform. And I'm very excited because this platform presents a strong and significant profitable growth opportunity for the organization. First, of course, if you look at the portfolio of brands and offerings we have, we are present in very high growth, high-margin categories, and that gives me very good confidence about the journey ahead.

Also, I'm enthused by the initial set of investments we have taken on these brands because we are seeing good results as we have embarked on this journey in the last few months, and I'll talk more about it. What is also important about this portfolio is that we have a mix of healthy leader brands like ACT II Popcorn, which enjoys a virtual 90%-plus market share. We also have a lot of challenger brands, which present a significant headroom for growth because we have a play of gaining share and building the brands to become much larger than where we stand today.

As a part of our investment thesis, we are looking to enhance investments. That journey has already started. We are investing much more in the last few months on the brand, which is resulting in good results in the last few months. We are also seeing increasing traction of our brands in fast-growing channels. We are aware that Indian ecosystem is seeing transition with emergence of e-commerce, modern trades are also expanding.

General trade is also metamorphosizing in some places to stand-alone modern trade kind of concept. What we are observing is as we embark on this journey, our growth in these evolving channels like e-commerce, like stand-alone modern trade is accelerating. And that also gives us a confidence that the channel which will grow faster, we do have an increasing salience and a greater opportunity for growth.

Of course, in this journey of ours, our focus will stay on improving EBITDA, making sure we do profitable growth as a thesis and also improve our PAT margins. One more shift, which I will talk about is in our journey ahead, we will follow a capital-efficient approach to building scale. In the past, we have made significant capacity investments in building our own capability. Today, we already have a significant capacity headroom, but also wherever we enter new, we'll find ways to make sure that our approach or entry is capital efficient in those categories.

Last, of course, but more importantly, while we stay committed to organic growth, this food platform also allows us to look at opportunities in the ecosystem to add bolt-ons to this business, which are synergistic to our portfolio and hence use an inorganic route to drive further growth of this platform. This is where we stand today as a combined platform.

So we have three very, very large and familiar highly trusted consumer brands in this play. Out of these three brands, ACT II and Del Monte, we have a perpetual license for Greater India geography. And for Sundrop Brands, we, of course, have a license across the globe. So these 3 brands are what really are going to drive our journey as a scaled platform in the pursuit of growth ahead.

This is how the portfolio stacks are. And this is important for all of us to see because we do have a very diverse portfolio. And as I talked about, some of the portfolio has a very strong leadership position like in popcorns, but there are also a lot of opportunities for growth in this portfolio, like we can expand our ready-to-eat platform through extension into more snacking formats, both on-the-go and also in-the-home kind of formats like -- snacks like nachos, breakfast cereals and fruit drinks.

Through Del Monte acquisition, of course, we have got additional significant portfolio in -- on-the-plate and in-the-home consumption segment. And hence, what we see is two key categories have come in. One is the culinary area, where people are looking to add taste and variety to their food options, and that's where our ketchups and mayos and also historically for Agro Tech Brands or Sundrop Foods, the peanut butter stood at.

We also have a strong Italian range through Del Monte brand, and that's very core to our growth, and that's what is also now available to this platform. I'll also briefly talk about oils as a business. Historically, we have looked at oil as a mainstay portfolio, which allows us distribution strength, but haven't been really investing on this portfolio.

In our journey ahead, we are looking at edible oils as a more sustenance portfolio. So there will be some shifts in our investment thinking behind oils, but we would want to sustain this portfolio and make sure that it grows, and it does not really lose platform -- lose, let's say, consumer base while we go for accelerated growth for rest of the portfolio.

What this portfolio allows us is, of course, to ride on all the consumer megatrends. So whether we talk about convenience, healthier options, globalized or Western trades, I talked about the shift towards organized platforms like modern trade and e-commerce, premiumization opportunities, experiences on-the-go consumption and, of course, the rising protein consumptions. Most of these mega consumer trends, which we are seeing are driving the growth of the food industry. Our portfolio allows us to ride on this.

In addition to riding on this, we'll also as an organization, stay mindful and focused on sustainability and concern for the environment. What we also get through this portfolio and which gives me a great confidence on this journey ahead is a very, very extensive distribution network.

And also a very well distributed and diversified pan-India manufacturing portfolio. And both of these are very important for the business distribution because as a platform many of our brands have a significant opportunity to grow in the larger general trade universe. And that's where Sundrop Brands historical strength of covering about 500,000 plus retail outlets came through.

As a combined entity today, we have about 1,800 distributors, we have 1,700 sales personnel. So we have the infrastructure in place to be able to drive our portfolio to much more larger distribution coverage across the portfolio, which may today be, let's say, enjoyed by selling portfolios.

We do have opportunity to take the Del Monte portfolio in specific and expand the distribution reach significantly. Similarly, on the manufacturing footprint, if you look at we have North, East, West, South, all the 4 geographies of the country very well represented through a manufacturing network.

In our business, this is critical because we do have a very large snacks business. And that snack business does ride on proximity to the consumer in a big way, both in terms of efficient cost of distribution and also in terms of freshness of the products. So by leveraging a very well distributed network of the combined entity, today, we see an opportunity to also expand our snack portfolio significantly and making sure that it becomes more and more efficient as we move along. This is how our entire channel mix is.

Now if you look at -- in our entire channel mix, I would say we are one of the most well distributed, well represented mix in terms of all the channels which we cover. So today, as a combined entity, we have about half of our business sitting between traditional trade of organized and not organized retail environment.

