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February 6, 2024

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Floor 25, P J Towers,
Dalal Street,
Mumbai – 400 001
Scrip Code: 543458

National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
Scrip Code: AWL

Dear Sir,

Sub: Transcript of Earnings Call of Q3 of F.Y. 24 of Adani Wilmar Limited ("the Company')

This is in continuation to our earlier letter dated January 31, 2024 regarding audio recording of Q3 F.Y.24 Earnings call held on January 31, 2024. Please find attached transcript of the Earnings Call.

You are requested to take the same on your record.

Thanking You
Yours Faithfully,
For, Adani Wilmar Limited

Darshil Mayank Lakhia
Digitally signed by Darshil Mayank Lakhia
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"Adani Wilmar Limited Q3 FY24 Results Conference Call"

January 31, 2024

MANAGEMENT:	**MR. ANGSHU MALLICK – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR, ADANI WILMAR LIMITED** **MR. SHRIKANT KANHERE – CHIEF FINANCIAL OFFICER, ADANI WILMAR LIMITED** **MR. SAUMIN SHETH – CHIEF OPERATING OFFICER, ADANI WILMAR LIMITED**
MODERATOR:	**MR. KARAN BHUWANIA – ICICI SECURITIES**

Moderator: Ladies and Gentlemen, Good day and welcome to the Adani Wilmar Q3 FY24 Results Conference Call hosted by ICICI Securities.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Karan Bhuwania: Thank you. Good morning everyone. It's our pleasure at ISEC to host Q3 FY24 Results Conference Call of Adani Wilmar. From the management today we have Mr. Angshu Mallick – CEO and Managing Director, Mr. Shrikant Kanhere – CFO and Mr. Saumin Sheth – Chief Operating Officer.

I now hand over the call to Mr. Angshu Mallick for his "Opening Remarks" and then post that we can open the floor for Q&A.

Angshu Mallick: Welcome everyone here. Heartening to start with that after Q1 and Q2 losses we have turned around and we are back in the normal phase of top line and bottom line which is good. Retail penetration has increased. Now it's around 2.1 million outlets including direct and indirect coverage. Rural coverage has also increased. The market share has improved from 19.5% to 19.8%.

And overall edible oil packed has been growing – growth for up to 9 months has been around 16% YoY which is quite good in terms of past records and food business in India domestic consumption has been growing at more than 40%.

So, overall, a few things are very, very good and more Shrikant will take you through.

Shrikant Kanhere: Good afternoon everyone and thank you for joining this Call.

As a ritual what I'll do is take you through a quick update on this Quarter:

This quarter of course also remains an eventful quarter. I think for the last year we are looking at a lot of geopolitical events which we had never thought of but are happening. This quarter too was not different from other quarters.

The recent Israel-Hamas war and the Red Sea conflict does pose some kind of supply chain threat on the food business where the container freights have gone up very high. Argentinian election and the populist government there has got a significant impact on the supply chain of soya bean. Similarly, the Russia-Ukraine conflict continues to grow and therefore we have some kind of risk always on a sunflower supply chain.

The edible oil prices at least now we can say have stabilized from as high as $2000 a ton same time last week last year to now close to $1,000 and below $1,000. So, which is a good and lower prices of course lead to higher demand and companies like us, who have got a greater market share certainly gain from this.

On a supply chain demand for edible oil, India is expected to conclude this oil year which is November to October with closes to 16 million MT of imports and close to 24 to 25 million MT of consumption which is in line with the industry estimates made at the start of the oil year.

On the food front, wheat prices continued to go up. They typically follow a cycle of lows at the time of harvest which is sometime in the month of March and April, and they steadily keep going up till the month of November and December and that's where then it starts falling.

So, that cycle continues and therefore for a company like us our policy of procuring wheat at the time of harvest itself always pays up not only on the price, but also on the quality of the wheat flour which we are able to deliver to our customers.

On industry growth trends, the recently published Nielsen data suggests that edible oil consumption continues to grow. The industry grew by 14% in Q1'24, followed by 12% in Q2'24 and 4% in Q3'24.

So, overall, the industry is consistently growing as far as edible oil is concerned which is contributed equally by urban as well as rural markets and growth in consumption certainly helps companies like us who have got a leading position on the market share. Wheat flour also similar story as the edible oil, the packed industry kept growing at 19% for the Q1'24, 13% for the Q2'24 and 3% for the Q3'24.

So, overall good story years and same story is there when we see look at the basmati rice.

So, this is a very quick update on the various fundamentals, parameters and various events that impact the business.

