BIKAJI FOODS INTERNATIONAL LIMITED
F 196-199, F 178 & E 188, Bichhwal Industrial Area, Bikaner, Rajasthan, India – 334006
T: +91-151-2250350 | F: +91-151-2251814 | E: cs@bikaji.com | W: www.bikaji.com
CIN: L15499RJ1995PLC010856 | GST No.: 08AAICS1030P1Z5

Ref: BFIL/SEC/2023-24/34 **Date: May 31, 2023**

To
Dept of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai 400 001 (Maharashtra)
Scrip Code: 543653

The Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (East),
Mumbai 400 051 (Maharashtra)
Trading Symbol: BIKAJI

Subject: Transcript of Earnings Conference Call for the quarter and financial year ended on March 31, 2023

Dear Sir / Madam,

We hereby inform you that in continuation to our letter bearing Ref. No. **BFIL/SEC/2023-24/13** dated May 17, 2023 and pursuant to the Regulation 30 read with Point 15 of Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations"), as amended from time to time, an Earnings Conference Call with the Investors and Analysts for the quarter and financial year ended on March 31, 2023 was conducted on Wednesday, May 24, 2023. Please find attached the transcript of the Earnings Conference Call.

In compliance with the Regulation 46 of the Listing Regulations, the transcript of the Earnings Conference Call will also be available on the website of the Company and the same can be accessed at www.bikaji.com

You are kindly requested to take the same on record.

Thanking you

Yours faithfully,
For Bikaji Foods International Limited

RAHUL JOSHI
Digitally signed by RAHUL JOSHI
Date: 2023.05.31 13:02:30 +05'30'

Rahul Joshi
Head - Legal and Company Secretary
Membership No.: ACS 33135

Encl: a/a

"Bikaji Foods International Limited Q4 FY23 and FY23 Earnings Conference Call Transcript"

May 24, 2023

MANAGEMENT: MR. RISHABH JAIN – CHIEF FINANCIAL OFFICER
MR. MANOJ VERMA – CHIEF OPERATING OFFICER
MR. BHUPENDER SINGH SOHAL – SALES HEAD, VICE PRESIDENT SALES

MODERATOR: MR. VIJAY GYANCHANDANI- LEAD ANALYST
S-ANCIAL TECHNOLOGIES PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Bikaji Foods International Limited Q4 FY '23 Earnings Conference Call hosted by S-Ancial Technologies Private Limited. 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 and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vijay Gyanchandani from S-Ancial Technologies Private Limited. Thank you and over to you sir.

Vijay Gyanchandani: Thank you. Welcome to Bikaji Foods International Limited Q4 FY '23 Earning Conference Call. From the management, we have Mr. Deepak Agarwal, Managing Director; Mr. Rishabh Jain, CFO, and Mr. Manoj Verma, COO.

Now I request the management to take us through the key opening remarks and after that, we can open the floor for the Q&A session. Now I hand over the call to Mr. Deepak Agarwal for his opening remarks. Thank you and over to you, sir.

Rishabh Jain: Thank you, Vijay. So, Mr. Deepak is not there, I am Rishabh. Thank you to all the analysts and all the shareholders who joined the call. We are presenting the Q4 and full-year review of Bikaji Foods International Ltd. I have with me Mr. Manoj Verma, who is the Chief Operating Officer and along with Bhupender Singh Sohal, who is the Sales Head, VP of Sales.

Last FY '23 has been a historical year for Bikaji Foods. We have done multiple single input metrics, be it the right procurement, be it right quality, multiple plants at different locations, and investment in people and output has been very satisfactory to us. So, last year, in FY '23 we have grown at close to 22% over FY '22. Our revenue from operations is close to INR 1,966 crores. Our EBITDA is close to INR 214 crores. That is 53% growth over last year. Our PAT is close to 66.5% growth over last year. We have closed at INR 126 crores PAT over the last year.

Our gross margin, when we started the year FY '23, in the first quarter, we saw a huge inflationary pressure across all key raw materials, be it edible oil or multiple pulses, crude, diesel, all the including inward factor. But the first quarter was tough for us. In the first quarter, we have done an EBITDA of close to 7.3%, and the gross margin was close to 24%.