So 53% of our business is between traditional retail outlets and also in modern trade or organized modern trade. We also, through Del Monte, get a very sizable representation in the food services market. And this is critical because that's another area from where consumers will get experiences of our products.

And within Sundrop Brands historical portfolio, we have a significant opportunity to ride on this network of the Del Monte business and drive growth. So while Del Monte will ride on the traditional trade network of Sundrop Brands, Sundrop Brands can ride on the food services network of the Del Monte portfolio.

On the new channel like e-commerce, as I said earlier, it's an emerging channel. We are, of course, growing ahead of the industry, now growing at 36% last year. We have accelerated the growth even more in the last quarter. But as an outcome, what you see is there is our saliency of business in this emerging channel is increasing, and there is still a significant headroom to grow.

Food Services business, where, let's say, the B2B business of Del Monte sits -- is also growing at a great 8% kind of CAGRs and that also allows us a springboard for getting more of Sundrop Brand portfolio and drive the growth of the business. This is how our core categories is. And to the team, I must call out that when I talk about core categories, I haven't included oils as a platform. Oil still sits in others, which I said will going to be -- will be going to be a sustenance portfolio.

But core categories is where we are going to invest in a big way, and that's where we are in the last 2 years journey and also more recent journeys as we have got on board, we are seeing significant traction. And as we see our saliency of core categories where we are investing is growing significantly over the last 2 years. This is how our growth trajectory for last year is.

So if you look at in most of our core categories, we are growing between 4% to 30% kind of growth rate in the full year. There are, of course, some areas where we need to do better. And as a management, we are one, of course, cognizant of it. We understand where are we losing traction, and we already have plans ongoing and put in place to drive the recovery of these businesses, let's say, the business of peanut butters and our Italian range of Del Monte.

This is a more recent representation, and I did talk about us taking a call of increasing investments. So if you look at with our increase in investments on brand building, on consumer acquisition in quarter 4, we have already seen accelerated growths in many categories. And our growth trajectory has strengthened significantly, if I look at in Sundrop Brands portfolio. We also have taken with the completion of acquisition of Del Monte business in Feb '25, we have rolled out investments on that portfolio also. And I'm very confident that with this investment coming in, we will see an accelerated growth coming in, in these categories as well.

This is how the whole picture of our -- if I look at our Sundrop Brands portfolio before the acquisition was -- has grown at about 5% in FY '25. But in quarter 4, we have seen the growth accelerating to 12%.

Del Monte portfolio, if I include that, our business growth overall has accelerated from 8% full year to about 9% in quarter 4. This is what we are doing on the marketing side team. So we could look at -- we are investing significantly both on traditional mass media and digital media. And this investment increase has gone behind our directed on specific core categories I talked about, and we are seeing results on these categories, as you would have seen earlier.

We are also strengthening our distribution and visibility in general trade. We are also looking at cross utilization of network strength. So there are planned efforts to drive on the distribution strength of each organization leveraging Del Monte portfolio of ketchups and culinaries for the traditional trade of Agro Tech or Sundrop and similarly leveraging the Food Services portfolio of Del Monte for brands like nachos and popcorns for Sundrop Brands.

We are investing significantly on emerging channels. We are investing in modern trade in the form of increased investments in merchandising, promoters, we are expanding the listing of our ranges. We are investing on performance marketing in e-commerce, which is also giving us good results as I speak. This is an important slide for all of us. We are looking -- as we go along in this journey, we are looking to have a very capital-efficient approach to building scale.

So in the past journey for Sundrop Brands, we have invested significantly on capacity, both in core categories and also in some of our new category entries. We now have an experience of last 3, 4 years and of course, we also now have the full platform, which allows us to rethink. So I think as I have come on board about 4, 5 months back, we have also been looking and evaluating our portfolio with a very, very great degree of rigor to say where we have seen good results in the past where with our investments and position in the market as we stand today, we have an ability to accelerate growth and drive growth.

With that, if I look at as a route, we have identified the core categories. And I must say that for all of these 4 categories, which we have identified, we today have a significant headroom within the existing capacities of the organization for our future growth because most of these categories are operating between 40% to 70% utilization.

So while we do have a lowest capex outflow in the last year, we do expect this trend to continue. So from here on, at least in the near future of next 3-odd years, we would expect our ability to maintain capex at more at the back end of, let's say, packaging lines at best or for repair and maintenance of our existing capexs.

We have also taken a very, very sharp look at our current asset base. So for me, this is important, as I embark on this journey, I have joined here, we did identify some portfolios where we had entered in, but we have not seen the traction. Now we could keep pushing our boundary there further, but these are coming at the cost of, one, focus of the organization.

Second, our current traction is very limited. So we are taking a call to get out of certain categories where in the past investment cycles, we have not seen a sufficiently strong results or business case for us to sustain and continue.

So as an outcome of this rethinking strategy, which I think is very important because we today have -- with the food platform, which I talked about, we today have a very large portfolio where we need to invest. We think it's very prudent for us as a business team to prioritize our energy on those four categories and at the same time, take a call on the portfolio of -- or lines or investments where we are not seeing the joy or returns in a big way.

So we are impairing certain capacities and manufacturing lines. We would take a liquidation of these lines as we go ahead. But as a management, we have already taken an impairment call, and we have taken a fair value of these assets, which we are liquidating.

