17th February 2026

The Manager,
BSE Limited,
Floor 25, Pheroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.
Ph. No. 022- 22721233 / 22721234
Fax No. 022-22723121 / 22721072

The Manager,
Listing Department,
National Stock Exchange of India Limited,
Exchange Plaza, Bandra-Kurla Complex,
Bandra (E), Mumbai – 400 051.
Ph. No. 022- 26598100 / 26598101
Fax No. 022-26598237 / 26598238

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

Dear Sir(s)/Madam,

Sub: **Disclosure under Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with amendments therein as notified from time to time ("the Listing Regulations")– Transcript of the Investors/Analysts Conference Call held on 13th February 2026**

In continuation to our earlier letters dated 06th & 13th February 2026, and pursuant to Regulation 30 read with Schedule III of the Listing Regulations, we are enclosing herewith the transcript of the Investors/Analysts Conference Call of Sundrop Brands Limited (*formerly known as Agro Tech Foods Limited)* ("the Company") held on 13th February 2026 for discussion on the Unaudited Financial Results (Standalone and Consolidated) for the quarter and nine months ended 31st December 2025.

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

You are requested to take this on record.

Thanking you,

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

KAVITA Digitally signed by KAVITA Date: 2026.02.17 12:18:20 +05'30'

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

# "Sundrop Brands Limited

# Q3 FY26 Earnings Conference Call"

# February 13, 2026

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

**MODERATOR:** **MR. AJAY THAKUR – ANAND RATHI SHARE & STOCK BROKERS LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Sundrop Brands Limited Q3 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Ajay Thakur:** Hi, everyone. Good afternoon. I welcome you all to the third quarter and 9 months earnings conference call for Sundrop Brands. From the management team, we have with us Mr. Nitish Bajaj, Group Managing Director; Mr. Asheesh Kumar Sharma, CEO and Executive Director; and Mr. KPN. Srinivas, CFO.

Without wasting much of a time, I shall hand over the call to Mr. Nitish Bajaj for his opening comments, which will be followed by a Q&A session. Over to you, sir.

**Nitish Bajaj:** Thank you so much, Ajay. Good afternoon, all the members of our community who are on the call. I'm very happy to be with all of you and sharing our Q3 update. I will -- I assume you have all got the presentation, which was noted. I will keep referring to the slide numbers as I talk through the presentation.

I'm starting with Slide number 3, where I'm quickly recapping the vision and mission we had set for Sundrop Brands as an organization. We continue to be in the path of delivering joyful food experiences to the evolving modern consumer, of course, through launching innovative, delicious and convenient food solutions. And you will see a lot of innovations which have come in the last few months as we have embarked on a new journey for Sundrop brands.

Moving on to Slide number 4. Again, a quick recap of why this platform is very attractive for all of us who are associated with the business. First and foremost, we have built it now as a scaled platform because we have 2 big organizations embedded in this platform already, which gives this business platform a strong opportunity to grow and grow profitably and efficiently.

What this platform has innately built in is our presence in very high-growth and high-margin categories, and we are actually expanding that growth and margin as we continue on the journey for profitability. Second is we have built in a very strong renewed focus driven through advertising, communication, brand building and innovation on the core portfolio.

So we have taken very strategic calls on which portfolios we'll invest on, and we continue to do that with a great precision in our journey for profitable growth. Third, which we'll also take you through, and we have talked that as a strategy, we are increasing our growth in fast-growing alternate channels, and those are reflecting very strongly in our business performance.

Fourth point, which is our extremely high focus on very capital-efficient way of building the business. So we are now very strongly focused on taking strategic calls on putting our investments where we can drive high ROI for the business, and that results in improved performance on EBITDA and PAT margins in the longer term.

And last, of course, which is the thesis of this platform, we will beyond organic growth, keep looking externally for external opportunities to build this business inorganically as well. This platform, I'm moving on to Slide number 5, is a combination of three big brands. ACT II, which is in the business of popcorn and ready-to-eat and ready-to-cook snacks.

We have Sundrop, which is dominantly a staples portfolio led by edible oils, but we are looking to expand this portfolio into cereal snacks and oats kind of promises, which also I'll take you through. Third is, of course, the Del Monte franchise, which is a very large global brand, innately trusted by the consumers for high-quality products, which is into culinary, which is into Italian, which is into packaged foods.

So fairly wide and broad portfolio, which gives us a foothold in the large packaged food industry. Coming to Q3 results on Slide number 6. We have continued our strong growth momentum in quarter 3 as well. At a consolidated level, we are growing at 10% on revenue. Our B2B growth, which is innately built into the Del Monte business and B2B is about 40% of Del Monte revenue, continues to be strong at 9% growth.

I talked about alternative -- alternate channels. Our e-commerce growth remains very strong at 31% growth in quarter 3 as well. We are continuing to invest strongly for growth. So our advertising investments are reflecting ahead of curve growth of 22%. What is very important for us to look at is how we have done on margins and how we have done on EBITDA. And I'll explain these numbers as I come in the end.

But at an overall level, our focus on driving margin expansion continues, and we are seeing sequential improvement in our margin expansion. At end of quarter 3, we have had about a 330 basis points improvement in our gross margins, dominantly driven by foods business within Sundrop and Del Monte.

We, of course, also have an edible oil business and an olive oil business in Del Monte. That business, because of the commodity cycle where we are seeing inflation, especially in Edible Oil segment, has been more at a protect absolute margin strategy rather than a percentage margin.

So our gross margin expansion is dominantly coming out of our foods business. And as an outcome of that, we have seen an 80% growth in our consolidated EBITDA at end of quarter 3. Same numbers when I contrast on Slide number7 to our YTD results, growth identical at about 10%. B2B growth a shade higher at about 12%. E-commerce growth again shade higher at about 39%. Advertising investments again shade higher at about 37%.