However, when we completed the year, our full-year gross margin is 29%. So, we did multiple things at the gross margin level and we will explain in detail what we have done. Our EBITDA margin is 10.86%, which is close to 220 basis points higher than last year. So, in quarter 4, our revenue from operations grew by around 16%. Our EBITDA is close to INR 62 crores and has grown by 52%. Our gross margin is at its highest, it is around 34%. And our EBITDA is around 13.4%.

FY '23 has been a milestone year for us. There are multiple events which have happened in the last year. We got listed in BSE and NSE in November 2022. We added three plants, one in Kanpur, one in Muzaffarpur, and one in Bikaner in the name of Hanuman plant. We also got approval from government for PLI subsidy scheme of INR 261 crores, which we will get over the next 6 years. And we got the first tranche of close to INR 20 crores in March 2022-23. We expanded our regional sales office in South India. That's the first time we have taken our offices outside Bikaner.

We also strengthened the management across all key functions, be it supply chain, be it quality, or production. Across key positions, we have filled the positions to strengthen our bench. Shiv Ratan Agarwal, who is the founder of the company, started the brand in 1993. He is a pioneer with an experience of more than three decades working in the snacks industry. He is the Chairman of the company. We have a very strong board with Shiv Ratan Agarwal, Deepak Agarwal, and Shweta Agarwal. All three are the promoters and founders of the company, giving a lot of experience to the company. In strengthening the quality, procurement, and product quality across every field.

Mr. Sachin Kumar Bhartiya, who is a Non-Executive Director and Nominee Director. He is a partner in Lighthouse Fund. Mr. Siraj Chaudhry is an Independent Director. He has a great experience in the FMCG industry, and Agri-industry. Earlier, he was the Chairman of Cargill India. Mr. Pulkit Bachhawat, is an Independent Director and is a CA, CFA. He has a great experience in finance background.

Mr. Vipul Prakash is currently the CEO of MakeMyTrip India. He has 20-plus years of experience in PepsiCo India. Mr. Nikhil Vora runs the Sixth Sense Ventures Fund. We are supported by very strong professional management. Starting with Mr. Manoj Verma, who is the COO of the company. Recently, Mr. Mahavir Jain joined the company, he is the CBO of the company.

Mr. Mukesh Sharma, he is the Head of the Supply Chain. He has a great experience in Britannia and Tata. Mr. Ram Sinha is the President of Sales, looking after the Modern Trade. He has a great experience in Reliance Retail for more than 16 years.

Ms. Neha Rao, she joined us as VP of Marketing last year. Mr. Bhupender Singh Sohal, he is with us for more than 9 years, heading our sales. Mr. Rahul Joshi, he is the Company Secretary and Compliance Officer. Mr. Shambhu Dayal Gupta, he is the President of Finance and Corporate Affairs. He has joined the company for more than 30 years.

Now, I will hand it over to Mr. Manoj Verma, who will take you through a presentation.

Manoj Verma: Thanks, Rishabh. So, gentlemen, just taking you through a few snapshots, the highlights of the company I was going to speak about. So, Bikaji, in terms of market leadership, we enjoy the third largest position in ethnic snacks space in the country. We are the largest manufacturer of Bikaneri Bhujiya, producing about 36,000 tons annually.

We are the second largest manufacturer of handmade papad in the country. In terms of our distribution and capacity, we as a company, we have a reach of 9.5 lakh outlets across the country. We have exports covering around 25 countries around the globe.

We have now the manufacturing capacity, installed capacity of almost 270,000 metric tons, and this is across country in various locations. In terms of our organization and its performance, so our five year revenue CAGR, value CAGR is 21.6% and volume is 13%.

Talking about company strength, we have a diversified portfolio of over 300 products. We enjoy market leadership position in the family pack. So, 59% of our business comes from our family pack, which speaks about the strength of the brand.

Talking about product category we are into broadly six categories. First and foremost is about Bhujiya, followed by Namkeen, third is Package Sweets, fourth is Papad, fifth is Western Snacks, and the sixth is others, wherein it is about frozen, it's about maida items, and the gift products and all.

So, these are the three. We have launched a few products very recently to cater to or to address the need and opportunity in the premium category and also the health space. So, this is about multi-grain Bhujiya, which is about Jowar mix, so the roasted product. We also launched a few products in the mass category, which are Churmur, Sev Murmura, Classic chips, and so on and so forth. Also, to cater to the international opportunities of our exports, we have very recently launched Packaged Thali and Frozen Thali.