Based on this reprioritization of the capacity, we would have a onetime impairment hit of about INR136 crores on our asset base. But if I look at what does this asset base really contribute to, the specific lines like chocolate lines and wafer lines etcetera, they contribute only to about INR 12 crores of revenue and they are negative on profitability.

So as the going concern, I do not see any of these impairment calls impacting future business direction of the organization in any which way. It just gives us a very clean slate and management a very clear direction on where we want to invest to grow. And we think it's a very prudent call to make sure we have an asset base sitting in our books, which is efficient, which is driving the growth of the organization.

What you would also see is as an outcome of this decision, which we have taken, our asset base, which is going to be sustained has a very strong asset turnover ratio of 4x. And yet I talked about there is a significant headroom for growth in this business. I would also briefly touch about that with the addition of Del Monte's business, we also have addition of the tangible assets of Del Monte manufacturing base. So that is adding another INR 204 crores to our asset base. So, with the impairment and with the addition of Del Monte's asset base, our net tangible asset position will be INR 403 crores.

All of ladies and gentlemen, this is the P&L statement of the organization. I think you would have already got this to see. As I talked about, we are seeing growth in our focus categories. You can see in quarter 4, specifically, we have grown well. There are some onetime calls sitting in around acquisition, around the way we have recognized, let's say, the past write-off of any, there is some recasting of the way we recognize non-moving or dead stocks, let's say, in the organization. Those are onetime calls. And of course, there's an impairment call, which is impacting our either EBITDA or profit before tax, but we do not see them sustaining in the future.

With the addition of Del Monte in quarter 4, if I look at consolidated P&L, we are adding about INR 10 crore turnover in 2 months of recognition because Del Monte got acquired -- Del Monte acquisition got completed in February. So for Feb and March, 2 months of recognition of revenue of INR 104 crores is sitting in our consolidated revenue recognition.

This is how I look at the total business. So if you look at with the acquisition of Del Monte, we are now INR 1,410 crores top line organization. And that's how you should look at our financials. We do -- today, if I look at one of calls out of business, we today have an EBITDA of about INR 54 crores, which is a low single digit.

But we did talk about our management assessment of this business. We do see significant headroom for growth in our core categories. We are investing on those businesses. We do see a lot of synergies sitting between the 2 platforms, and all of them will be gradually unlocked for us to drive the journey for profitable growth ahead.

This is how our balance sheet and cash flow, I wouldn't spend too much time, but what is important here team is we do have a net positive cash situation. We do -- we are a zero-debt company. We today have a closing cash of about INR 47 crore. And hence, we do have a significant ability to keep investing and growing the business as we move along.

So if I have to sum up for all of us, very clearly, a very, very strong platform. Personally on this journey, I'm very excited, very enthused with the investment calls we have taken in the recent past that this business can be built into a very large food platform where we give to our consumers very, very strong leadership -- strong brands and offerings to be able to -- be able to ride on and deliver on their taste aspirations from our product. We do see our portfolio sitting on all consumer megatrends, which we talked about and hence, be very right or set for growth in the journey ahead.

Our business is sitting between high-margin, high-growth categories. And of course, we do have -- and we will continue to look at opportunities beyond organic growth. We would invest for organic growth, but we would also be open to look at how we can bolt on to this portfolio to expand and take a synergistic approach to make the business stronger and more profitable.

Investments. I have talked about it. We will invest on the core portfolio, both in media and in the emerging channels to drive accelerated growth. Our approach going forward will be to ensure that we are capital efficient in our thinking.

And clearly, we do have also capacity headrooms in our business, both in terms of distribution strength, where we do have a large field force. And similarly, manufacturing strengths, where we have a fairly well-distributed setup with sufficient capacity available to be able to drive the growth.

And of course, we do have a very strong management and a very competent team here, who is looking at this journey to make sure that we keep growing much more profitability and create sufficient and strong value for all our stakeholders.

Thank you so much. I'm really excited about this journey ahead for Sundrop Brands. Yes. Moderator, back to team for any questions and answers. And I think also if you could introduce Harsha, who has joined in.

Moderator: Ladies and gentlemen, we have on call with us today Mr. Harsha Raghavan, Director. Our first question comes from the line of Percy Panthaki.

Percy Panthaki: Yes. I just wanted to understand your medium-term margin trajectory. You are currently at 3.5%, 4% kind of margins. How do we see these margins evolving over a 3- to 4-year period? And what would be the drivers for that margin expansion? Would it be on the gross margin level? Is it just operating leverage? Or is it ad spend leverage? Can you give some idea on this, please?

Nitish Bajaj: Yes. Thank you, Percy, for the question. Overall, I did talk about that we would want to grow our business on scale, right? So, we are going to invest for growth of top line. Most of this growth in top line because we have sufficient capacities available, will actually help us improve the scale of our business and make sure that our manufacturing keeps becoming more efficient. So, you would see gross margin expansion with the fact that we are going to become more and more efficient with the expanding scale, leveraging the existing capex base.

We are also, of course, going to drive growth harder in the existing categories where we have focused, and these are more profitable categories within the mix. So we also do envisage that if the mix of profitable business is being driven harder, we should be able to accelerate growth. We also see between the 2 organizations as significant synergistic benefits around the cost structures, around the growth opportunities in terms of network and channel and, let's say, in procurement efficiencies, in manufacturing efficiencies, which will be leveraged.