Let's now talk straight on the performance for the Q3'24:

For performance on Q3, as Mr. Mallick mentioned in his opening remarks, we're happy to see that there is a complete turnaround sequentially from the loss that we reported in the last quarter to profit and also what we have seen is now we are back to our normal run rate of EBITDA as well as PAT including the volume growth.

The gross profits for the quarter, at INR 1,630 Crores is quite good. When we look at same time last year it is down by close to 12%, of course because the oil business has delivered better (strong base quarter), however, on the food business we remained a little bit aggressive in terms of pricing and therefore food didn't deliver the way it has delivered same time same quarter last year.

As far as EBITDA is concerned, as I said - we are more or less now back to our original run rate of close to 550 crores, 530 crores of EBITDA for the quarter, second highest EBITDA for us in last I think 12 quarters.

On the edible oil front, the branded sales for the 9-month continued to grow at 16% year-on-year, very healthy growth for the edible oil segment. Capacity utilizations are in the range of 55% to 60%. So, we still have good headroom available as far as the capacities are concerned to take on any growth that we can get in the next couple of years.

The ROCP market share, as Mr. Mallick mentioned in his opening remarks - we were able to consolidate this market share from 19.5% to 19.8%. So, for a leader every consolidation of market share is a good story. It is not that how much of market share you have been able to grow. I think a leader, if he is able to maintain his market share, itself is a very big achievement and so we have been growing on market share.

Similarly, when we look at the wheat flour business also our market share has gone up by 50 basis points from 4.7% to now close to 5.4%.

On our overall Company highlights:

The volume grew by 5% year-on-year (YoY) as well as quarter-over-quarter (QoQ) sequential volume growth of 5%. The revenue sequentially grew by 5%, but year-on-year revenues are down by 17%, which are more in line with the lower raw material cost which have been kind of a pass through for us.

The company recorded the second highest standalone EBITDA for INR 530 crores. However, it is lower by 15% year-on-year due to the strong base quarter as well as I said earlier we were little aggressive on the food business on pricing. In fact, within the foods business, while the basket grew by close to 20%, but our wheat flour business grew by more than 45% and that's very encouraging for us.

We are improving on the brand mix; our rural demand continues to drive our volumes and that is there something which we feel very happy about and those are the big highlights for the quarter. As far as the edible oil is concerned, the volumes are slightly flattish of course because we saw little bit slump in the edible oil consumption in the month of December, but as we are seeing in January I think we are back in the kind of volume demand which we saw in October and November. So, I hope the Quarter 4 on demand side and the volume side will be better than Quarter 3.

The branded volume of course grew more than the overall edible oil segment and the raw material price are now more or less stable. We did see the high volatility of soya prices in Q3 due to the domestic economic situation in Argentina.

On food and FMCG metrics, our revenue grew by 26% for the 9 months as against 55% growth that we saw in FY23 and 38% we saw in 22, but I think this drop in food revenue is more to do with the rice export ban which India has put in and therefore we are not able to export the rice which is more of a non-basmati rice. Basmati rice export is still happening out of India.

Capacity utilizations on the food plant continues to be in the range of 50% to 55%. The food FMCG revenue as such grew by close to 26%. Branded food is scaling up very fast. As I said, wheat business grew close to 45% and we are slowly getting strong in the southern market, which are more remunerative market for us and of course we are scaling our branded food exports in more markets as we go forward.

On general trade distribution, I think good story to report now our overall reach is close to 2.1 million outlets with a direct reach of close to 6.8 lakh outlet. Rural coverage of now close to 27,500 plus towns. So, of course we have a target of taking these 27,500 to 30,000 towns by the end of this year and of course rural saliency remains at 30%, 31%, which is good story that that shows that with urban the rural demand is also picking up.

On direct reach of course when if you compare with March '20, there is a 2.3x growth and in terms of rural town coverage as compared to March '20, there is 8.5 and so of course the distribution remains a very focused area for us because we know that distribution will take our food business to the next level.

On general trade update:

I think we are quite well placed on distribution and network expansion we are going deeper and deeper into existing towns and we're trying to capture the demand. On brand activities I will not dwell much upon this there are a lot of Fortune brand commercials that we released to sell our products.

On channel performance:

I think branded export is one thing which we have been able to grow more than by 80% in 9 months, which is very good. HoReCa is the segment where our focus is now. We have been growing slows though it is very small segment as of today, but it is growing quite well and we are very optimistic on this e-commerce and modern trade which is growing very fast for us.

