



PATANJALI FOODS LIMITED

(Formerly known as Ruchi Soya Industries Limited)

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To
BSE Ltd.
Floor No. 25,
Phiroze Jeejeebhoy Tower,
Dalal Street,
Mumbai – 400 001

National Stock Exchange of India Ltd.,
“Exchange Plaza”,
Bandra-Kurla Complex,
Bandra (E),
Mumbai – 400 051

BSE Scrip Code: 500368

NSE Symbol: PATANJALI

Dear Sirs,

Sub: Transcript of Earnings Call Q2 & H1 FY 2023 of Patanjali Foods Limited (“the Company”)

This is in continuation to our earlier letter dated 14th November 2022 regarding audio recording of Q2 & H1 FY 2023 Earnings call held on 14th November 2022. Please find attached transcript of the Earnings Call.

The aforesaid information will also be hosted on the website of the Company at www.patanjalifoods.com.

You are requested to take the same on your record.

Yours faithfully,
For Patanjali Foods Limited
(Formerly known as Ruchi Soya Industries Limited)

Ramji Lal Gupta
Company Secretary

Encl. As above



“Patanjali Foods Limited
Q2 & H1 FY2023 Earnings Conference Call”

November 14, 2022



ANALYST: MR. DHIRAJ MISTRY – ANTIQUE STOCK BROKING LIMITED

**MANAGEMENT: MR. SANJEEV ASTHANA - CHIEF EXECUTIVE OFFICER – PATANJALI FOODS LIMITED
MR. KUMAR RAJESH – CHIEF FINANCIAL OFFICER - PATANJALI FOODS LIMITED
MR. CHINTAN KOTAK – INVESTOR RELATIONS - PATANJALI FOODS LIMITED**

- Moderator:** Good morning ladies and gentlemen and welcome to the Q2&H1FY2023 Earnings Conference Call of Patanjali Foods Limited hosted by Antique Stock Broking Limited. I now hand the conference over to Mr. Dhiraj Mistry from Antique Stock Broking. Thank you and over to you!
- Mr. Dhiraj Mistry:** Thank you. Good morning all and welcome to the call. First of all I would like to thank the management of Patanjali Foods Limited to allow us to host the call. We have with us Mr. Sanjeev Asthana - Chief Executive Officer, Mr. Kumar Rajesh - Chief Financial Officer and Mr. Chintan Kotak – Investor Relations. Without further ado I would like to handover the call to the management for their opening remarks. Thank you.
- Mr. Sanjeev Asthana:** Thank you very much and good morning to everyone who has joined the call. I will give a brief summary of how the Q2 results were, some of the main highlights and where we stand in the business today. We had revenue of ₹8,500 thousand Crores. We had an EBITDA of about ₹205 Crores and a PAT of ₹112 Crores. This breakup broadly some of the big businesses I will speak about. In the oil and vanaspati segment, we had ~₹5,900 Crores of revenue. I am just rounding of the numbers. We had a negative EBITDA of ₹450 Crores which is about 7.63%. In the foods business we clocked ~₹2,400 Crores which was very substantial uptick. This was largely driven by one big factor that the foods business from Patanjali Ayurved which got integrated from July 1st came into unfold on which we did about ₹1,600 Crores of revenue. We had an EBITDA of ₹460 Crores and we had a margin construct of 28.8% on this. Nutraceuticals also was a big uptick we did ₹400 Crores of revenue, ~₹140 Crores of EBITDA about 35% of margin and then of course we have other businesses like biscuit and consumer business etc. So they have rounded to ₹620 Crores of EBITDA and about 25% margin on EBITDA. Then it was followed by some of the other business like extraction and wind. I will focus my energy on two main businesses for this call. The main call really is related to the edible oils and I wanted to take couple of minutes to walk you through the external circumstances and what exactly happened in terms of why our EBITDA fell to ₹450 Crores versus the previous quarter and the run rate what we have been having earlier. So, two things happened in terms of the macros. Indonesia had announced a ban on palm oil exports in the early parts of the second quarter and prior to that as well there was lot of rumors which were flying around which basically meant that the prices went and shot through the roof. So, palm for example became \$1,350 a tonne CNF deliver India. Likewise, this Russian Ukraine war which was raging at the time the soya prices went up to \$1,500 a tonne and the spread between palm and soya which typically at that time was \$175 and I will talk a bit how the dynamic between the two changed. In between what we realized was that when this volatility started to sort of kick in and all the prices were shooting up it created a massive amount of fear on the demand side both in India and China declared suddenly the zero COVID tolerance policy as well so with the result the two largest importers of edible oils in the world suddenly you felt the demand has started

to go down and the market start was continuously on uplift so this was one big macro factor which started to impact while the prices went up at that time, but subsequent to that what happened was that Indonesia suddenly lifted the ban on palm oil. The one big change happened was that the green corridor opened up between Russia and Ukraine. The demand sort of collapsed as I mentioned started to happen and the market started to tank. In between also we saw the equation between the dollar and rupee. The dollar continued to strengthen. The Malaysian ringgit versus the dollar fell almost 5.5% so everything it was a perfect storm why the prices from where they went suddenly they collapsed. So with the result on September 30th quarter the prices of palm oil fell from \$1,350 to \$840, almost Rs. 38,0000 a tonne. Soya oil fell from \$1,525 to \$1,200 huge drop witnessed, Rs.25,000 a tonne and sun oil collapsed by almost Rs.40,000 a tonne. So, all this meant that suddenly at two levels that if I were to evaluate to get the numbers on specifics so about 250 Crores we had 200 Crores of losses which were booked during the quarter because every time you invoice and sell you book the loss and we had about 250 Crores which is on the mark to market basis at the end of September quarter.