So, our direction, if we look at our scale of business today is about INR 1,400-odd crores. At this scale of business, we do expect companies to get to a closer to double-digit EBITDA or in that direction. So as a management over the horizon of next 3 to 5 years, we would want to really go towards that direction and scale up business more and drive for greater profitability.

Percy Panthaki: Sir, just a follow-up here, sir. Would it be a linear journey in terms of margin expansion or because of whatever reasons, investment or whatever you think the margin expansion is likely to be more back-ended?

Nitish Bajaj: No, it will be progressive generally the way we see it. So, you could say, directionally, it will be more linear. We, of course for the next 1 to 2 years, we would keep investing to learn. But if you were to talk of a direction of 3 to 5 years, it will be more linear.

Percy Panthaki: Got it. Got it. Secondly, just wanted to understand your top line growth drivers as well. So I mean, obviously, there are the usual suspects there is marketing, there is distribution and so on. But like where do you see each of these drivers fulfilling their role in the sense that which of these drivers is going to be the dominant one and which is going to be a supporting one and so on?

Nitish Bajaj: So, I would say there are 3 key drivers for our business. One, of course, investments. If you look at historically, the investment focus of the business was behind new additions, especially in Sundrop business. There were plans to grow certain new entries, which for whatever reasons, haven't taken off in the way the way management had envisaged.

But that focus has also reduced or restricted the ability to invest behind the core. We are very purposefully driving the core of the business. And in the initial experience of last 5 to 6 months, we have seen the joy of that investment coming in our business. So that's going to be one key driver, invest on the core categories, accelerate the growth.

Intrinsically, we know that food segment is showing very strong signs of recovery. We are seeing in the last -- second half of last year, there is a recovery or resurgence in the food industry or FMCG segment, especially from rural, and we are also seeing signs of growth coming back in our brands. So that's on the backdrop of, let's say, investment on core categories and the environment, which is suited for growth, we do see one key lever sitting there.

Second, if we look at leveraging the network strength of the platform. And I did mention in my presentation earlier, we do have strengths in network, which are complementary in nature. We today, let's say -- if you look at Del Monte business. It's a very food services and modern trade and e-commerce centric business.

But if you look at the platform, which is ketchups and sauces, mayo and even emerging formats like olive oils and pasta, we know there is an increasing preference of consumers across the segment for these products. And hence, as we leverage the network -- across network of 2 organizations, there is an ability to accelerate the growth opportunity by making sure that our products are more accessible, more widely available.

So, I gave you an example of Del Monte portfolio. Similarly, if I look at the portfolio of Agro Tech, how do we expand our popcorn business in B2B industry or in the food services area, how do we expand nachos business there? All of those possibilities exist for us to be able to drive the growth riding on the network complementarity.

Third, if I look at as a overall investments, we do see within the existing portfolio, some of the portfolios, which have not responded because we did not keep pace on innovation. So, as we move along in the journey, you will also see innovation coming in a big way in our portfolio, looking at how do we expand our peanut butter business, our protein-based segments.

Similarly, to our snacking business. There are significant headrooms for growth by getting into associated and contiguous categories, both in terms of flavor, taste expansion or in terms of pack sizes and format expansions. So, you will see behind core brands, innovations also coming in, which drives the growth.

Percy Panthaki: Very useful, sir. Just one request at the end. You have shared the sales contribution of the focus and other businesses. If you can also share the margin or EBITDA contribution of these 2 businesses, it will be helpful for us to evaluate the company.

Nitish Bajaj: Yes. So, we don't share individual categories margins, but you do see our food business, which is higher margin. We do share at least in that direction, how we are doing on more, let's say, blended basis, not on an individual category basis.

Percy Panthaki: Yes, sir, my request was not for individual. It was just the 2 blocks of focus and others, that was my request. You can consider it later on, I mean, just a suggestion from my side.

Nitish Bajaj: Yes, right. Thank you so much.

Moderator: Our next question comes from the line of Rohit.

Rohit: Very nice presentation. It did give us a very nice idea of how you're thinking of the business over the next 3 to 5 years. Sir, my first question is on the acquisitions. So, we did mention that we are using this as a platform and open to doing acquisitions. So, do you have an idea -- or do you have a strategy on what the sizes we would be okay with and averse to? Will it be similar to Del Monte? Or are we looking for only more bolt-on acquisitions?

Nitish Bajaj: Harsha, Manish, would you want to answer that? I can also step in, but if you would want to?

Manish Mehta: Okay. So, I mean, from an acquisition point of view, I think what we are very careful about is that it should fit into our core mission and vision that we talked about. We understand we are more particular about the margin profile of the business and the scalability of the business that we acquired and how that fits in, as I mentioned, into our overall portfolio. So size is less of a consideration.

We might go for smaller businesses if the right opportunity presents itself. And if there is a great opportunity on the larger size, we'll be open to evaluate it. So, there is nothing that is imminent or that is very obvious as of now. But we don't want to restrict ourselves to any size consideration. We are more concerned about the fitment and the margin profile, the scalability of that.

Harsha Raghavan: Maybe if I can add one thing. Harsha Raghavan here. As Nitish had pointed out in his slides and commentary and also in his response to Mr. Panthaki, we have plenty of work and plenty of opportunity with respect to the integration and the opportunities of just Sundrop and Del Monte.

So, in terms of management's focus and priorities for now, I'd say it's on what we already have in our plate. That having been said, this is clearly a company that's well positioned over the longer term towards becoming an acquisition vehicle. And opportunistically, as and when something presents itself of any size and scale, frankly, we will be at least willing to evaluate.