To summarize:

I think the company has brought the focus on HoReCa and of course all the three channels are growing very fast as far as the branded sales are concerned. On the new product launch, finally we have launched a premium Fortune atta which is Sharbati Atta, and the biryani kit which was there in the domestic market, now we are pushing it more and more into the export markets and export now accounts for more than 44% of our biryani kit sales in Q3'24.

Going forward, there are a lot of marketing BTL activities and social media engagements have been done which I will skip to save the time and I will straight away go to the financial performance. So, on financial performance on the segment level quarter over quarter sequentially edible oil grew by 11% whereas year-on-year growth is flattish, food and FMCG grew by 17% and industry essential grew by 17% year-on-year.

On 9M, the edible oil grew by 8% and within this 8% as I said earlier the packed oil grew by 16% and the food grew by 19% and industry essential by 20%. The food continues to contribute close to 17% to 18% of overall volumes of the company which is good. We have plans to take it to close to 25% by end of FY25.

On the revenue front, of course, the drop in revenue is in line with the raw material prices led primarily by the edible oil segment. However, the food FMCG revenues went up by 25% and industry essential revenue were flattish in line with again here also in line with the raw material prices correction.

When you look at segment results, this is what I was explaining earlier - the entire profitability for this quarter is driven by the edible oil turnaround. I think on a year-on-year basis the segment profit has gone up by 15% from INR 258 Crores in December 22 to INR 297 Crores for December 23.

Food FMCG has gone down as I said earlier also that on food and FMCG we had been very, very aggressive in some of the markets as far as the food is concerned and that's how and it has been reflecting in our wheat flour business improvement also which have grown by 45% year-on-year.

So, overall, when you look at the financial performance, the volume growth for the 9 months of 5% and of course the EBITDA and PAT are down as because of the pressure from the food and FMCG business. For the quarter, we have been able to deliver the volume, we have been able to deliver the revenue and now we are more or less there as far as the run rate of EBITDA and the run rate of the PAT is concerned.

So, overall things have changed for us in this quarter and as we go forward in Q4, I think we should continue with the performance which we have been able to post in this Q3. In fact, we do have a vision of giving better numbers as we get into a Q4.

With this, I end this presentation and will not dwell much upon this, you can certainly go through the presentation which has been uploaded on the site and then I open the floor now for the question answers and we would be happy to answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avanish Roy from Nuvama. Please go ahead.

Avanish Roy: My first question is on edible oil. The volumes are flat. The other listed company also saw dip in volumes. So, whenever we see sharp inflation followed by sharp deflation generally the local players come back, so wanted to understand the competitive intensity I'm not referring to the market share data because that can or cannot capture the real situation on ground.

I wanted to understand are you happy with the flat volumes you have seen given festival season this time there was the full benefit unlike last year when it was split between Q2, Q3 plus the marriage demand was also very strong. In that context flat volumes and local players if you could discuss in terms of competitive situation?

Angshu Mallick: The flat volume is at the company level, but when you look at the packed versus the institution of supply that we make to the frying industry like the chips and wafers, people or to the snack foods or biscuit manufacturer that has actually declined, but packed oil has grown at around 5% in Q3 overall obviously 16% growth.

Now when you look at this Q3 last year also the Q3 was very, very big and marriage season of course this year is also there last year was also there. Last year Quarter 3 was big quarter for us this year also it was like that. So, I don't think the smaller players have taken in share because the market prices have come down which has made the edible oil affordable.

So, all the brands have done at these levels only and Nielsen also says the overall market has grown by around 4%, 5% in Q3 and that is what has happened with us also.

Avanish Roy: My second question is on the Argentina soya issue in terms of the political development there and the container cost which has gone up sharply. So, could you discuss what can be the impact because after many quarters you have seen finally a stable quarter with 3.94% EBITDA margins which is a good number, but do you see the margins coming at risk because of the Argentina development or the container cost escalation?

Angshu Mallick: I think Argentina's major issue was the currency that is the blue currency and the official currency, and the farmers were reluctant to supply at the pet currency because that was much lower than the blue currency that was going on in the market and so the supply was less and last year Argentina was really under drought.

So, they had less than 25-million-ton crop. This year the sowing is good, and everything goes well the crop is expected to be at least 45 million tons now somebody is saying 50, but then 45 to 50 million tons to double the crop.

So, the Argentina's are very happy about it. This year agriculture is going to be good. The new president is also good in terms of bringing stability and at least making the currency closer in official and the blue that they call is much closer now, so that is good.