Now as you know that mark to market includes everything, all the purchase contracts that are in the book. It includes all the vessels that are afloat and the physical inventory that you carry and this exactly kind of transpires for these losses to be taken in the books. Post that just wanted to share that as we speak on November 10th the prices from \$840 have recovered to \$1,015. They have moved up almost 18% to 20% across the board but just to share. The prices of soya oil have moved up from \$1,200 to \$1,485 and likewise for sun also it has gone up by almost nearly \$300. So the point is that the mark to market losses that were incurred on a particular date on September 30th very substantial part of that and more losses that were incurred have been recovered in the mark to market as we speak today and we have taken multiple steps on how do we avoid this kind of volatility because many times this external factors will continue to remain. The war is not yet over. The China COVID policy continues to be on the horizon. The world food inflation as we all know the crops as they are evolving and building up like the south American soya crop is still in the buildup mode now so that we will get into the weather market in Chicago so there are lot of factors which are out there which could still be changing but we have taken multiple steps to manage it and manage it effectively now. So for example that we are continually churning our position which means that shortly time ensuring that we continuously selling at all points of time and are not subject to any major changes in the market. We have increased our hedges on both BMD and Chicago. For the palm oil BMD and Chicago for the soya oil. Sun flower oil we are ensuring that we are consistently moving the positions. So, these are the steps we have taken and we are pretty confident that we should be in a better position to be able to deliver this change as it is occurring in the market place and should be able to maintain the momentum that we had in the earlier quarters.

On the food business we had very good overall margin. We had very good sales momentum. This was of course aided by two things. One is that we had acquired in the food business a fresh into the company so that is why the overall food business portfolio shot up to 2,400 Crores. There was a big push in terms of the new channels which were opened up for sales which we continue to push and drive towards. We maintained very healthy EBITDA margin at the back of high demand and the ability to price to the consumers which gave us a very good margins also and likewise the steps that we have started taking for nutraceuticals also have come to the fusion where we are consistently selling. We had huge growth in sales, very healthy profitability and while there might be some tapering off in terms of the sales and the margins but our expectation is that we will continue taking all the right steps as we take forward and to drive the entire business and sale so the whole idea being that taking the company back to consistent run rate of revenues and margin is the major effort which we have. There are learning and there are discoveries as to how and what could be done. We are taking all the necessary steps to make sure that company gets back to the regular bottom line driven numbers and also that we maintain a healthy run rate on the revenue side.

I can go on for oil, palm and the other businesses the steps that we have taken but suffice it today that under execution this is happening. We are taking all the steps especially in North East and south of India and Andhra and Telangana. We are working quite actively in pushing the Nutrela, both the oil side and the Nutrela side. We are adding new products to it, categories as we have said and consistently that part is working on and rest of the company is on course in terms of performance. I will stop my communication from here and happy to answer any question that you have. Mr. Kumar Rajesh is there on the call as well so anything that you may have we will be happy to answer those.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Ankush Agarwal from Surge Capital. Please go ahead.

Mr. Ankush Agarwal: Hi Sir thank you for taking my question. Firstly just few numbers you said ₹1,600 Crores of food business came from the recently acquired Patanjali food business is that right and ₹400 Crores for nutraceuticals so in that case as a base business has degrown because if the numbers you are saying that means we have done around ₹399 Crores in the existing business which was last year same quarter was ₹700 Crores.

Mr. Kumar Rajesh: The food segment which got transferred from Patanjali Ayurved Limited made a turnover of ₹1,241 Crores in this quarter and honey and atta we previously took over from the PAL that made a revenue of ₹192 Crores. The traditional soya and TSP made a revenue of ₹169 Crores. These all is equivalent to ₹1,600 Crores and ₹400 is nutraceutical, biscuit, breakfast cereals and noodles makes it ₹354 Crores. So, these all together makes ₹2,399 Crores of revenue.