Manish Mehta: I'll just add one thing. Like we also have the opportunity to in-license more brands from other organizations that I talked about, especially ConAgra and all. So that's also in the back of our minds. When the right time comes, it's not only acquiring new companies.

It's also about maybe bringing in more products if that's the right way to go. So, there are multiple options available. But the focus right now, as Harsha and Nitish said, is to build on what we already have and later on we'll look at some of these opportunities.

Nitish Bajaj: Also to add to Manish's point, within also Del Monte ConAgra's active brand, we do have rights of refusal and opportunities to take on their global portfolios. And if any of them sees opportunity in the country, we also have access to those possibilities to be licensed and sold in the country.

Rohit: This is very helpful. Just one follow-up to this. So, I mean I'm a recent investor and my incentive was because the new promoters took over and the aggression that was lacking in the company is quite visible. And the increased focus you're bringing is also very nice to see. So just a follow-up on the acquisition.

So, if you are looking at acquisitions and reasonable size ones, we are not averse to it. Does that mean that we are not averse to diluting more and with our shareholding right now being 34, 35, so how comfortable -- I mean, how low is comfortable enough for us? Or anything along those lines right now? Or is this too much -- too far into the future for now?

Harsha Raghavan: I think it's too far. There's nothing imminent. I think right now, we're just absorbing what we already have. As you can imagine, we all, as shareholders, are very particular about making sure that it is value-accretive to all of us. So, any decision, obviously, we'll value from that lens. But nothing that is imminent or large that is dilutive to everybody in the horizon.

Rohit: My second question is, I just wanted to reconfirm the capacity utilization across the plants that we have right now within our portfolio. And the follow-up is, I mean, it was interesting to see the focus on return metrics and asset turnovers in the opening remarks by Mr. Bajaj. So in that context -- and we focus on capital efficiency, which was repeatedly mentioned.

So, in that context, is there any broad thought process on -- I mean, there is separation of manufacturing and branding that we can see in the country today, right? I mean we have contract manufacturing outfits, which sell products to brand owners, which do more of marketing and distribution. So, do we have any broad thoughts around selling some of our factories and going more asset-light in that manner? So, these two questions. That's it from me.

Nitish Bajaj: So let me rephrase your question. One question you're asking is, are we looking at selling some of our capacities to third party? What was the first question, if you may just repeat?

Rohit: Capacity utilizations across the plants right now.

Nitish Bajaj: Okay. So, capacity utilization, I talked about it. For most of the core categories, we are operating between 40% to 70% capacity utilization, and that would be the pitch in most of our plants within the core categories where we would stay invested on. Second is on the ones which we are deprioritizing or, let's say, giving away in terms of building the consumer business of our own.

In those capacities, we'll be open to sell or dispose those assets off or also look at anybody who is looking at capacity in that area to see if we can deleverage. As of now, we don't have any identified opportunities, but we would really be looking at either disposing off or finding alternative routes for those listening of capacities, which are not leveraged.

Third, if you were to talk about looking at the ecosystem of third party, the way I look at it, as we go into our growth journey, our business ahead, we would have opportunities to expand into newer categories. We already have identified plans to get into categories beyond.

I would also want to leverage the ecosystem beyond us to make sure we do our entries in a capital-efficient way, ride on the third-party network and get those capacities as we build some of our innovations and new entries. So those would be the three tenets on which we will operate. Does it answer your question or do you still have a...

Rohit: One follow-up on that. What about the core factories? We are very clear that we'll hold on to the core factories, and the core factories we are not looking to sell to a third party just to focus on marketing and distribution. I mean I've seen some companies do that, hence the question.

Nitish Bajaj: No, no. See all our factories as they stand today, our manufacturing setup is distributed. Our categories don't manufacture one single category. And hence, selling out an individual factory out is a very difficult option. That is not what we are looking at.

Our factories, in general, are distributed manufacturing basis for our product, which allow us an ability to reach our consumers in a very cost-efficient way. And hence, most factories will be today manufacturing a variety of products for us and also manufacturing core products for us, and they allow us an opportunity to reach to our consumer efficiently.

Moderator: Our next question comes from the line of Shirish Pardeshi.

Shirish Pardeshi: Hi, team. I think Nitish and Manish...

Moderator: Sorry to interrupt, sir. May I request to use your handset, sir. Your audio is not clear.

Shirish Pardeshi: I'm using handset only.

Moderator: Yes, sir, go ahead.

Shirish Pardeshi: So, I've been tracking the company for a longer time. So, pardon me for some stupid questions. First thing, in the impairment of assets what we have done, does that mean that at some of time, the Bangladesh investment now will get replanned? Our focus is going to be on Jhagadia?

Nitish Bajaj: No. I did talk about, we do, for our snacks business, need a very well-distributed manufacturing base. So Unnao is also a part of our distributed manufacturing base strategy. It does provide -- and similarly, Bangladesh also is a part of our distributed manufacturing strategy because these allow us ability to service central and eastern part of the country. So, we are not really looking at any kind of impairment on those.

Shirish Pardeshi: Is there any further impairment expected in FY '26?

Nitish Bajaj: No. We have taken a very, very prudent and very thorough investigation of all assets. So, we do not anticipate any further impairment going forward.