Gross margin I talked about is improving sequentially. So while our Q3 improvement is about 330 basis points, at a YTD level, our margin improvement was about 230 basis points. EBITDA again is improving sequentially. So YTD growth is about 40%, while Q3 growth was in specific at about 80%. So very strong numbers, both at the Q3 and YTD levels.

Just moving on to Slide number8. If I just break them down between Sundrop and Del Monte, Sundrop accounts for almost 57% of the group turnover now, growing at 10% on YTD basis, 11% on Q3 basis. Last year growth was 5%. So it has accelerated the growth momentum, and you will see that in numbers.

Del Monte, which is 43% of business, growing YTD and quarter 3, both at 8%, a shade lower than FY '25 growth of 13%, but that is dominantly explained by olive oil business, where commodity prices have actually gone down, and we have gone the pricing -- given the pricing benefit to consumers, which is leading to a value decline.

But we have very strong volume growth in the business, which means that as a sustained business outcome, even Del Monte growth should be longer term, much better than what you are seeing right now. Moving on to Slide number 9 and this is more about portfolio calls which we had taken.

We had said our focus of investments will be on the packaged foods business dominantly, and we are staying true to that path. We are investing specifically on popcorn business under ACT II. We are investing on peanut butter business, again under Sundrop. In Del Monte, we are making investments on our culinary business, which is spreads and ketchups and mayo and also on the Italian range.

So very sharp calls on which portfolio to invest, and we are consequently as an outcome of that investment, seeing over a longer term trajectory significant improvement in the saliency of our core categories, which today stand at about 61% of our business, significantly up versus what we were about 3 years back.

Moving on to Slide number 10, and this is very important reflection of how our business has shaped on the categories where we invest. So first is, overall, if you look at most categories, with the exception of spreads, are growing on volumes. Very hearty to see that even Sundrop oil, where we had said we will do a volume protection as a route and managing the business there, has actually started to reflect volume growth in a quarter.

Historically, we are still at about flat volume at a YTD basis. But in quarter 3, we have seen business coming to a 5% volume growth. Outside of oil, if I look at popcorn, strong double-digit growth of 12% on volume, 18% on value. Culinary, which is a mix of ketchup, mayo and spreads business, both value and volume growing at about 10%.

Italian business, which is about 70% -- 80% of the business is olive oil and about -- sorry, 70% is olive oil and 30% is pasta. Volume growth, very strong at 16%, with olive oil actually growing on volume by close to 34% and pasta growing at about 7%-odd. But on value growth, this business is declining purely because olive oil has seen a sharp correction in consumer prices as a category, led by, of course, the decline in the prices of olive oil at the commodity side.

So the price benefit has been passed on to consumer, which is resulting in a value decline in the shorter term. Spread business does remain a level of concern for us. But if I contrast it with YTD performance, which I'll show you in the next slide, we are starting to see improvement, but this is still a journey, and we still need to do a lot more on this side, and we stay committed via investments to get this business also on a growth path in the period ahead.

Same performance at a YTD level, Popcorn business growing at 17% on volume, culinary -- value -- culinary business growing at 11% in value. Staples, I talked about oil business, was growing sharper on value, because price was high -- was -- let's say, price increases happened last year September when the duty was introduced.

So quarter 3 value benefit did come down, but we have seen a growth and recovery in volume in quarter 3. At overall level, we are about minus 1% on volume on staples. Italian business, again, very similar performance at a YTD level. And spreads, as I talked about, sequentially improving, though still a lot of work needs to be done in that area.

Getting into some greater details on each of these businesses. Popcorn business is a combination of ready-to-cook at home, which is Hot 'n' Fresh popcorn. That is growing at about 8%. And that business is a business through which we entered into the popcorn category many years back, and is still continuing to grow and has been our flagship part of the business.

Ready-to-eat, which we started scaling up more in the last 4 to 5 years, is continuing to grow very, very strongly, and that is driving the out-of-home consumption of this category in an accessible price point formats. And that market is very, very large, because then it directly competes with snacks business, and that business continues to grow at 36%.

And that is driving our long-term growth potential of this category, because it's making the category more accessible at points where historically we were not there. In addition to this business -- this growth, we are also doing well on nachos business, which is sitting embedded in our ACT II franchise.

We are also seeing expansion of this business in alternate channels, which is modern trade and e-commerce, which are -- actually help both sides: one, gaining new user penetration, which comes a lot through GT; and alternate channels which actually help us gain share from competition, where we did have some challenges, but we are now doing very strongly.

Very happy to say that we are number1 player in both RTE and RTC formats, both ready-to-cook and ready-to-eat format. We are by far the dominant player in this market. We also have increased our innovation quotient, and we launched about 6 products in this year. Each of them have been well established into now channels and will be the growth driver for us in future.

Premium Staples as a business, I'm on Slide number13. That business is growing in value strongly because commodity prices has seen inflation. It has also come back to volume growth in quarter 3. Our thrust here is purely on one, we want to increase accessibility of our brand. So we are working on a price point-led strategy.

When I'm saying price point-led strategy, we are not saying we are diluting margins. We are actually looking at some attractive price points at which we can sell packs to consumers. So our strategy is slightly shifting. We were historically playing on -- in line with commodity by increasing the prices.

We have now started to play between grammage and price to make sure that our price points remain more stable and more attractive for consumer. And that strategy we have largely started in Q3, is starting to show immediate outcomes, and that's why our volumes is reflecting. In addition to that, we are also starting to get into expanding our other staple franchise. So we are specifically working on building our oats business.

That business sits identical on the Sundrop franchisee of -- Sundrop Heart franchisee of -- Good Heart Health. And that business we are specifically building in e-commerce and modern trade channel and is now reflecting growth of 200% plus in these channels. Moving on to Slide number 14, which is on our spreads and dips business, peanut butter. I did talk about that this business is under pressure.