There are certain products and packs which we have launched and relaunched. So, the one I'm talking about is in a can kind of stuff, so this is about premiumization and increasing the gross margin on certain products, which already exist, but this is about some change in packaging as well, besides new products launching.

Talking about product categories that we look at, so revenue sales, so CAGR for last five years is 22%. If I talk about ethnic snacks, five years CAGR growth is 21%, Packaged Sweets has grown at 21% for the last five years' CAGR, Papad has grown at 15%, Western Snacks has delivered a growth of 42% and the others category has delivered a 14% growth over the last five years.

Product mix, we were to look at, as of '22, 35% of our business used to come from mix Bhujia and 35.6% was from Namkeen. Package Sweets was 12.7%, Papad was 6.7%, Western Snacks was 5.7% and all others was 4.3%. Whereas if we look at in year '23, there is a shift and what has happened is that, Namkeen has gained a share of the business, by virtue of its high growth that it has delivered.

In last year's share of the business is, Namkeen contributes 36.1%, which is the highest, followed by Bhujia which is 33.4%, then is Sweet 12.1%, then is Papad, which is at 6.2%. Western Snacks has gained substantial share of business of 8.2% and the others is 3.9% in share of the business.

As we have been talking in the past about that, we look our business in three parts, which is core, focus and others. So if I was to talk on the growth, so core states over the last five years has delivered a CAGR growth of 21%, focus states has delivered a CAGR growth of 22%, other states has 33% and exports has a CAGR growth of 15%. If we look Bikaji business by zone, so East zone has grown at 24%, over last five years, North has delivered a CAGR growth of 20%, over last five years, South you know, is our very recent entry, has delivered a growth of 68% and West has delivered a CAGR growth of 16%.

Talking about our SKU mix, so as of '22, our family packs were contributing to 60.6%, whereas as of last year, so FY '23, the contribution of the family pack has come down to 58.9% and in fact this is what, we have projected and this is by virtue of gaining a high share of business in the western snack, which is primarily about INR5 and INR10 pack.

Talking about our manufacturing facilities and capacity, I would request Rishabh to speak.

Rishabh jain: So in the current fiscal in '23, we have added three new plants in Kanpur, Muzaffarpur, and Bikaner, that is in the name of Hanuman. All three plants have a capacity for Western snacks and Namkeen. So we have a total capacity of close to 2.7 lakh metric tons. In FY '24, we will also be adding three more capacities. One in Bikaner, that's in the category of frozen, will start in the next three months to four months. The other one is our Patna CMU, which will start by the end of this month, maybe June 1st or 2nd week. And the last one is Raipur.

So Raipur we started a CMU and we have a tie-up with the CMU contractor and that will start by the end of this financial year. So these three will further add capacity to our total capacity. We also got first tranche of PLI and we committed close to INR 440 crores we will complete all the capex by the end of this financial year, to complete all the obligations.

Manoj Verma: Yes, so talking about our Pan India distribution. So the point to note here is that, in the last year, Bikaji has gained or increased its reach by 100,000 outlets. So as of the end of '21, our reach was 8.53 lakh outlets, which has now come to 9.52 lakh outlets. That's the major leap, which we as a company have taken. We have also expanded our distributor or channel partner base over the years. Talking about marketing initiatives, so we spent close to 2% last year, which is, what was committed.

Our presence across communication vehicles for ATL, be it television, be it radio, be it other TV channels, and social media. So a few of the brand collaborations, what we did was, tie-up with PVR for certain campaigns, we tied up with ATMs. For international marketing, we were present on television across the US, Canada, the UK, other European countries, Australia, and New Zealand. So that's what has been our presence.

We actively participated in international exhibitions to support our export such as sales in Paris, which happened in a way recently. Then, for example, very recently there was a Sonu Nigam Night, which happened in the UK, that was sponsored by Bikaji, and a lot of sampling activities, which was done. Then some certain ground activations at Sharjah, this is to support, Middle East sales.

Coming on to a new brand campaign, so Amitabh Bachchan continues to be our brand ambassador, who is there till Diwali, this year. By end of this quarter, we would be closing down the extension office or whatever next is to be done. We also plan to shoot a few new brand campaigns this year. That's what we will do. And what we have on cast is the festival campaign because that is the next two quarters for us as an organization and opportunity both are very large. That's what the marketing team is working on.