- Mr. Ankush Agarwal:** So, Sir how sustainable is this number especially in terms of margin because when we applied for the food business that time we were talking about ₹1,200 Crores kind of quarterly run rate but now we are almost touching ₹2,400 Crores.
- Mr. Kumar Rajesh:** No. ₹2,400 Crores includes food segment and others. Others include nutraceutical some part of oleochemical and soup noodles also which is 43 Crores but food business...
- Mr. Ankush Agarwal:** So your comment was excluding nutraceutical is what you are saying.
- Mr. Sanjeev Asthana:** Just quickly I will take a jab at the answer. So, ₹2,400 Crores is the overall segmental revenue of the food business which does include the acquired business of food from Patanjali Ayurved which includes the earlier food business that we have under the nutrela and oil and the soya buddy and honey and atta etc. The nutraceutical separately is ₹400 Crores which is part of the foods overall ₹2,400 Crores, biscuits is about ₹350 Crores. This totals up to ₹2,400 Crores as overall. Your second question was that the sustainability of both the revenues and the margins on this. I mentioned that you were aided by two big events one was Diwali it was getting celebrated for the first time after a longest gap with full gusto so that was a huge benefit that we had and lot of pricing benefit that the company had and similarly the sales bump that we got, one time bump and the new channels that opened up that gave us a huge benefit so to answer your question specifically that overall margin of 25.9% or thereabout that we have on the food business will this be sustained probably the answer is that it will be to huge challenge to maintain this kind of momentum. So, there will be some tapering off and I think we should get back to about 15% to 18% margin run rate what we had originally mentioned also which could go to 20% but broadly that will be the margin rate at which we will run between 18% to 20% depending on a particular quarter but we should have the run rate on the business.
- Mr. Ankush Agarwal:** Just a clarification over here so Patanjali's has acquired edible oil business, the edible oil business that was part of Patanjali Ayurved portfolio is that included in this food segment or we add this.
- Mr. Sanjeev Asthana:** It is not included in that.
- Mr. Kumar Rajesh:** This is only foods. Oil has been included in the oil segment.
- Mr. Ankush Agarwal:** Now what I was saying that when we acquired about ₹4,000 Crores of Patanjali food business so there was some component around 35% of edible oils.
- Mr. Kumar Rajesh:** That edible oil is included in the oil segment in the current quarter.
- Mr. Ankush Agarwal:** Got it. I will get back in the queue for further questions. Thank you.

- Moderator:** Thank you. We have the next question from the line of Bharat Shah from ASK Investment Managers. Please go ahead.
- Mr. Bharat Shah:** Sir, as you have mentioned about distribution and new sales initiative so if you can throw light on the same.
- Mr. Sanjeev Asthana:** Patanjali has a large base of yog karikarthar a direct channel who have got direct access to the consumers so there is a lot of effort which is going in two areas especially on the foods and nutraceuticals that going through the traditional channels is obviously a route which is available but also building that channel up to push for sales directly to the consumers since they interact and if my number is right it is almost 1 lakh plus are the number of people who directly interact and interface with a very large base of consumers themselves who are followers of everything that Patanjali does so that is a new channel which is was mentioning.
- Mr. Bharat Shah:** On the edible oil you mentioned September 30 mark to market losses so I presume these are inventory losses that have occurred, but you have not realized these are unrealized losses on inventory which have been reflected into your accounts.
- Mr. Sanjeev Asthana:** That is correct.
- Mr. Bharat Shah:** So I presume the unrealized gain in the subsequent quarter obviously will not be part of accounting treatment but those losses are really notional losses in a sense these are inventory losses and whatever that is there in the current quarter with the function of actual sales.
- Mr. Sanjeev Asthana:** That is right.
- Mr .Bharat Shah:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Ketan Gindoria from Alfa Accurate Advisors. Please go ahead.
- Mr. Ketan Gindoria:** Hello Sir and congratulations to the entire team for excellent set of numbers. Sir two questions firstly, can you help me again with the margin on the acquired food business the ₹1,600 Crores revenue.
- Mr. Kumar Rajesh:** Acquired food business from PAL, Patanjali Ayurved Limited.
- Mr. Ketan Gindoria:** Yes.

- Mr. Kumar Rajesh:** So the acquired food business from PAL in the current quarter contributes revenue of ₹1,241 Crores and after including honey and atta and TSP and buddy this is near about 1600 Crores and contributes to a margin of ₹1,600Crores.
- Mr. Ketan Gindoria:** Got it Sir and just wanted to understand what is the corresponding number of revenue in the previous year for this acquired business just wanted to know what is the growth in the acquired business compared to last year.
- Kumar Rajesh:** See previous year it was not a part of our company. This was in the segment of Patanjali Ayurved Limited but overall run rate of this acquired food business including nutrela, oil for a year was near about ₹4,000 Crores so run rate is ₹1000 Crores per quarter.
- Mr. Ketan Gindoria:** Okay got it so near about 25% growth is what you are saying.
- Mr. Kumar Rajesh:** Yes that has been explained by Asthana Sir earlier due to the seasonal factors festive season and so much of new initiative of sales channel etc.
- Mr. Ketan Gindoria:** Okay got it. Thank you so much and all the best.
- Moderator:** Thank you. We have the next question from the line of Ajay Sharma from Maybank Asset Management. Please go ahead.
- Mr. Ajay Sharma:** I wanted to check for this ₹1,241 Crores sales what was the EBITDA corresponding to that.
- Mr. Kumar Rajesh:** 25.5% as explained by Asthana Sir.
- Mr. Ajay Sharma:** Okay so when was this supposed to be acquired, the EBITDA was 15% which is now 25%.
- Mr. Kumar Rajesh:** 15 to 20% it was at that point of time.
- Mr. Ajay Sharma:** I think it was around ₹600 Crores on turnover of ₹4,000 Crores right. I am just wondering Asthana Sir did say something about festive and all that but what explains margin expansion from 15%, 16% to 25% is that like a one-off benefit on the raw material side or what basically.
- Mr. Sanjeev Asthana:** We got a big benefit on the ability to pass on at a premium to the consumers because the Diwali demand was exponential this year and the last year it was unprecedented we were just opening up, number one. Number two, some of the work of the direct channel opening up that gave a big benefit. To answer your question again that I think the ability to sustain this margin at this level may not be there, but certainly our effort is that our run rate and margins constructive of anywhere from 15% to be what we acquired to maintain a run rate closer to 17 to 18% is what the effort is and I am reasonably confident that this