Primarily, we have seen erosion in share in modern trade and e-commerce. Two factors we have faced specifically here. One is our innovation base was weaker. We were lagging in versus competition on pace of innovation. Markets started shifting towards high protein-based offering, while Sundrop as a brand was positioned more on strength and immunity for the family.

So we did lose out because we did not have relevant innovation for high protein-led consumption in this category. Over the last 9 months, we have worked really hard to get innovation where we could bridge our gap versus competition. So in the last 3 to 4 months, we have launched about 7 SKUs in this portfolio, 4 of which are in the high protein area. So we have launched specific products where we can take on to competitive pressure in the modern trade and e-commerce channel.

In addition to that, we are also seeing in stand-alone modern trade a lot of shift happening on attractive price points. To compete with those segments also, we have brought in select variants, where we are offering competitive price points to consumer, and that also is going to help us regain our share.

One more thing which we did is, we enhanced our -- beyond, of course, building -- continuing to build our investments on mass media, influencer marketing, digital marketing. We also enhanced our investments on performance marketing in e-commerce channel and e-commerce channel, which now contributes sizably close to 25% of the business here, is starting to deliver strong growth of 34% on a YTD basis.

So we are seeing green shoots of investment already in one channel, while, of course, as our innovations get listed and distributed widely across the modern trade and alternate channels, we will see further growth expansion coming through those networks in the period ahead. Moving on to Slide number 15. Culinary, which is a mix of ketchup and mayo as a business, doing very well on the back of growth in both B2B and also in organized retail.

So we are seeing very strong growth, both in spreads and in ketchup and also in mayo and spreads in B2B side, as well as organized modern trade side, and that is driving very strong growth for this business. That is the strategy we will continue to do on. We will continue to make sure that we invest on discoverability and visibility of our offering in modern trade, in food services and e-commerce channel to expand the growth.

Italian business, I'm moving on to Slide number16. I did talk about softening of olive oil commodity prices. We did pass on the benefit over quarter 1 to quarter 3 sequentially. And because of which we are seeing a value decline in this business, but the price correction has also stimulated very strong volume growth. We are growing at 34% on YTD basis, and that's a very good sign for a longer term trajectory of this business.

We do expect the commodity prices to remain stable in this. And hence, we also expect our growth momentum on this business to continue and turn value positive in the period ahead. Pasta, which is, again, I talked about on YTD basis, is growing at about 10%. This growth is also driven both on organized modern trade and e-commerce on the back of increased marketing investments. Moving on to Slide number 17. On e-commerce business, if you look at YTD basis, we are growing at about 39%.

This growth is fuelled by quick commerce, which is growing close to 50%. So there is a sequentially much better performance on quick commerce as a channel, and that is helping us expand business in a big way. What we are also starting to do is we are starting to leverage this channel to build our future categories.

So a lot of investment is also going on innovation, new launches and expanding our footprint in emerging categories of oats and breakfast cereal, which could potentially create some future heroes for us, for larger distribution expansion, because we do have a network which is ready to take this into general trade.

Overall, brand spends, and we have said -- we have been talking that we will, as a business, increase our marketing investments, we will drive growth. And you would see that our investment momentum is continuing. We started that journey largely from November last year. If you would recall, we have started expanding our investments from quarter 3 of last year.

So while on a YTD basis, our overall investment growth is close to 37%, even in quarter 3, we are growing at about 22% on our marketing investments. So media and also performance marketing investments driving e-commerce business, they remain strong, and they are helping us drive acceleration within the channel of e-commerce as also our acceleration of growth momentum in other channels, which is in the traditional trade space.

One big journey, which we talked about in last quarter, which is around sales force automation, that is very critical for us to improve our productivity and improve our distribution metrics, improve our productivity and improve our distribution metrics, and also help us build very strong ecosystem for innovation expansion, is to get our sales force system automated. This journey we started in quarter 1.

And as we can see, we have already got almost about 58% of our network, which we cover through a dedicated field force on a mobile interface. So we do get today for these about 250,000-odd -- 220,000-odd outlets. We get full KPI visibility of what is the product we are distributing, what kind of frequencies people are buying.

And that would become a very important and critical data for also to look at synergies of business with Del Monte, where we already have an SFA in place. So that's work going on in good speed. We expect to close this entire coverage of 375,000 outlets on our mobile app by end of this financial year.

Margin improvement, and this is very critical because largely, our growth is fully funded through expansion of margins in the way. We are investing more on brand building, but we are also creating constantly a pool for being able to invest higher in the business. Work has been going on both internally through our own team and also using external partners. We did talk about that in the last meeting.

That has helped us expand both on the material margin side, as also on the other expenses, which are primarily in the area of manufacturing and logistic costs. And we have seen sequential improvements. So while at a YTD level, we are seeing overall improvement of, let's say, close to 230 basis points.

At a quarter 3 level, that number is close to 330 basis points. And a fairly healthy mix between material costs, which is adding about 230 basis point improvement and manufacturing and other logistics costs, which is also giving another 100 basis points improvement. Moving on to Slide number 21, and this is around making sure that we continue to bring innovative, delicious offerings for our consumers.

We have expanded our innovation phase. We have launched 70-plus new products across the franchise of ACT II, Sundrop and Del Monte. And within -- if I -- and our metrics says anything which is launched in the last 24 months, we are seeing our innovations are today contributing close to about INR55 crores of our sales, which is close to 5% of our sales.

So we are now starting to see innovation also playing a very strong lever in our growth trajectory, and this momentum and journey will continue going forward. Moving on to Slide number 22. I'll not spend too much of time because these are consolidated results, but they are not comparable because quarter 3 last year does not include Del Monte in this.

Similarly, on Slide 23, again, they are numbers on YTD basis. I'll again not spend time here because they do not include the Del Monte numbers of last year. I will move straight to Slide number24. And these are comparable numbers and Del Monte last year's number are included for like-to-like comparison.