Coming to the strategic initiatives to further consolidate our leadership position, in our core states. What we have done is that new manufacturing facilities, which now have all been commissioned, firing well and have been immense support last year to deliver the numbers and in fact, over deliver our budgeted numbers for all three states. Then was about premiumization and upgrading, what we identified for ourselves was that, the set of issues, which were higher on the gross market. So our sales team is continuously and consciously working to improve the mix, so as to help increase the bottom line as well.

There's been a certain rollout of special programs, which our sales team has done. So this is about top-end stores engagement programs. Certain wholesale and distributor channel partner programs. That's what were rolled out in these core states. Specific shopper marketing activities were to increase off-take and drive a few range and portfolios in the store. And last but not least is about sales automation tools, which is what is being delivered in these core states.

Now talking about to address focus states and other markets. So what we're doing in focus states is, expanding our distributor base distribution. Second is about focusing on categories beyond top selling products. So earlier, it used to be a couple of categories, where the focus used to be and Bikaji was known for. Now we are trying to make this and that's been our effort, for all this time to increase that stuff. Develop products to cater local tastes. So this is, you see certain products, which are most specific to the market.

Similarly for southern markets, the South Indian products. That's what we've done. We continue to leverage modern trade channels by virtue of our strong relations with all national chains. So in all these focus states, we enjoy a disproportionate market share in the modern trade channels by virtue of our JVPs, what we have with these accounts for Pan India. The last is about the sales teams or the feet on the ground. So we strengthen our teams there. Talking about other markets, what we're doing is that one, we are expanding our super stockist network there. That's what helps us reach, increase reach and coverage to the down-top data. We continue to spend behind ATL activities.

Manoj Verma: So continued investment behind the ATL activation. So, that's what generates brand awareness. Leveraging e-com B2B channel, to these channels helps us and the cost-to-serve model becomes much more economical. Then if talking about leveraging technology. So technologies there across platforms, starting from our depots, which is, ASRS then is DMS, then is SFA and, at our production, on the factory as well. Now coming on to our financials, Rishabh will clear.

Rishabh Jain: Thank you. So revenue from operation has grown by 22% over the last four years or five years. At our, all the states, be it core or focus, all have grown at least 20%. But gross margin is around 29% FY ‘23, which was close to 27.4% FY ‘22. So we have done multiple things in keeping a gross margin to a higher level. Be it right sourcing, we do premiumization of new products, like I'll give you example. So over the focus product, which is with a high on gross margin. So last year, it was close to 11% - 11.2%. We've taken this to 12%. So that's it. That helps us improve gross margin by around 0.5%.

We also improved our purchase, be it long-term contract or be it right sourcing through right partner and that has helped us in improving the gross margin. Our EBITDA has grown to close to 11%. From ROE, ROCE perspective, so our ROCE is around 15%, which was close to 13.9% last year. And our ROE has improved to 10.5%. Our working capital, which includes debtors, creditors, and inventory is close to 19 days. Our asset turnover ratio is close to 3.3. So we completed our capex cycle.

So how we'll improve our ROE and ROCE and ultimately net asset turnover ratio? So by FY '24, we'll complete our capex cycle that, will give a capacity of close to INR 4,500 crores plus. Post FY '23 and '24, we will not have to do a major capex. And further FY '24, capex will be sufficient to fund the next two years-three years of growth. So that's ho we'll improve our asset turnover ratio to 3.32 plus 4. And that will also improve our ROE, ROCE in the coming years. If you look at FY '23, so our revenue from operations has grown by 22%. We have closed turnover of around INR 1,966 crores. Our ethnic snacks business has grown plus 20%. Our packaged food business has grown at plus 17%. And our western snacks, where we have set up most of the capacity across many states, have grown at plus around 80%.

Papad category, which is highly unorganized, we've grown by close to 16%. So in FY '23, our value growth is close to 22%, whereas our volume growth is plus 15%. When you look at Q4 FY '23, our revenue from operations has grown at close to 15.5%. Our ethnic snacks business has grown by close to 15%. So, in Q4, we started with January, which was a very dull month for, all the food brands. Jan and Feb was a little dull for us, but from March, we've seen good uptakes in demand in rural and urban states. So, our ethnic snacks business has grown at close to 15%, Packaged food is close to 14%, Western snacks are in good demand of close to 41%, and Papad has grown at close to 8.3%. So that's the overall category-wise growth, we've done in the last quarter. In revenue from an operations perspective, we've grown at close to INR 462 crores of turnover versus INR 400 crores in FY '22 last quarter.