Shirish Pardeshi: Okay. Nitish, the broader question, since you are here about 5 months, this company has spread across chocolates, everything and they were trying to bring in the business as many channels and exploiting. The bigger question is that with Del Monte INR 600 crores, especially on the alternate channels and growing modern trade, how this integration and what's your learning and how big business you can grow over the next 3 to 5 years from Del Monte?

Nitish Bajaj: Sorry, I lost the last part of your question, Shirish.

Shirish Pardeshi: So, this INR 600 crores can become what times more in next 3 year, especially given it is focused on the quick commerce and modern trade?

Nitish Bajaj: Yes. So, see, these are all high-growth businesses. The way we look at, I don't want to, at this stage, set an exact number. But directionally, we would want this portfolio. See, these are all emerging categories, especially Del Monte business in many ways, especially the Italian business is a low penetration business, but expanding because consumers are looking at Western choices in their food in a much bigger way, plus olive oil, we know is a much healthier oil also. So fundamentally, these are high-growth opportunities with a significant headroom, both from a penetration point of view and also from a market share point of view.

Del Monte's platform will get an expansion into the distribution network for general trade. Now if I had to broadly look at from, let's say, the ketchups and mayo businesses, today, it is dominantly a modern trade e-commerce business. It's negligible in general trade. We have shown you at overall level, our saliency of general trade will be closer to 40%. How do we really leverage our network strength to build saliency on that network over the next 3 to 5 years, and which are the portfolios which will see the best traction.

Those are the experiments and experiences we will see coming in January. As a management, we see a significant headroom. I don't want to attach a specific number right now. Overall, I have told you, we are looking to grow aggressively this business. Specifically on one portfolio, I don't want to attach a number. I do see a strong headroom for growth to the network.

Shirish Pardeshi: My last question, I'm reading Slide 14. Specifically, ACT II Popcorn is a larger business, I think in the past over last 6, 7 years, the earlier management tried to expand its franchise. You would be saying that the flavor strategy is going to go or may not work. So, I just wanted to pick up your thoughts, especially on the ACT II, what are the levers you're having going to grow this business?

And more, Asheesh, if you can give me some color on the Staples business because this business has been struggling for a while. And in the past, we always said that it has always been a cash cow. So, is this business important? Or at some point of time, we will sell up this business? Talk more about that, give some color, and this 4% is primarily the volume or price?

Asheesh Sharma: Thank you, Shirish. So, I'll answer the two questions. One on the ACT II side. See, when we were largely only and ready to cook, which is our in-home consumption, offering in-home hot and fresh popcorn through a variety of flavors was the route that we were taking. Come last year and this year, if you look at the growth rates of the popcorn category expanding into ready-to-eat, which is an out-of-home consumption opportunity, really accelerated the opportunity capitalization for us for ACT II.

So, once we were only in home, and now we are catering to out-of-home also with a similar product. And that is also the reason why we needed to have distributed manufacturing because addressing out-of-home consumers, your freight, packaging and manufacturing costs become far higher to service fresher product to the consumer.

So, the ACT II growth in the coming years would come out of all 3 platforms that the ACT II addresses, which is the core ready-to-eat popcorn, the core hot-and-fresh popcorn made in pressure cooker, the microwave popcorn. Along with it, it has its adjacencies placed into nachos and extruded, where the competitive pressure is a little higher and the core equity of ACT II Popcorn also moving into snacking corn products.

So those will grow a little slower, but will grow and have a headroom. These three will form the core. Out-of-home consumption will be the key focus where we will build a larger business because that's the area which is growing. That takes care on the ACT II part that how do we see the growing.

Now in all these ones, flavor is a part of a strategy. Has he dropped out, Shirish? I think he has come.

Nitish Bajaj: Most important, did he -- what has he missed out?

Asheesh Sharma: Shirish, did you miss out something? We just saw you connecting.

Shirish Pardeshi: No. All good, sir.

Asheesh Sharma: So, the flavors is a part being relevant in snacking part every time. So that's how the ACT II will go, and we will continue to do. Some flavors, which will have a low saliency or not relevant, will drop out and the newer ones will keep adding in that.

The second question, on the Staples side, you are absolutely correct that for a very long time, we were using Staples as a cash cow in this. So, this year, if you look at when we said we now have to first find a way of looking and holding Staples volume and business such that it is not a declining category.

Having a declining category in business is not what we are looking. Our attention was getting diluted to other newer categories, which we want to bring back to the Staples business also. So, this is the first year after last couple of years where we have seen of being able to arrest the decline first, right?

Now Staples business, as you know, is not so easy to turn a big ship and it oar. So, we will put our efforts now to start seeing on the premium segment where niche wise and how different channels, for example, the emerging e-commerce channel, can we leverage that faster and bring growth into our premium staples business also. In premium staples, we will also look at staple adjacencies, which will form a part for us to build food business as value-added business.

So, one of the adjacencies you would have noticed is we are stepping into oats. The base staple oats will be there. And also, there will be additive products like masala oats and others, which we'll build as a part of the foods business, where the scale of procurement of oats helps us build the other.

Nitish Bajaj: Fundamentally, I think on ACT II business, you would see significant investments on growth and flavor, we also believe there is a route to ensure freshness and newness in this category. Because consumers are constantly looking for new experiences, we would play the role of a leader and keep bringing new experiences and new tastes to ride on the emerging taste choices of consumers.

Moderator: Our next question comes from the line of Yash Bajaj.