So some of the key things, which I would want to highlight, we have talked about that at an EBITDA level, we have improved about 80%. So we have seen strong improvement in our EBITDA margins. Some of the call outs I would want to make, which are important for us to understand. Employee expenses here do not include the ESOP charges.

ESOP is a noncash expense. We have rolled it out as a 5-year grant. The grant, the way the structure is, is front-loaded in provisioning and allocation, but also as an outcome -- it is a very strongly outcome-based grant. And a very high percentage of this grant is linked to performance and performance milestones are year 3 and year 5.

So while we continue to see allocation to the P&L linked to the grant, which is being made upfront, the real encashment of this grant or vesting of this grant will happen linked to strong performance milestones at end of year 3 and year 5, a larger part of it. And that's why it's important to look at our employee expenses, net of this ESOP grant.

That expense is growing at about 12%. And of course, we are creating some structures which are important for us to grow business, and that's leading to a marginally higher employee expense growth in shorter term. But if we look at other expenses, which is where our manufacturing, logistics, SG&A expenses, beyond just the employee expenses, those we have been able to control very well,.

And we are only seeing an increase of 2%. And as an outcome of that, we are seeing improvement in both gross margins, which is a mix of material costs and other expenses going into manufacturing, as also overall EBITDA. One more call out is we have taken some of the onetime costs, which have gone towards projects, which are advisory service kind of project for improving margins.

And that expense was higher in quarter 2, we had shared with you. I'll again recap the YTD number. In quarter 3, most of these projects have been concluded, and hence, it's not a large expense going forward. And it is already reduced to INR2.7 crores in quarter 3. And that is also taken out from this calculation.

Even if I were to include that expense, we are still growing our EBITDA in a very strong and healthy way at an overall level. So that's in a nutshell. As an outcome of this, our profit, if I look at before ESOP and onetime expenses, post depreciation, et cetera, is still continuing to grow very strongly at 190%.

Moving on to YTD figures. Again, the call out is ESOP expenses are removed from the employee expenses. Project expenses, which were loaded more in quarter 2, came down significantly in quarter 3 and will be negligible in quarter 4. They have been excluded as onetime expense in other expenses.

Again, a very similar trajectory you would see at a YTD level, strong growth in EBITDA margin, which is of close to 40% after excluding the one-offs at an EBITDA level. And at a PBT level, again, a growth of close to 239%. Important point is quarter 3 margins are higher, both at an EBITDA level and also at a PBT level. So we are sequentially continuing to improve performance of the business.

Moving on to last slide, Slide number26. This is just to sum up the thesis of this platform. We do have very strong brands, which cater to our -- which help us deliver our vision of catering to the choices of a modern evolving consumer base. We do have very strong consumer trends, which are supporting the growth and consumption of packaged food in the industry which we operate in.

Our brands innately sit in high-growth and high-margin categories. We do have leadership position in some. We do also have a challenger position in some where we are seeing -- in both of these focus categories, we are seeing a significant headroom for growth, either through penetration expansion or through share gain or a combination of both.

And to deliver that, we continue to invest heavily, and that is driving us help and accelerate our business growth while retaining the innate core of making sure that we make capital-efficient investments going forward. And there is complementarity of businesses between Sundrop and Del Monte. We have talked about it.

As a quick update, we are now increasingly start to leverage some of the complementarities, and results of that should start coming in, in period ahead. One or 2 call outs we can talk about. We have looked at CFA consolidation. We did one set of that in quarter 3 and quarter 4 in 2 of our CFAs, and we will go forward and consolidate more of our back ends wherever we can to bring complementarity.

We are also starting to leverage strength of B2B for Sundrop and the strength of B2C for Del Monte, using alternate strengths of the 2 companies. And overall, you are aware, this business is backed with a very strong management, which have proven credentials to drive growth, profitability and value creation.

Very happy to conclude my address and look forward to your questions. Thank you so much. Ajay, back to you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Bimal, an Investor.

**Bimal:** Happy to see that you are on the path of progress. Now one cause for worry is that 4700 BC is now taken over by Marico, which is the Popcorn segment, which is our biggest and most promising. So I mean, how are we planning to, I mean, face this? Channel expansion is actually institutional, we are not there. Even last management, I had highlighted that we should look at institutional in a big way, because that is a totally untapped market?

And they will come into -- if we don't enter, they will definitely enter. So I mean, how are we looking to safeguard our market share from 4700 BC? That is the first concern. I mean, I am a shareholder for 8 to 10 years, and it was quite a disappointing journey. I hope new management will take it forward. And the good points of this company, these products are -- will help us to grow and create shareholder value?

**Nitish Bajaj:** Sure. Thank you, Bimal. Bimal, should I answer it, or anything?

**Bimal:** Yes..

**Nitish Bajaj:** So thank you, Bimal, for staying invested with us on the business. Overall, you're right that, yes, we have a new competition and competition in a category which is yet to, let's say, has a huge penetration opportunity growth.

**Bimal:** And they have more coverage also. I mean, retail coverage is much higher?

**Nitish Bajaj:** Sure, sure. Yes. So see, the way we look at competition, see, competition also spurs growth of categories. So many times, competition is also a good sign because it, one, gets more out of you and second, it also gets more out of consumers. So I would also see competition also to help us drive penetration on this category.

Inherently, what is strength for us? If you look at some of the things which are very strong for our business, we do have a very strong stand-alone reach, but we also, through the wholesale channel, go much deeper and wider in the popcorn category. We hold a very strong price point of INR10, and we have a very strong efficient back end, which supports the price point of INR10. And that is one of the moats in this business, very difficult for all the players to bring.

Coming to specific -- yes, you're right, Marico per se has distribution strength, but they will also have to build their strength a lot in the back end if they have to compete with us in the business. Second point you made was on the institutional side. On the institutional side, 4700 BC is dominantly present in PVR through the carts.