should we able to accomplish because it is a blend of nutraceuticals which is a higher margin business and the food business where we have shown healthy start to the quarter so we should be able to maintain that. It was 15% when we acquired from Patanjali, but our effort is to take it closer to 18% and that is the work which we do but to maintain this rate of 25% plus will perhaps be a challenge.

Mr. Ajay Sharma: Okay thanks for that and just on the oil side you said there was ₹200 Crores loss which happened during the quarter so that is actually a realized loss right.

Mr. Sanjeev Asthana: Yes.

Mr. Ajay Sharma: Okay so how do you recover that loss or is it gone basically. Is it a miss calculation on your part to have this high cost inventory which we just had or the price crashed to fast for your liking basically so that loss is gone basically right you cannot recover that one.

Mr. Sanjeev Asthana: So just a small thing I wanted to mention that a) it was not a missed calculation. I mentioned a set of events and the suddenness with which the volatility happened so there are two bits to it one is that in terms of covering the loss there is a good window available that it could happen but committing to say that we recover this entire ₹200 Crores which is already booked would be a little exaggeration, but the effort is that as I have mentioned earlier the ₹250 loss or the mark to market is something which is there on inventory valuation. As I have mentioned that we are way better than that current number of ₹250 Crores so our effort is entirely that we will make the best effort to recover it and that effort is pretty much on and now it would be subject to multiple things coming into the play and that way management is working, the sales team is working our procurement team continues to work and work aggressively so our best effort would be to see that how do we recover that lost profit in the edible oil front.

Mr. Ajay Sharma: Okay just a last question so normally you were making 4 to 5% margin on the edible oil side so is that the endeavor to go back to those kind of levels.

Mr. Sanjeev Asthana: So, we always maintain that our typical margin on the business is between 2 and 4% and where we on account of the good brand and distribution that we had we were close to 4% that was clear cut objective which the management has so 5% will be perhaps on the higher side but 4% certainly that objective that we have and we want to work towards it.

Mr. Ajay Sharma: Okay and last bit on the operating cash flow was negative so any reasons for that.

Mr. Kumar Rajesh: By introduction of food business we have given some credits to the customers that is why it was negative at that point of time. Currently it has been recovered.

Mr. Ajay Sharma: Okay on full year basis it should be positive right.

- Mr. Kumar Rajesh:** Yes obviously.
- Mr. Ajay Sharma:** Okay thank you so much.
- Moderator:** Thank you. We have the next followup question from the line of Bharat Shah from ASK Investment Managers. Please go ahead.
- Mr. Bharat Shah:** Asthana ji I am little bit confused on the oil business ₹200 Crores was actually realized losses and about ₹250 Crores of unrealized mark to market losses right.
- Mr. Sanjeev Asthana:** That is the exact break up.
- Mr. Bharat Shah:** Okay thank you.
- Moderator:** Thank you. We have the next question from the line of Saurav Jalan from SJ Capital. Please go ahead.
- Mr. Saurav Jalan:** Good morning Sir. Thanks for the opportunity. Sir my question is regarding the different business segments. Sir if we look at the food and nutraceutical business it is much more stable and has better margins and there is visibility of growth and consistency but if we look at the edible oil business it has an inherent volatility due to macro factors, government policies of the exporting countries of CPO so Sir have we given any thought to demerge this two business because at the current rate it seems that food and nutraceutical business can itself generate a PAT of around ₹1,500 to 2,000 Crores in the next one to two years. The inherent volatility of the edible oil business is hampering the valuation with food and nutraceutical business should command in the market so have we given any thought to demerge this edible oil business from the food and nutraceutical business.
- Mr. Sanjeev Asthana:** So right now there is no thought and no such idea we have because we have great strength in the distribution and these businesses of food and nutraceutical also benefit immensely from the oil business also that we have and the synergies between the businesses, the synergy between the teams, the cost structure that we are able to maintain and the infra that we have, it is a good business, so there might be volatility but in terms of return on capital and the number of times we can rotate the capital on the edible oil business is pretty healthy. So our effort has to be if we can rotate this capital even six times a year and we make on an average let us say 4% margin you are talking about 24% return so there is no requirement at this stage. We do not feel any compelling reason that is one and second is for Patanjali Foods, edible oils is very critical and important segment. We would like to retain that and grow that.
- Mr. Saurav Jalan:** Okay Sir, one more question regarding trade receivables. As per the year ending March 31, 2022 the figure was ₹796 Crores and it has gone to around ₹2,000 Crores as September 30,

2022 so Sir which segment of the business contributed to more than ₹1,200 Crores increment in trade receivable.

Mr. Kumar Rajesh: Some oil business and major contribution is from food business. It has gone to the consumer market directly so had to extend some credits to our distributors and super distributors.