Our gross margin has improved substantially. Whereas last year last quarter, we've done close to 29% gross margin versus this year. There was a 5% margin improvement, and we closed at close to 34%. And compared to December first quarter, our gross margin has improved by close to 4%. That has resulted in our PAT margin of close to 8.28% in the last quarter versus 6% in the corresponding year last quarter.

Over the year, we've closed at close to a 6.5% PAT margin, and we closed at INR 127 crores of PAT. Our revenue from operations has grown at close to 16% over the last quarter and 22% year-on-year. EBITDA has grown at close to 52% over the last quarter and end year also. And our PAT margin has grown at 57% over the last quarter. And we closed a PAT of INR 38.3 crores in FY '23 last quarter.

We've seen a softening of raw material prices and packing material prices in FY '23, resulting in an improvement of gross margin by 168 business points, when we see a full year. EBITDA margin is also supported by many efficiencies and many measures have been taken at all the cost rate, including purchase, efficiency, including a focus on high EBITDA items. And we are there, trying to improve at all levels, all cost rate levels. Our edible oil, when we started in FY '21, when we see raw material prices, edible oil, which was around 1. So currently also it's up close to 1.4 compared to last three years.

But yes, when we see it's, we've seen very up-streak in the first quarter of this year, currently, it's around, it's reduced to close to 30% from its peak. Also, pulses and floors, laminate, corrugated box, all has been, all is supported in last quarter. We got a PLI scheme from the government, where we are committed to close to INR 440 crores of investment. We got the time in FY '24 to complete all the capex and investment plan. We have got close to INR 261 crores in category one and close to INR23 crores in category two. Category three, which is mainly any ad expense, which we do outside India and the international market.

We'll get reimbursement of the same. So we realized close to INR19.84 crores, which was the first tranche of ‘21-‘22 in March 2023. We are not recognized yet in our books of accounts in our P&L. There are some capex conditions, which are yet to fulfilled and we'll complete the capex condition by end of this calendar year mostly. And in FY ‘24, we will most likely take our PLI benefits in our books of accounts, in other operating income. From outlook perspective in FY ‘24, we are targeted to improve gross margin of 0.5% on account of improved purchase planning.

We are also setting up a plant in Bihar. So the plant in Bihar will start next month and that will shift some Namkeen and Namkeen categories to that plant. That will also improve logistic cost because currently, we are sending goods from Bikaner to Bihar, which is close to 600 kms far. So that will help in improving logistic cost.

We are also planning to transform our power consumption to green and sustainable energy. And we are targeting 30% of our total power consumption to shift to green and sustainable energy. We are also focusing on improving our high gross margin product. Currently, it's close to 13%. We are targeting to take this to 18% in next three years. From future readiness perspective, we are targeting to increase our reach to another 1.5 lakh outlets by end of this financial year.

Last year, we added close to 1 lakh outlets. This year, we also targeted to add feet on the ground. So who are our eyes and ears, we will be in direct touch to, touch with all the retailers and retailers of Bikaji Foods. So we are also adding 500 feet on the ground. Amitabh Bachchan is our brand ambassador, so we are investing heavily in this campaign. We also gained a share in last four years. We got a good experience with having collaborated with him. And we are planning to further taking this contract to next two years.

We are continuously investing in leadership and functional team, including all the senior management. And this year also, we are targeting the same. Data science is very important for us. We are working on data. And all the decisions should be backed by data. That’s what our approach is. So that's part of the presentation. We are open to any questions if you have.

Manoj Verma: Gentlemen, the presentation is uploaded. What we spoke about is all now on the site.

Moderator: Thank you very much. We have the first question from the line of Harsh Shah from InCred Capital Financial Services. Please go ahead.

Harsh Shah: Hi, Sir. Thanks for taking my question. When you spoke about the improvement of gross margins of 0.5%, is that on the basis of FY23 or on the basis of Q4FY23?

Management: FY23.

Harsh Shah: But Sir, why are we so conservative in that outlook? Because we are planning to increase our share of high gross margin SKUs plus we will also have other benefits coming in. If we assume that the edible oil environment remains stable, then why not plan the kind of margins which we have achieved in the fourth quarter?

Rishabh Jain: So basically 0.5% of what we are told is the basis of improved purchase planning. Other than this, of course, we have planned to increase the gross margin above 0.5%. But I am speaking only about proper purchase planning and improving on high EBITDA products. That's 0.5%. But our target, like last year, we have closed a close 29% gross margin. And we always look at it on year-on-year basis, not quarter-on-quarter.