What you consume on the counter is not 4700 BC. That is actually PVR's own brand and business. I don't think that business is being accessed by Marico. That business remains a PVR zone business in my understanding. But that aside, institution is an opportunity. We are alive to this. We are now starting to work with our B2B.

**Bimal:** No, sorry to interrupt. Just by institution, I meant HoReCa and education and all these call centers and GCCs coming up, you should be present in there?

**Nitish Bajaj:** Yes. I was coming to that only, Bimal. Through our HoReCa network, which is embedded with Del Monte, we are starting to work at looking at some of the institutional opportunities in this area. So you will see in the period ahead work coming on in the area of institutional, leveraging the network of Del Monte. So that is in our plan. So we will work to expand in this area.

Overall, on the competitive intensity, we have already said for us, it is a very, very important growth driver. We have enhanced our marketing investment. We have a strong headroom for growing penetration in this category, as also distribution in this category. We are continuing to invest solidly.

And I would say almost like 40% of our marketing investments go directly on popcorn business in Sundrop side. That will continue, and we are expanding our investments. So we are very well committed and focused to make sure that we accelerate the growth of this business and continue to drive the penetration of popcorn in our country, and hence, deliver a much larger shareholder value.

**Bimal:** Yes. So sir, don't take it as a negative this thing. But see, what has happened, our spreads business also, we were the pioneer. And then -- now competition is -- so same way it should not happen with popcorn, which is our, you can say, crown jewel. So that's why, that's the concern. And I'm still very positive on the company. But as a shareholder, it's our duty to just bring certain concerns to your attention?

**Nitish Bajaj:** Yes. Thank you, Bimal. We are alive to this new challenge, and you are already seeing our investment. We will, of course, ensure that our innovation pipeline are way of addressing and reaching customers and making sure that they stay invested with us on the brand, and this brand continues to be the most loved brand for Popcorn, will be our key ethos going forward. We will not let any stone unturned to make sure that this business does not get compromised. Our endeavor is to actually grow this business much faster in the period ahead. So we will stay committed to that.

**Moderator:** The next question is from the line of Keren Gandhi from Jagro Capital.

**Keren Gandhi:** I hope my voice is audible.

**Nitish Bajaj:** Keren, we can't hear you.

**Moderator:** We shall move on to the next participant. The next question is from the line of Deep Gandhi from ithought PMS.

**Deep Gandhi:** Sir, first question is on the ready-to-eat side. So I mean if you can help us understand the breakup between the smaller pack and large pack in terms of revenue? And also, if you can explain us, I mean, what is the lowest pack size we have within the smaller packs? And what would be the largest pack size we have within our ready-to-eat portfolio?

**Nitish Bajaj:** Yes. So I'll request Asheesh to answer this.

**Asheesh Kumar Sharma:** Yes. So our -- on the RTE side, we largely have big and small pack, as you said. And the split at the top line would be closer to about 70%-30%. We have about small pack, INR10 business, which will be about 70% of the business and 30% would be on the large pack business. So that's the first part of your question. Sorry, the second one was?

**Nitish Bajaj:** Deep, you also -- sorry, if you could address the second question again?

**Deep Gandhi:** Yes. And what would be the starting pack size in the large packet and what would be the largest pack within the large pack size?

**Asheesh Kumar Sharma:** Okay. So the large pack -- so we have -- we count the INR5 and INR10 is the small pack. Anything which is above that, which is in the price points of INR25, INR30, INR40 and up to INR60 are our large packs. So the biggest pack that we have is a INR60 price point, right? But large part of our business in that straddles between INR25 and INR35 price points.

**Nitish Bajaj:** So Deep, net-net, 70% is in the small pack, which is dominantly INR10, dominantly INR10. INR5 is possibly only about 5% of our overall business or lesser. And big packs is about 30% of our business, which have price points ranging from INR20 to INR60.

**Deep Gandhi:** Sure. And sir, I mean, how -- say, next 2 to 3 years down the line, do you see this mix changing significantly or do you think this will broadly remain stable? If you can help us understand that?

**Asheesh Kumar Sharma:** Okay. Yes. Deep, so there are 2 parts to it. One, is the mix likely to change? Yes, the mix will change in the favor of big packs going forward because as the e-commerce and other channels develop, they are primarily more bigger pack consumers buying efficiently and quickly, right? So that contribution will change.

However, to increase penetration, we will continue to drive our INR10 by virtually getting the numeric distribution and out reach for ACT II franchise in more towns and more outlets, right?

To --answer to the question that will the mix change? Yes. But will it change significantly? Not in the nearer term. Nearer term there will be an improvement of a few percentage points every year, right? That's how it will progress as we go forward on this.

**Deep Gandhi:** Sure, sure. And sir, coming on to the distribution side. I mean, if I see the number last 2, 3 years, our distribution outlet reach has remained broadly flat at 5 lakh outlets, right? So going ahead, I mean, how do we think of scaling our distribution? And why this number, I mean, has not been changing much significantly and what we are doing to increase our outlet reach significantly in the future?

**Asheesh Kumar Sharma:** Okay. So again, that, we'll say, see, the outlet reach is also a function where you need to build demand at the front end as you expand distribution, right? So if you look at the ACT II, it was primarily led by the ACT II instant in-home consumption Hot 'n' Fresh INR10. Over the years, this year specifically, flag, you must have heard that we have invested significantly in the Sales Force Automation in terms of mapping our stores and coverage.

Once that task is complete, we are going to look at productivity enhancement to improve our coverage further versus directly adding feet on street to increase it further. That's one. Second, we had talked about in between that with the increased media investments, we are looking at indirect coverage through wholesalers.