Mr. Saurav Jalan: Sir is this the reason why our cash flow from operation was negative.

Mr. Sanjeev Asthana: Yes that is right.

Mr. Kumar Rajesh: On overall basis it will be positive.

Mr. Saurav Jalan: For the year ending FY2023 we expect to reach the positive like last year.

Mr. Kumar Rajesh: Yes.

Mr. Saurav Jalan: Okay Sir thank you.

Moderator: Thank you. We have the next question from the line of Ankush Agarwal from Surge Capital. Please go ahead.

Mr. Ankush Agarwal: Thank you for the followup. Sir again on the receivable so this increase rate that we have so is it a onetime thing and in the coming quarters we would be reducing that credit period or this will be sustained.

Mr. Kumar Rajesh: Some of the amount maybe sustained for a year.

Mr. Ankush Agarwal: No not the amount obviously our food business itself has grown substantially so the amount I am not talking about that but the kind of credit period so it was alluded that due to the festive season and first time that you are disturbing this products you have to offer higher credit period so over time as you settle down do you expect to reduce this credit period or do you think it will sustain for couple of more quarters.

Mr. Kumar Rajesh: It will be recovered within the last quarter of this financial year. But obviously we will have to extend some credit period to our distributor and super distributor as compared to the oil business. Oil business credit period is obviously somewhere less as compared to the food business.

Mr. Ankush Agarwal: What is the typical credit period for the oil business and for the food business that you offer?

- Mr. Kumar Rajesh:** See food business near about one to one and half month we have given. But oil business it is almost 22 to 25 days.
- Mr. Ankush Agarwal:** Okay and the credit period in the food business is expected to come down going ahead.
- Mr. Kumar Rajesh:** It might, depending on the business scenario.
- Mr. Ankush Agarwal:** Okay second question is for Sanjeev Sir. Sir for the oil business this quarter was obviously one off but now since the price is relatively stabilized so from Q3 onwards do we expect stable business in the oil.
- Mr. Sanjeev Asthana:** No, I do not anticipate any big challenge. I think the volatility witnessed was unprecedented but I think this quarter looks reasonable and positive and likewise next quarter should also be reasonable and positive but we should be pretty much consistent on our business run rate and the profit targets.
- Mr. Ankush Agarwal:** Sanjeev Sir like typically from your experience the way business is structured what kind of volatility in the prices is the business can manage. Like is something 50% that is unmanageable but like 10% volatility here and there is that unmanageable or we have some kind of gains on that.
- Mr. Sanjeev Asthana:** I think this is a very good question so at least the capacity of business as I mentioned to you for example a business which typically earns 4% margin that capacity to deal with the volatility bit typically if the price movement is anywhere between 4 to 8% or 7% that we need to manage anything more than that and which is very sudden in nature. See our ability to manage on a long term trend basis that the prices had lower or higher is much more easier sudden movement in the policy decisions some of the previous questions that was asked, the questionnaire that, sudden policy change. Sudden situation like war breaks out suddenly lockdown on accounts of COVID, I mean these events which are almost impossible to predict and impossible to manage so if you do not have such unforeseen events happening then our ability to manage the business effectively is much better.
- Mr. Ankush Agarwal:** What is the kind of typical inventory that we carry in terms of days in the oil business?
- Mr. Sanjeev Asthana:** So typically what happens is that our sales is typically about four and half lakh tonnes a quarter and it is actually increasing in a healthy way so we are doing well on that front. Typically the cycle time as I mentioned earlier that we have got three ways in which the purchase are done one is the purchase that you do which is still sitting with the supplier then the parcel then the physical inventory. So in terms of the physical inventory typically we would have between 15 to 25 days depending on the vessel arrival and how it works between the purchase and the afloat parcel it should add up to so for example in soya and sun the typical purchase afloat and physical would be about 45 to 50 days. In

case of palm the inventory cycle is very shorter so typically we would have about a month so net, net I would say on a blended basis on this four and half lakh tonne typically we would have about 2 to 2.2 lakh tonne is what we would have in the books.

- Mr. Ankush Agarwal:** Basically one, one and half month kind of business.
- Mr. Sanjeev Asthana:** Actually a month and half and that also as I mentioned that is the physical part of the business what we cash and then we would hedge also against that and how much we decide to hedge to what extent we should that is a decision with the traders and the purchase section has to take regularly basis the market situation as they emerge.
- Mr. Ankush Agarwal:** That was very helpful Sir. Thank you Sir.
- Moderator:** Thank you. We have the next question from the line of Kuldeep Gangwar from ASK Investment Manager. Please go ahead.
- Mr. Kuldeep Gangwar:** Hello good morning. First thing, in edible oil business what was the volume growth because the price element is leading to sales growth number but what was the volume growth which should be observed at even in time to come say in coming quarters or years.
- Mr. Sanjeev Asthana:** Volume wise, we are used to have a run rate of typically about 1,25,000 to 1,35,000 tonnes a month overall. Now we are clocking about 1.5 lakhs tonnes a month. Certainly, October was a record month so our purpose is not to sell volumes at any cost. Our purpose is that it has to be sold profitably, sensibly and distribution led but we believe that we would like to go back now and we would certainly maintain 4.5 lakh tonnes a quarter and we would possibly take it higher between 5 to 6% growth we should consistently maintain on top of that.
- Mr. Kuldeep Gangwar:** So in this quarter volume growth Y-o-Y would be close to 10% is it correct understanding.
- Mr. Sanjeev Asthana:** In this third quarter we should be able close to about 5 to 7% growth we should get over 4.5 lakh tonne, my estimation. Again, one small correction I am saying that we got of a massive spike in purchases in Diwali across the board for everything so that I think it we should do this quarter. We should again be able to match it to 4.5 lakh tonnes and maybe some growth in that.
- Mr. Kuldeep Gangwar:** No I was asking about Q2. Q2 it was Y-o-Y 10% volume growth.
- Mr. Sanjeev Asthana:** It was more than 10%.
- Mr. Kuldeep Gangwar:** Second part like food business what should be the growth expectation in coming quarters or years like run rate basis.