We don't see any disruption of supply from Argentina or Brazil. Brazil also has a wonderful crop 125 million tons, and the harvest has started, processing will start from February. So, February onwards the supply chain will improve. So, soyabean we are not at all worried.

As far as the Red Sea is concerned this issue is more now on containers that goes to Europe, US even Jeddah. Some of the places where it passes through the container freight has gone up. One it has gone up. Second availability has also shrunk because lot of cargo has got stuck or something. So, our problem is that rice exports that we have done to this country. So, there is some slowness it should improve if the situation improved, but there is some amount of increase in freight now that freight can be $30-$40 a ton can increase on a cargo of $1,100.

Avanish Roy: Last question on the rice now could you discuss are you happy till now with the acquisition the kind of development you have seen in terms of either market presence or market share? Second is the top two players are extremely large versus you in India branded rice they have a very strong supply chain and strong relationship with the mandis with a lot of experience of many decades.

So, in that context where you are given, you also have done an acquisition, so you must have gained some of the knowhow in terms of this. So, if you could discuss the gap and how do want to close that gap in terms of sourcing?

Angshu Mallick: See last year in this time we were operating from 4 or 5 units in the country. Today I am operating out of 13 units in the country out of which 2 are our owned and 11 are I have taken the full factory and managing it ourselves to our staff and running it as if it is ours.

Now we have increased our footprint surely now we are available and processing paddy to rice in Bihar, UP Karnataka, Tamil Nadu, Bengal, Punjab, Haryana. So, we are now there Maharashtra I'm starting very soon near Nagpur.

I'm also working at Andhra Pradesh. So, we are starting there. So, I think what we have decided is that we will go to every state wherever rice is available and we will convert Rabi to rice and build that business closer to the market that is one.

Two, we have started taking a lot of graduate agriculture graduates just as we take the graduate engineers and put them as GET. Similarly, we have taken graduating agriculture trainees and putting them in the market to work with FPOs, to work with the farmers and bring a closer connect between the farmer FPO and AWL factories.

Now that we are doing to ensure we get into the roofs. We are working continuously on it. Yes, I would agree with you that we don't have so much expertise in contract farming or rice growing business with these farmers, but surely we have bought paddy this time basmati paddy from 125 market yards out of 250 what they call.

So, 125 means the potential ones we have gone, and we have put our people and we are sourcing from them and I think we are a serious buyer in paddy this year people have seen our purchase.

Avanish Roy: One last follow up on rice only so we see top two players advertise heavily. One has been a brand sponsor of Master Chef India and the other has also been doing extremely strong advertising. So, mass media advertising I don't see much of Kohinoor or your own rice, is that depending upon the development of the core expertise, which is still yet to be built, is that depending upon that?

Angshu Mallick: Yes only rice I am saying possibly is higher than number two brand that is what I know because that is what statistics I have seen. You may not have seen it much is another issue because possibly we are not available in all the business channels, but still we were there Kohinoor has the new ad that we have made, has turn out to be one of the best ads as per their research by some agency that it's the top 5 we called ad which highlights on the aroma and absolutely different type of style and all that.

Now surely advertisement of one year, two year doesn't make much you look at there's competition doing it for 10 years, 15 years. In oil you will find that we are visible much more visible than anybody that is because over the years we have put it, but surely going forward you will see us in many of the places and we have also taken such type of programs wherever we feel that the brand and the program has connect.

Moderator: Thank you. Our next question is from the line of Kaustav Bubna from BMSPL Capital. Please go ahead.

Kaustav Bubna: So, a competitor of yours recently on the concall said that they made a statement that the edible oil prices have bottomed down and the worst is over for this industry right now and things will only look up from here.

So, what's your view on this and how do you see pricing and demand shaping up margins also for players like you shaping up over the next two, three years in the space edible oil space?

Angshu Mallick: Edible oil industry what we always fear is sharp decline or sharp increase. Sharp increase obviously good because most of us are long physically, but when it comes to sharp decline we are all afraid because you don't get much time to cover yourself, but the edible oil prices have been steady, and the hedge is now in tandem. It is not reversed. Earlier what happened CBOT was going up, India was coming down. So, you were lost in both places.

Now the hedges are in tandem and it's a little much more safer business I would say. Going forward if these oil prices remain like this or even it reduces and gradually it reduces the way that is happening now we see better because brands always do well when commodity prices are lower that is one.

Two consumption is always high of staples when the prices are low. Both the things will surely help us to do well because the brand Fortune will gain when the prices are lowering.

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

Akshay Krishnan: Sir just wanted to understand on the branded segment, what are the key drivers that we are monitoring in and do we expect any further acceleration down the line and what is that we can actually look in for that?