And the third, which is happening is that there are moving wholesalers which largely distribute the RTE on the back of that, also with them, we are riding on increasing the indirect distribution. So while there will be improvement in direct coverage, right, that will be at a slower pace. But overall reach of ACT II will continue to grow at a good pace coming -- in the coming years also.

**Deep Gandhi:** Sure. So any, I mean, number you have in mind next 2 to 3 years, 5 lakh outlet, what is the vision which the company has set to take this number to?

**Nitish Bajaj:** So let me step in here, Deep. As Asheesh mentioned, right now, we are focused on productivity of our field force. We do have a Sales Force Automation tool being developed, which is bringing entire network into productivity. Through that, we are also going to get a handle of how many wholesalers we directly deal with and what kind of indirect distribution we can reach out through.

This exercise we expect to complete by -- as I talked about, by end of this financial year, but let's say, get a deep down understanding of the productivity, ROI of our coverage, we will have an answer by September of '26. That is a point when we will pivot to say what number we really want to chase, because we are very focused on making sure that we do an ROI embedded in the principle of coverage expansion.

It is always more efficient to do it through a wholesale or indirect channel at a particular turnover of an outlet. But if, let's say, we do find that our lowest denominator of the outlets are also giving us INR1,000-odd business, right? I can directly expand my coverage. So allow us a time of about 6 to 9 months where we get a full clarity of throughput from our smallest of outlets.

Based on which we will pivot to our strategy of how much numerically we want to expand directly versus how much we want to continue via indirect channel. At this point of time, management hasn't put a number yet, because we don't have a very strong handle of our per outlet productivity at the lowest denominator level.

**Deep Gandhi:** Sure. Sir, just one last question, if I can ask before I join the queue. So I mean, we've broadly set a target to double our top line in the next 3 to 4 years. I think in the last few calls, we've been talking about that aspiration. But this year, if I see, I mean, our growth -- I think year-to-date basis, the growth in the foods portfolio is around 8% to 10%. I mean if we want to reach to that target in the next 3 years. The ask rate is much higher than what we are growing currently. So I mean, if you can help us understand how are we thinking about it?

And specifically, I mean, if you have modelled it to this extent that how much of this INR3,000 crores number we will reach through, say, volume expansion in our core categories, and how much will be through distribution expansion, which we are trying to do in Del Monte through getting an entry in general trade? So that will be helpful?

**Nitish Bajaj:** Sure. So you're right, we are a little softer versus our growth ambition of doubling the business. Doubling the business will require a CAGR of close to 15%. We are currently sitting at about 10% growth. But you also need to see that we started our investment journey largely from quarter 3 of last year.

And sequentially, we have been moving our momentum up. It is a journey for us to build the scale and size for sure, and we are committed to say that we will expand our growth rate going forward. Referring to your question on how much volume and value, broadly, I would say the split of volume needs to be -- because if you look at the country as a whole, we are seeing in most categories where we operate in, volume expansion of close to 6% to 8%.

So in our context, if we want to gain share and stay ahead of category, each on volume side, we will need to outperform at least by 3% to 4% versus the category. So if categories are operating at 6% to 8%, we will need to come to more like 9% to 10% on volume growth and balance to come from value. That's the way I will -- so I will say, two-third to come from volume and 1/3 to come from value expansion in the mix.

As we see more premiumization happening and if, let's say, there is a slowdown in the volume side, this may become 1:1 as well, which is 50-50, which is 7.5% on volume to 7.5% in value. So shorter term trajectory will pivot more around volume growth. But as we get into forward years, beyond year 3, I would say, it will trigger -- traverse towards more an equal value and volume growth.

**Moderator:** The next question is from the line of Kavin Gandhi from Capgrow Capital.

**Kavin Gandhi:** I actually dropped out from the queue earlier. Sir, my question was more on the gross margin, because last quarter, you actually reiterated that to reach 9% to 10%, we will have to have a gross margin of almost 40% to 45%. And even though we have actually seen a growth of 220 bps, it is still around 37%. So how do you see that?

So basically, how do you see the road map of gross margins expanding? That was my first question? And second question, sir, as a KPI to track the company, do you focus more on the value growth or the volume growth because there are 3, 4 categories? So how do you see that as a KPI to track?

**Nitish Bajaj:** Sure. So let me first answer your question on the margin side. We define 2 particular margins in our own way of numbers, so I'll explain to that. One is what we call as a material margin, which is purely our realization net of raw material and packaging material costs. And that number needs to be close to 40% for us.

And then we define what we call as a gross margin, which is material costs, less manufacturing costs, less freight through which we reach the product to our end consumer or distributor. That number today will be close to 24% for us. So our material margins will be close to 40%. Our gross margins as -- which is material minus manufacturing and freight, will be close to 24%.

To get to a double-digit ambition, we will need to expand this by at least 3 to 4 percentage points. That's the way we will look at it. And we are -- in this year, let's say, we have already expanded our gross margins by close to 230 basis points, which we shared with you. We need to do another journey of close to another 3% to 4% on this over the trajectory of next 3 to 4 years to get to a -- over the trajectory of next 3 years, sorry, to get to a double-digit kind of margins in the business.

In addition to this gross margin expansion, we also want to stay committed to invest. And hence, we also want to invest on brand building going forward. Which means from a ratios point of view, while we will improve margin, you will also see ratios of marketing investment either staying stable or marginally increasing. We do not expect our marketing or media investment as a percentage to business to go down.

What you will also see going down is our fixed costs, which is our people cost and other SG&A costs, which today stand close to 14%. Those 2 also come down by another 3-odd percentage points in next 3 years. So broadly, I would say, look at the journey as expanding margin by 3% and reducing costs, especially on the SG&A side by another 3%, but see marketing expansion of 1% to 2% as our journey going forward. So that was first question.

Second question you had asked me on the -- is the KPI around value growth or volume growth. At immediate term, I did explain our focus is more on driving volume growth. We do have fairly large, well-distributed business in Sundrop, where intrinsically, there is a strong headroom for category expansion, and we are focused there on value growth -- on volume growth.