Mr. Sanjeev Asthana: See foods minus the nutrela and earlier products what we had. The purely the acquired part of the business that we are speaking about when we took over that business it had a run rate of about ₹1,000 Crores a quarter. Our target is that we should be able to grow that between 10 to 15% consistently over that so again as we mentioned earlier that the foods in the last quarter because of the early thing which was there but our expectations is that 15% growth typically should be adding about ₹600 Crores to the revenue is what our minimum objective should be and possibly more.

Mr. Kuldeep Gangwar: Okay and last bit like trades payable have also increased significantly so is it because of the food business you are getting some benefit vis-à-vis March 2022 to September 2022.

Mr. Sanjeev Asthana: Yes on the specific numbers Rajesh ji on the trade payable side if you can answer their question please.

Mr. Kumar Rajesh: For the food obviously we are getting. Like I had explained earlier that some credit obviously we would extend for the food business. This is the nature of the business. Accordingly we got trade payables also, credit from the suppliers also.

Mr. Kuldeep Gangwar: Thanks a lot.

Moderator: Thank you. We have the next question from the line of Ketan Gindoria from Alfa Accurate Advisors. Please go ahead.

Mr. Ketan Gindoria: Just wanted to understand about the nutraceutical business so this quarter we have done around ₹400 Crores of revenue with 35% margin so is this like now the new quarterly run rate for the nutraceutical business considering the last year revenue base was very small so what kind of revenue are you looking for nutraceutical segment for this year and next year.

Mr. Sanjeev Asthana: So, nutraceuticals the last quarter was obviously a very bumper quarter. It was aided by several steps including as you mentioned earlier that direct channel sales opening up so we are reasonably confident that we want to maintain run rate of 10% to 15% growth. Market is growing almost at 20% and over and above the market rate so we should be in a very healthy footing directionally. Nutraceuticals as you know maintaining the current quarter sales would be very difficult to accomplish, but I would imagine nutraceutical business overall for this year we should target anywhere between ₹700 to ₹800 Crores of revenue.

Mr. Ketan Gindoria: Due to this direct channel opening up what kind of revenue benefit did we get in this quarter because filling of the channel pipeline if you can give any number of what sort of revenue came directly because of this.

Mr. Sanjeev Asthana: Right now in terms of distinguishing between this particular channel because we added almost, the specific number I am unable to give right now but I think we should have

added at least ₹300 to 350 Crores of business through the new channels that we opened up. We had to see as I mentioned earlier also that how best we are able to sustain the new channel on the go so initially as it happens in every business there is a big push that is made through a new channel and after that the repeat orders and as they follow through in this quarter we would know exactly how it is so hopefully I think in the end of this quarter or maybe after the fourth quarter we should have a much better perspective on how the business is going to go forward through the new channels.

Mr. Ketan Gindoria: Okay got it and lastly Sir wanted to understand on the oil business so this quarter I understand because of the heavy volatility of the price movement we had loss so from next quarter onwards we should be going back to our normalized margins of 2% to 4% or do you think there is still some time.

Mr. Sanjeev Asthana: We should be able to go. I mean that lag which was there in October that is largely behind us so now all the business that is occurring is at the same margin levels so we should be in a reasonably good position on that front,

Mr. Ketan Gindoria: Okay and just one request Sir if it is possible for the oil business if you can give in the disclosure quarterly volume numbers because that helps us understand the actual underlying volume compared to the price movement.

Mr. Sanjeev Asthana: Sure I think that can certainly be done and I will request Mr. Kumar Rajesh that we should work on that.

Moderator: Thank you. We have the next question from the line of Amit Dange from Authum Investment. Please go ahead.

Mr. Amit Dange: Hi Sanjeev Sir can you throw light in terms of what is absolute number of EBITDA we are expecting for 2023 and 2024 including food and non food business and what can be in 2024 for also the EBITDA in absolute terms for the food business if you can throw some light, overall EBITDA and how much it is contributing from the food business.

Mr. Sanjeev Asthana: So broadly Amit in terms of the next year 2023-2024 our target is that we should clearly and that is an objective I am laying out that we should be in the range of ₹2,200 to ₹2,400 Crores of EBITDA margin is what the company is targeting for next year.

Mr. Amit Dange: How much will be contributed from food business, non oil.