Yash Bajaj: Before getting into my questions, one broader question I had was regarding the bigger FMCG names who are in our category or segment, they are struggling for growth and they are kind of fighting for growth, especially on the quick comm side of it because that's the newer channel.

And if we talk about us, especially Del Monte, we are taking a different route, which is we are relatively much penetrated in the quick comm and e-comm side and modern trade side, but not on the GT side. So just wanted to pick your thoughts on, are you seeing some kind of benefit when you're relatively -- easier way of penetrating on the GT side of it in terms of shelf space, if you can throw some light on that?

Nitish Bajaj: See, eventually, the way the consumer is evolving, today, we have to build an omnichannel brand and an omnichannel experience. Consumers and different set of consumers rely on different channels to fulfill their needs. If I look at our Snacking business, it is dominantly general trade led.

And hence, it will provide us always the reach and muscle to make sure that in general trade, we are one of the most well-penetrated brand and offering because our ability through our Snacking business and also INR 10 price point of ACT II popcorn gives a deep wide distribution and a hold on the channel. We will continue to leverage that. Nowhere are we saying that we will make it secondary. That actually will become primary vehicle for growth for our categories where, let's say, today, our presence is more modern trade or e-commerce led.

Second is, if we look at now the evolution, and we are very clear, we've seen very accelerated growth in quick commerce channel. I did show a slide where in last full year, our e-commerce business, and it is dominantly quick commerce business for us because of the price points at which we operate, has grown at 34%. So, we are seeing significant ability to grow there. We also know these quick-commerce partners are expanding into multiple newer cities.

And hence, there will be two sets of growth, which will come there. One is their expansion within the existing ecosystem where they are operating, and they are, let's say, getting more and more consumers who are experiencing it and finding a benefit in the channel; second, in getting into new cities. So, we do intrinsically believe that for our portfolio, both are very important, and we will continue to invest on both sides for our growth.

Yash Bajaj: Understood, sir. I was just asking from a Del Monte point of view. But yes, I got your point.

Nitish Bajaj: Even Del Monte, we are seeing very good growth in quick-commerce as a network.

Moderator: Our next question comes from the line of Rohit Balakrishnan.

Rohit Balakrishnan Sir, just two questions. One was, so I mean, just on your slide where you've given the channel mix as of this financial year. So, let's say, a couple of years out, how do you see this channel mix changing for your combined entity now? That was one question. And second, you've been articulating that you will be investing in growth across all your categories. So, I mean today, we are at about INR 1,400 crores.

Historically, you've said that the previous management used to articulate that they want to grow, to be the fastest-growing food services company. I mean, given that we have become more aggressive and we've sort of also become more focused in terms of what we want to do and what not, so can you sort of give some sense on what kind of growth are we targeting for the next 2, 3 years? So, these are two questions.

Nitish Bajaj: So let me first address your channel contribution question, Bala, thank you so much for that. See, we have talked about opportunities on both portfolio on complementary sides. If you look at, today, we have one of the most well distributed channel network mix. We have, let's say, fairly good strength in each channel as a combined entity.

And yet for cross-leveraging, we have opportunities for growth for each other. And hence, I do not see a very significant shift, except the fact that e-commerce, let's say, may increase overall in the longer term because of, in general, their expansion into more cities, especially around quick commerce.

Outside of that, I do see one part of our portfolio, let's say, Del Monte will grow faster in general trade. Why? If I look at the Agro Tech or Sundrop portfolio, that will grow faster in food services and modern trade and e-commerce. So, there is a clear complementarity, which will ensure that our mix of channel may not significantly shift from what you see today, minus, of course, barring effect that e-commerce may increase I talked about.

On second question, on the growth ambition, so yes, our ambition to grow and become the -- and stay the fastest-growing food company will stay. I don't think there is anything taking away from our ambition or aspiration. I don't want to attach a specific number, but we will, for sure, grow ahead of industry.

We would want make sure that we gain share and grow ahead of industry and give a very strong return to our stakeholders and shareholders. I don't want to put a specific number, honestly, at this stage. Give us some more time to form a very cogent, long-range plan and come back to you again.

Moderator: Sir, we have text questions as well. We move to the text questions. We have a text question from Jay Prakash Agarwal from Little More Investments. The impairment on the assets are net of any sale or are they going to be any sale of those assets? Are we going to launch any new products in the near future?

Nitish Bajaj: So, for all the assets which are impaired, we have taken a valuation through a certified charter engineer, and we do have a residual value of the -- residual disposal value of those assets, which is netted off. So, in some way, the impairment is post a residual value discounting value.

Asheesh Sharma: New products. Do we plan to ahead into new product for which you said innovation part, yes.

Nitish Bajaj: On the second question, sorry, I missed that, on getting into new products, yes, innovation is part of our thinking and planning. We would get into new products, but our approach will remain a capital-efficient way of getting into new products.

Moderator: Sir, we have a follow-up question from Mr. Jay Prakash Agarwal. What is the sustainable EBITDA margin going forward for our business?

Nitish Bajaj: Yes, I've already given a broader direction. I have said that we would -- when we look at comparable companies of our size and stature, we do see them at double digit. We would want to get there and sustain above that, for sure. Of course, this will be a journey over the next 3 to 5 years as we go along.

Moderator: Our next question comes from Ramesh Bhojwani from Mehta Vakil and Company Private Limited. Ramesh Bhojwani, Head Research at Mehta Vakil. Are we looking at a double-digit growth in top line and bottom line in the next year going forward?