We also have some pivots in our business of Del Monte, where there is an opportunity for value growth as well. And that's why in the shorter term trajectory, we are looking at a volume growth close to two-third and value growth close to 1/3 of our total growth trajectory. Longer term, we would say it may become 1:1 on value and volume, which is what I had explained in my earlier comment. I hope this answers your question.

**Kavin Gandhi:** Okay, sir. Sir one last question, which I just wanted to clear. Sir, recently, promoter has increased the stake by 4.99%. So basically, since it was an off-market purchase, just wanted to know seller of the transaction? And also why the promoter needed to leave the entire holding of 33%, because that has actually impacted the price of, like 30% decline since last 2 months. So just wanted an explanation and your view on the same?

**Nitish Bajaj:** Okay. So I'll tell you the first -- answer to the first question. Del Monte Pacific was the shareholder, which has exited or, let's say, reduced their shareholding from 15% to 10% and that shareholding has been increased by promoters. So CAG-Tech, which is -- CAG-Tech have increased their shareholding by taking the shareholding -- part shareholding close to 5% of Del Monte Pacific.

And Del Monte Pacific had also in their announcement talked about bringing it down further by another 5%, which also will be taken by CAG-Tech in, let's say, post this financial year, in the next -- at the bottom of next financial year. So that's one. And second, I think on the second question on why they had to lean, I would say, it's more an internal call at the investor side on how they want to fund their proceeds. So it's not something which I directly influence or have a control on.

**Asheesh Kumar Sharma:** Kavin, just one more addition to what Nitish has said about volume and value growth. Especially on the ACT II side, which we mentioned that almost 55% to 60% of business is in INR10 price point, you will always be looking at value growth because there we don't tinker with price point, but grammages.

So tonnage can be at times little deceptive. Value growth is a better reflection of the health of our business. Because the unit growth syncs with the value growth there -- here. So we are committed to acquiring new consumers and growing our business with them, but that's just a price point game that we play, right, especially in the GT market.

**Nitish Bajaj:** Yes. I think, yes, you're right. So Asheesh, thank you for correcting. In some places, instead of value, we use the term -- value or volume, we use the term unit growth, especially in our INR10 price point, which is a large part of our business. Unit growth is the key metrics we go for.

**Asheesh Kumar Sharma:** Yes.

**Moderator:** The next question is from the line of Naitik from Ohm Portfolio.

**Naitik:** Sir, in the spreads business, two things. One is, what is the availability of the protein-based peanut butter that we've launched? And how are we priced there vis-a-vis the competition? I mean have we priced ourselves a tad lower to the competition? Or what is the strategy there as far as the protein PB is concerned?

**Asheesh Kumar Sharma:** Yes. Naitik, so you're right. So when we looked at the peanut butter portfolio, we need to premiumization work, and that had to be created on basis of 2 important consumer needs and differentiation: one, we have to give a better protein content in per serve basis; and second, also continuously make peanut butter more delicious.

So if you look at the product that we talked about is a dark chocolate, high protein peanut butter, right? Which we are seeing a very good -- so it's good on -- it's improved taste with dark chocolate, and it has also got high protein. Now as far as the pricing to end consumer is concerned, it is little a tad lower than competition because we are a late entrant.

But from our portfolio perspective, the average selling price is higher, which will also add a growth in top line as well as do a margin expansion for our portfolio. But since we are a later entrant, challenger, in the initial phase to improve our trials, we have kept it a little tad lower than the competition.

**Naitik:** Okay. And here, would you -- here the competition for you are all these new age players because whenever I open a Blinkit or a Zomato or a Swiggy, all I see is very new names. They are not marquee legacy names?

**Asheesh Kumar Sharma:** Yes. So actually, in the chocolate, if you look at the dark chocolate, high protein peanut butter segment, right, the real competitor for us is MyFitness.

**Nitish Bajaj:** MyFitness.

**Asheesh Kumar Sharma:** Yes. MyFitness and Pintola, and they are both new age players. And as you see, in the question earlier, we were very strong in GT in peanut butter and in modern trade. What was happening was it was a table spread. The new age players did better than us in e-commerce and quick commerce. Having said that, in the last 1 year, we have significantly focused on e-commerce and quick commerce, and also now launching products which are good for the channel. And you will see that's the reason our growth rates are now coming back on peanut butter in this channel, both improving in terms of unit, margin and average selling price.

**Naitik:** So are we also aggressively pushing these products in the traditional channels of MT and GT as well, or we are still focused on the QC or rather the e-commerce category for the high protein?

**Asheesh Kumar Sharma:** Yes. Naitik, one of the decisions that we have taken, right, which is that there will be some innovations, which we will first scale up in e-commerce and quick commerce because our ability to invest and generate demand locally on a platform is much higher. So what happens is once it builds traction and the metric that we monitor for ourselves is listing daily run rate of pieces and the number of dark stores that we are covering.

Once we start getting repeat from there and have created consumer awareness locally, because that's easy to scale and test, having a good formula on it, we move to modern trade and then we move to general trade. General trade requires a mass media support beyond a point. Right? So that is how our innovation journey from now on will continue. You will see innovation much larger in e-commerce, scaling up to this and then to GT.

**Naitik:** Right. And coming back to staples?

**Nitish Bajaj:** One -- sorry, just to complete this, on high protein, right now, the focus will be e-commerce in a big way and select modern trade.

**Naitik:** Sure. One last quick question on the staples. What's our longer term strategy there? Do we intend to be in this segment for, let's say, over a 3 to 5-year period, if not lesser than that?