Mr. Sanjeev Asthana: So, the objective is and without going into the specifics of which business generates what our objective is that food business from the turnover perspective next year should be closer to about 25%, but from a margin contribution should be about 50% of the company's profits.

Mr. Amit Dange: Understood and can you throw some light on the industry how overall industry has done in the last two quarters or till December because there is lot of volatility in the oil business in terms of pricing.

Mr. Sanjeev Asthana: I was hoping that this discussion will come up because as you see that across the board our significant competitors, our significant people the listed firms as well as the unlisted firms, there has been a massive problems they have faced exactly the way we have faced as well and all of them largely on account of the volatility in the market place, the published results are there for everyone to sort of see as to how they got impacted and including some of purest play FMCG companies they have had this challenge as well in terms of dealing with the volatility so pretty much everyone has been in the same boat and the ability to manage this kind of externally driven volatility is very difficult to manage so likewise it has happened, but I think it is normalizing and I am expecting that certainly our business because we have got a very strong orientation towards the food business now. There is a healthy growth. There are new acquisitions have happened. There is lot of good work on the new product development. On the distribution side we continue to work actively on building up a healthy pipeline of the new products on the nutraceutical side on the food business so that is evolving and developing so I am reasonably confident that one quarter one off challenge in the world at large should be behind us and we should be able to manage it. It has been a great learning also for everyone that these one off events can occur and how we manage and deal with it should be one of the prime drivers in the way we look at the business and how we manage it and this incidentally is not only us even international players some of the largest commodity, global players in ag and food businesses they have faced a pretty much similar situation.

Mr. Amit Dange: Understood and Sir can you throw some light on hedging policy of our company.

Mr. Sanjeev Asthana: As I mentioned in the call we have our hedge accounts both at BMD and Chicago. We are very prudent about not carrying large exposures large position but that is always subject to some of the calls that need to be taken as to what extent one wishes to hedge and what does not so there is both bit of signs to it in terms of pure math. We have very strong board driven policy. There is a daily mark to market tracking. There are weekly calls. There are hedges which are available. As you know that Indian exchanges are banned right now so again we have to rely on the international exchange but short of that in terms of where we need to cut down our purchase, where we need to sell faster, how do we move things, turn those around and churn the inventory faster that bit is constantly on so that we never allow to get fretted away and that is a work which will continue to sort of we will work on that but it is very policy driven and not just you make a purchase in sale decision just like that.

Mr. Amit Dange: Understood Sir just last thing can you throw some light on December quarter, Q3 any expected loss of inventory any idea on that side.

- Mr. Sanjeev Asthana:** No not at all. I am not expecting any inventory loss at all. In fact if at all as I mentioned maybe a few times on this call that we should be moving towards a better path so there is no question of any further inventory loss for the balance of the quarter.
- Mr. Amit Dange:** Okay that is from my side. Thank you.
- Moderator:** Thank you. We have the next question from the line of Dhiraj Mistry from Antique Stock Broking. Please go ahead.
- Mr. Dhiraj Mistry:** You said that you had a turnover of almost ₹350 Crores in biscuits so what kind of margins to move again in biscuit business.
- Mr. Sanjeev Asthana:** So, biscuits typically our margin construct is 8 to 10%. Last quarter especially we had this because of high commodity prices on all three. Sugar was stable but oil and wheat prices were high so that is why it got impacted but last quarter to answer your question specifically we made 5.5% margin on that but typically it is about 10% business.
- Mr. Dhiraj Mistry:** In your opening comments that oleo chemicals have turned into FMCG and other segments so what is the contribution of oleo chemical in this quarter.
- Mr. Sanjeev Asthana:** Rajesh ji can answer that but it is very, very small. It is insignificant. It is good but very little relevance to the overall scheme of things.
- Mr. Kumar Rajesh:** Very small. Oleo chemicals, soap noodles etc, is just ₹40 odd Crores.
- Mr. Dhiraj Mistry:** Sir just to reconcile on the FMCG revenue the ₹1,600 Crores which you said it is kind of acquired business. This acquired business we did in the July month or does it include any other business also.
- Mr. Kumar Rajesh:** This includes the business we took over from Patanjali Ayurved Limited in the July month.
- Mr. Dhiraj Mistry:** That is ₹1,600 Crores.
- Mr. Kumar Rajesh:** ₹1,600 includes honey and atta which we are carrying over from past also and it includes ₹170 Crores of soya buddy, traditional food business of Ruchi Soya.
- Mr. Dhiraj Mistry:** That is under nutrela brand.
- Mr. Kumar Rajesh:** Yes so ₹1,241 is pure acquired business from Patanjali Ayurved Limited since July.
- Mr. Dhiraj Mistry:** Okay got it. Thank you.

Moderator: Thank you. We have the next question from the line of R Kothari from JC Holdings. Please go ahead.