Nitish Bajaj: I don't want to give a single year view. We have talked about the fact that we are already seeing growth in our businesses. We have shown you the kind of momentum we have seen in quarter 4 on the business. Our investment plans are in place to make sure that we continue to build on and sustain our growth momentum.

I have also talked about that we would want to grow ahead of industry. You are familiar with the industry growth rates in more recent times and the projections ahead. They are upwards of 6% to 8% in various estimates, and we would definitely want to go be staying ahead of industry growth rate.

Moderator: Our next question comes from the line of Sanjeev Raj from Anand Rathi. Could you provide more insights into how the recent acquisition of Del Monte is expected to contribute to synergies and support the parent company's overall growth strategy? Additionally, what percentage contribution of revenue can we expect from Synergy model?

Nitish Bajaj: I did dwell about the Del Monte business. Clearly Del Monte business today is very underrepresented in general trade channel. General trade channel at a company level is about 40% of our mix. For Del Monte, it will be sub-20%. So clearly, there is an opportunity to grow in the general trade channel for Del Monte. That's the synergy benefit as we see for Del Monte business. Then if I look at -- what was the second question?

Moderator: Should I repeat the second question, sir? Additionally, what percentage contribution of revenue can we expect from this synergy model?

Nitish Bajaj: Yes, I did mention that our current saliency of Del Monte in general trade is less than 20%, while at a blended level as an organization, our business is about 40% in general trade. So clearly, there is a headroom to grow Del Monte business significantly in general trade. Does it answer your question? Number, you can sense the number from the discussion, right? We are clearly under-indexed, and we would want to go where our natural index should be.

Moderator: Our next question comes from Prateek Giri from Subh Labh Research. The category where most of our products lie is notorious to be highly competitive. In our pursuit of growth, how big a detriment you see competition as an inhibitor?

Nitish Bajaj: Okay. So, I would say we have a fairly good mix of leadership brands and competitive brands. I do see we have a very strong leadership position in our ACT II franchise. If I also look at on the other side, I do see opportunity. I don't see competition intensity as a detriment. I see it an opportunity because if we look at Del monte side of business, there is a significant penetration headroom for growth and competition in general spurs the growth of category and our staying investing -- invested and bringing innovations will help us grow faster than categories.

So, our thesis is that we do would have, in some categories today, an opportunity because our shares are low, we do have a significant headroom for growth, and categories fundamentally are underpenetrated, which means that extra competition actually helps us grow the category faster and us gaining better share.

Moderator: We have a question from Vimal Sampath, who is an investor. My question is on popcorn. We are seeding the premium space to 4,700 BC. How are you planning to plug this gap? Metro stations, institutes like IIMs, IITs have an audience, which can be an ideal consumer for us. Any thoughts on this?

Asheesh Sharma: Thank you, Mr. Vimal. We are not seeding positioned to them. So, what 4,700 BC is doing is that by virtue of it having an excess at PVR Cinemas, they have a presence in cinemas, which is far low. That's the one big difference. Second, on e-commerce channels specifically, where we were underrepresented, they were represented ahead.

But as of now, in the last couple of months, we have significantly gained share there, and that has been reflective in our e-commerce trade. In GT trade and in modern trade, we were always way ahead of the 4,700. That's one. Having said this, in out-of-home consumption, as I had mentioned, that we, ACT II is now playing very actively and growing. So, we will...

Moderator: Sorry to interrupt, sir. We are unable to hear you, sir. Please go ahead.

Asheesh Sharma: Since when you didn't hear?

Nitish Bajaj: What point did you lose us?

Moderator: Sir, I'm not very sure, sir, of the point.

Nitish Bajaj: I will repeat the answer for team, again. So, I think what Asheesh was...

Harsha Raghavan: Sorry, I think he was talking about the e-commerce growth in ACT II when the line got cut.

Asheesh Sharma: We said that our e-commerce growth in ACT II, we have significantly now started gaining share in that channel, and that was reflective in our e-commerce growth. We were not leading there, and we have now become leaders in e-commerce also.

That's one. The second was of the out-of-home part and other places where 4,700 BC we said is present, but that is a part of our segment, which we are building as our RTE out of home today is now becoming the fastest-growing segment, right?

Nitish Bajaj: So, we would have plans to expand in channels, the ones you mentioned specifically, you would see ACT II coming into those areas more and more in the journey ahead.

Asheesh Sharma: Including railway platforms. We have just got an entry into Northern Railway platforms as one of our first breakthroughs, right? So slowly, we will get in all those places also.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. If you have any further questions, I would request you to get in touch with the management. Thank you. I now hand the conference over to the management for closing comments. Over to you, sir.

Nitish Bajaj: Well, thank you so much to all the investors who took time out to listen to us. I would reiterate that we are very excited about this journey. We already have clear signs of how we do believe strongly that this portfolio could be shaped up. We have identified the focus on core categories on which we will continue to invest and make sure that we have a very profitable growth embedded in our approach to business.

We, of course, do have capacity headroom and hence, we will stay on a very capital-efficient approach to building business and stay true to the segment growing, making sure that we become one of the largest and trusted food companies in the country. Thank you, and thank you so much, all of you, for being here.

Manish Mehta: Thank you.

K. P. N. Srinivas Thank you very much.

Moderator: Thank you. On behalf of Sundrop Brands Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.