Angshu Mallick: In brands we normally monitor one supply chain because the demand shoots up many times because these are staples. So, we have to ensure that we have excellent supply chains. So, possibly we have the largest number of manufacturing points, and we have 93 depots across the country far-flung areas including Srinagar and Leh and all that.

So, stocks are available 10,000 distributors handling our products, many of them all the products and many of them are exclusive. So, the supply chain is one. Two is the retail universe increasing? Is our direct coverage increasing? So, we have seen that our direct coverage now around 6,60,000 which we started the year at around 4,75,000 or 5,00,000 and we hope to go up to 1 million in another year or so.

Indirect coverage is also increasing, which Neilson is saying is growing and has grown at 2.14 million, which in itself is a very good figure. Third is the absolute market share which has grown from 19.5 to 19 points to that peers are looking at.

We look at what is the volume that the retailer is handling what we call as PDO. So, all these things matters. Apart from that let me tell you our boys give us hints that competition is weak in this area, competition and the supply chain is tight and we should gear up fast. So, we don't take much time to react and all of us get into the act and just blast with our volumes that is our strength areas. So, these are the things that we do.

Akshay Krishnan: One more question just a follow up I just want to understand the performance trend that's been seen through the quarter. So, just want to can this help us in quantifying the October versus November versus December trends that we are seeing in?

Angshu Mallick: In terms of volumes or sales or something?

Akshay Krishnan: On the overall level both the sales and the volumes?

Angshu Mallick: Packed oil did highest in October, basmati rice, Kohinoor did highest 6,500 ton in December. So, OND was very good because basmati rice season starts in October as October, but December was very good for us for domestic basmati rice business. This trend continues also January-February-March. Our oleochemical business has done very well. Let me tell you, we are almost 25% of the country is glycerin suppliers.

We almost have 33% market share of stearic acid in the country, 11% soap noodles so that business also except for soap noodle other two products were doing very well in bonding. Castor oil was good. Castor oil exports were very good so that has been helpful for us.

Overall, October, November and December, October volume was very, very good. November was a little medium and then December was low. So, that is how it is, but volume wise it was a good quarter.

Moderator: Thank you. We have a follow up question from the line of Kaustav Bubna from BMSPL Capital. Please go ahead.

Kaustav Bubna: Maybe for my lack of knowledge, but this question more pertains to understanding how do we track the prices of let's say mustard oil and soyabean oil for those type of edible oils how do we track the raw material prices? Do we just link it to crude oil or is there some other way you recommend us to track those prices?

Angshu Mallick: Mustard oil I will tell you is simple the prices are available in exchanges, Solvent Extractors Association regularly issue these brokers are there we supply the racks on a daily basis, but for us we buy mustard seed. We are possibly one of the largest mustard seed buyers and processors.

So, we keep track of mustard seed available in Haryana, Rajasthan UP and we are buying oil in 9 places. So, overall, we get a feel of the country's supply chain now and that is how we ensure one raw material, and we ensure the raw material prices are least cost basis.

So, whichever is cheaper we buy from that area as seed also we go by land tracking, but for you, you can get into Solvent Extractors Association and you will get their report monthly, daily I don't think they will, but they are giving weekly rates.

Kaustav Bubna: And one more question was for the end edible oil product what is the percentage of imports that come into the country?

Angshu Mallick: See today we consume roughly around 23 million tons and domestic is around 9 million ton then 16 is imported. So, two-third, one-third.

Kaustav Bubna: So, out of this import is there any import duty?

Angshu Mallick: Yes 5.5% import on crude oil.

Kaustav Bubna: And is the company lobbying for a higher import duty in the future or you guys happy with this equation right now?

Angshu Mallick: No, I will always say if the duty is less prices of commodity is less volatility will be good and manageable and consumers will find the prices attractive and will consume more. End of the day lower prices help, but then if you look at the farmer surely they are worried because in soyabean if you have seen recently in MP the rates are lower than the MSP. So, there is some amount of discussion going on. So, from a consumer point of view lower duty is good.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments.

Shrikant Kanhere: On behalf of the Management of AWL, I would like to thank the participants for taking out time and joining our call and listening to us. Do keep tracking our numbers, do keep tracking us on a quarterly basis and do connect with us for any connect with us offline also for any explanation or queries which you have around the business model. Thank you very much.

Angshu Mallick: Thank you all for attending and hope to continue with this trend Q4 onwards, lot of activities are going on in AWL and I hope we continue with our good performance.

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