Mr. R Kothari: Mr. Asthana and Mr. Rajesh I think it has been a mixed quarter and I think it has been a very volatile quarter and we can understand the reason why the inventory losses came but I would like to touch upon the food business how is the way we look at the business that the segment has about ₹2,700 Crores of capital employed against which you have a segment of liability of close to ₹1,300 Crores. The way my maths work is that there is a net capital employed of ₹1,400 Crores in your food business. If you see the current quarter the EBITDA is in the range of ₹600 odd Crores maybe this is an exceptional quarter and if you normalize it to more like ₹450 Crores of EBITDA and multiply that by four it is still a ₹1,500 to ₹1,800 Crores EBITDA business this year on a run rate basis so the way I look at it is this a 100% ROCE business, this crude business on a net capital employed and therefore I want to know the expected cash flow because if this is the construct at some point when the trade payables and trade receivable normalize will this business post tax has the ability of throwing up ₹800 to ₹1,000 Crores of free cash so if you can answer to both these questions.

Mr. Kumar Rajesh: So just I would like to mention here this business is acquired first time when we are doing this business first time here. So our debtors and creditors position relating to food business has been increased so that contributes to the overall capital employed and it will be normalized in due course obviously. As I have also mentioned in this call earlier that by the end of this year it will be normalized but some capital employed obviously will be there due to the nature of this business. We will have to extend some credit so obviously correspondingly we got the credit from the suppliers and vendors also. As far as free cash flow is concerned obviously we will get by end of this financial year.

Mr. R Kothari: Mr. Rajesh my question was that is it 100% ROC business as it optically looks.

Mr. Kumar Rajesh: This time, this quarter is an exceptional quarter for food business so due to the festive season and due to margin construct as explained by Asthana Sir earlier that is why this margin has come up in this quarter. As Asthana Sir said earlier this margin will not be sustained forever obviously it will be between 15 to 20% then it will be normalized.

Mr. R Kothari: Even at 17 to 18% you generate a quarterly EBITDA of closer to ₹450 Crores. I am not talking of ₹620 even at ₹450 Crores the return on capital employed is close to 100% and it looks to be highly profitable and a robust business. To confirm whether what we are thinking is correct or not optically and factually.

Mr. Kumar Rajesh: Basically you are correct. We got this business on a very less pricing. We got this whole food business on a price of ₹690 Crores so as far as fixed capital is concerned this is very much less so this is one of the reason.

Mr. Sanjeev Asthana: There is two side one is in terms of the profitability of the business and the growth. It is a high margin very consistent business with predictable profitability. We have got a tremendous opportunity and with the acquisition of food business with some of the more marquee brands that we have on nutrela, on foods and other businesses we are very comfortable in maintaining not only the growth trend but also driving the volumes and building it up. I have already mentioned that on the revenue side our target is at least 15 to 20% year on year growth. On margin construct we mentioned earlier that this was a business that we took over at 15% margin we want to up it up to closer to 18% and if we can maintain this run rate if we can maintain this thing and there is a reasonable confidence that we will able to accomplish all this then this business can be a very big cash generator for the company overall.

Mr. R Kothari: Perfect thank you.

Moderator: Ladies and gentlemen due to time constraint that was the last question that the management could answer. I would now like to hand the conference to the management for closing comments.

Mr. Sanjeev Asthana: Thank you and firstly my sincere thanks to all the investors who have joined the call today. I would like to summarize with couple of key points to leave you all with. Number one, I will address the more difficult part of the equation that in terms of how do we manage the oil business. We have got very strong governance around the hedging policy, hedging strategy so the company follows that strictly as to all the controls which are world class system has. We all have very good backgrounds from all these companies and we have demonstrated that earlier and this exactly will be maintained so whether it is a daily tracking of mark to market, whether it is value all the basic ingredients of what a world class policy are to work which is very much there in the company. The second point I want to mention on the oil business that one off events in a particular quarter which were unprecedented in scale and suddenness that has had an impact on the company's bottom line which we are absolutely certain that which will not repeat themselves again. Of course one cannot ever predict future as to how this will go but an event which has not occurred for 20 years or series of events happening at the same time there is no likelihood that they will recur again so we are pretty confident on what we do and how we go about it and my third piece is that the company from a distribution perspective on the oil side, from the purchasing side, from the infrastructure side we are one of the top companies in terms of well invested supply chain infrastructure, processing infrastructure, distribution infrastructure and an outstanding team which is in play on the sales, purchase and supply chain side and we are pretty confident that these events there is a very strong capability which the company has to be able to manage and drive it that is on the oil business side. On the food business we have had an exceptional quarter while this may or may not happen. We will continue to work on it in terms of building it up and grow that and without a question while there will be some tapering on account of

Diwali one off bump that we got but we will continue to manage it effectively and we are reasonably confident of all the guidance that has been given earlier, we should be able to maintain that. Our third piece is that in the newer areas which did not get discussed whether massive work on the oil plantation side. The work that we are doing in terms of expansion of new products. The strength that we have on putting all the nuts and bolts in places of hiring all the missing positions of the business head and leaders in place that all has been worked out and we are very confident that we will be able to turn this company exactly in what the performance in the previous has been and we should be able to meet that performance. So with those words I thank you all again and we will get on with our business and we will continue to work and make sure that we are meeting all the objectives as it has been read out in the earlier discussions and even today as well. Thank you.

Moderator: On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Disclaimer: This transcript has been edited to remove any grammatical inaccuracies or inconsistencies of English language that might have occurred inadvertently while speaking so as to improve the overall readability.