**Nitish Bajaj:** Yes. So Staples is a contributor to our margins, and it also gives us a scale and size in the business. And hence, we intend to continue. That's first. Second, we have said, for immediate term, we want to ensure that whatever volume decline and margin erosion we were seeing in the staples, we take care of that through our optimal investments on business, very strong, clear, sharply defined strategy to protect our core, and we stop this leaky bucket.

This we have been able to achieve fairly strongly, I would say, in the last few months. We are also going to experiment, and we have talked about that also on some brand building models. And that is another area which you will see coming live in the next 3 to 6 months in an isolated regional media geography, on seeing can we build some platforms for growth. Based on those successes is when we will take a future call on whether we want to invest for growth or we want to be more in a protect volume and protect margin base.

**Moderator:** We take this as the last question. The next question is from the line of Shirish from Motilal Oswal.

**Shirish:** If I look back last three to four quarters, we are there and we have revised the entire product price architecture. So in your reference of 10% volume growth, like if we need to have a right to win in the category, price, product structure and distribution scale, because we are not spreading too thin, which are the categories you are betting next 2 to 3 years in terms of product development and in terms of right to win?

**Nitish Bajaj:** Yes. So our biggest bet -- I'll try to give you also an order of priority. Our biggest bet is popcorn business and the entire ACT II franchise. Our second biggest bet would be Italian franchise, which is sitting under Del Monte portfolio because that's where the premiumness and the entire value of that Del Monte brand sits in a big way.

Third will be our ketchups and mayo and spreads business, again under Del Monte. And fourth will be peanut butter. These are 4 key categories where we will stay invested in a big way to drive our growth. And this will be a mix of innovation, media, distribution expansion, all of these levers playing concurrently on each of these categories.

Beyond these four categories, we also have an intent to identify and build some future levers because we are eventually building a large, sustainable, scalable, high-growth-oriented business. So while we drive growth in these business in the next 3 to 5 years, we also want to create one or two levers for future growth.

Those categories could fit between something in oil, if our experiment succeeds, a category like breakfast cereal, a category like oats, where Sundrop franchise is and also categories like fruit drinks or packaged foods within the Del Monte franchise. But for the immediate term of next 3-odd years, you will see our big investments focused on the top 4 categories.

**Shirish:** Okay. And when we say that this 10% volume growth, so which specific -- I mean, you did allude saying that popcorn has a right to grow to more than 10% because you are a category leader. But then what are the new formats or what are the new things which we will launch?

**Nitish Bajaj:** So popcorn, even today, if you look at our volume growth is close to about 16%, 18% kind of volume -- value, volume growth. So volume growth is about 12%. Value growth, volume put together is about 18% between RTE and RTC. Microwave is something which we will see expansion going forward, and that's an area which, let's say, was a little lagging for us. We are trying to bring that stronger.

Expansion of popcorn ready-to-eat will come a lot more in the form of flavors and pack sizes. The way the quick commerce platform is expanding, we are seeing big sizes and new flavors as a very key driver of growth. Historically, ACT II franchise was, let's say, more mass strategy and more Indian palate, which means we had flavors like hot and spicy, spicy pudina, butter, cheese kind of flavors.

But we are also seeing with the emergence of younger consumption audience who is very open to trying new westernized tastes, we will see in popcorn franchise a lot more flavor expansions and pack sizes driving the growth, in addition to, of course, the distribution-led growth in GT, where price point of INR10 will play a big role. And that also today is dominantly butter, but we'll expand that into other flavors in the GT space.

If you look at mayo, ketchup kind of categories, there is a lot of headroom there for us to grow on, again, newer flavors, especially in the spread area. Spread market is lot more expanded into newer flavors. Our strength today is more in the area of core ketchup and core mayo. When I say core mayo, which is the eggless mayo, which is, let's say, standard variant.

We do need to expand a lot more in value-added spreads in the culinary portfolio, which is where the expansion will happen. Italian, if I look at as a franchise, again, pasta is one area where anywhere the category is expanding. We were missing out presence in some of the places like Macaroni segment, which is very large in the country. We will look to expand that.

In olive oils, again, we are very strong in Pomace, but we wanted to also build a franchise in extra virgin and extra light oils. So those we'll see expansion going forward. Peanut butter, we have already talked about. A very clear path of our growth is via expanding the franchise to high protein offerings and also some new innovations, which we will share when we are ready with those. But we are doing a very healthy mix of great testing and better-for-you high protein variants.

So our innovation pipeline is looking at taste and better-for-you concurrently. And we already have some of unique products like peanut butter jelly, which gives the protein and also gives a great taste and easy spreadability. So you will see innovations on that side on that business as well.

**Shirish:** Yes, that's really helpful. One last question. Assume that we achieve 10% plus volume growth, what kind of margin we will see the operating leverage also by kicking in? So what kind of margin expansion in terms of gross margin expansion and EBITDA margin we can expect in '27, '28?

**Nitish Bajaj:** So I have talked about over the next 3 to 4 years, we would want to expand margin by 3% to 4% and also bring cost down by 3%-odd. So that's the way you should look at our trajectory of saying equal work on margin and cost. When I'm saying cost, as if I'm saying costs, which sit below the margin, which is typically SG&A. We are not going to cut marketing. Marketing will remain at -- possibly at a 6%-odd level for our P&L. That's the way we are looking at marketing to be. So you should see scaled expansion of our margin getting to double-digits within next 2 to 3 years, I would say.

**Moderator:** Due to time constraints, that was the last question. I would now like to hand the conference over to the management for the closing comments. Over to you, sir.

**Nitish Bajaj:** Sure. Thank you so much, and thank you for all the participants for being there. Once again, to reiterate, we are committed to grow our business profitably, efficiently and making sure our ROEs, on investments we make stay capital efficient, and we continue to deliver to the expectations of our stakeholders, both and also, of course, continue to delight our consumers with new and innovative offerings going ahead. Thank you so much, and wishing all the best to all of you being here.

**Moderator:** Thank you. On behalf of Anand Rathi, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.