Because last quarter the potato price was very low because December to March is a fresh crop. So, we always see 12 months' overall average gross margin. So last year gross margin was close to 9%. We want to take this to around close to 150 basis points higher than last year. That's our target. When we look at the year.

Harsh Shah: Okay, correct. Thanks for that. And then how should we look at the basic cost below the gross level? Let's see the other expenses part. I mean, you talked about benefits there as well from logistics as well. So, let's say if we are targeting a 150 basis points improvement in gross margin, should we target higher improvement at the EBITDA level?

Rishabh Jain: See, basically we need to be we are working on all, at all the costs be it manufacturing cost like we are going at solar. Be it logistic cost when we shift a plant, we are building plants across all key locations. Suppose we are working at all fronts and we want to improve our EBITDA. And from each front basically, be it logistic cost, so we have to include 0.2, 0.3 basis points compared to last year. Be it manufacturing cost where we want to improve to around 0.3 basis points.

So of course, we want to take, we want to have another 0.5% basis point improvement in our EBITDA from other cost side. Of course, but yes, what is happening? So, we have opened aa plant last one year and this year we will open a plant. So initially the cost of opening a plant and cost of running is very high because we will not be running at full capacity. We will be running in the starting period. So, at 35%-40% utilization, we will be at breakeven or we will start giving margins. So new plant will start giving benefit in next 2-3 years.

Harsh Shah: Okay, so those benefits will come from FY25 onwards?

Rishabh Jain: FY25, yes.

Harsh Shah: Okay. And sir, on this PLI front, let's say these INR 260 crores which is the benefit that we will be getting. How, I mean, will it be equally dispersed over the 6 years or I mean how will the dispersion take place?

Rishabh Jain: So basically, it's a ballooning payment. So normally, the Government has taken 2019-20 as the base year and so this is, and they have given us a 7.5% subsidy percentage on incremental sales which we do every year. So basically in 2022, we have done sales of close to INR 1,600 crores and the base was INR 1,100 crore. So, they have given in INR 20 crores. So, for the year 2023, we will get close to INR 32 crores rupees. So, it's ballooning, so this year we will get INR 32 crores, then INR 45 crores, and then INR 60 crores. So that's the way ballooning payment is there. So, we will get in the next 6 years, we will get INR 261 crores.

Harsh Shah: Okay, got it. And sir, just one thing, for FY23, what would be our split basically as the salience of sales coming from core states? It used to be in the range of 70%-72%, right, in FY22. So what is that percentage now in FY23?

Rishabh Jain: So FY23, our core state is around 73%.

Harsh Shah: So, it's similar as last year. So basically, the core state and focus state have grown at the same pace in FY23. Is that right?

Management: Right.

Harsh Shah: Okay, thank you so much, Sir.

Moderator: Thank you. The next question is from the line of Ravi Srivastava from Bay Capital India Fund. Please go ahead.

Ravi Srivastava: Hi, Manoj and Rishabh. First of all, congratulations. Hope you guys are doing well. Couple of questions from my side. One is on the revenue, right? So, you guys grew at 22% for the full year. And as I understand, I think 15% volume growth. So just the remaining, if you can talk to us about how much was price increase and how much was mix change that drove the additional over and above volume growth? That would be the first question.

And second question is that, I think Manoj just spoke about 11% was, high margin products and that has gone increased to 13% for this year. And you're planning to take that up to 18%. How does that impact overall margins if you have done some analysis on that?

Rishabh Jain: Yes, thank you, Ravi. So basically, you see, we have grown at close to 22% overall revenue. But Ethnic Snacks & Package Sweets have grown by 21% each. Papad at 15%, Western Snacks at 42%. So, volume growth was close to 15.3% compared to last year. But when you see last quarter, so we're going to close to 16%. But our volume growth is up 13%. That's the kind of volume growth we've seen in last quarter. Going forward next financial year, we are looking at more volume-driven growth rather than value-driven growth.

Because in the last quarter, we have taken MRP cut where we also increased the grammage by looking at consumers. Like in INR 5 MRP, previously we were getting 16 grams in a few items. We have taken this to 20 grams and 25 grams also. So that's a call we have taken. Also, we need to look at competitors at a very tight level. So that's the way volume growth we have done. And we have taken price growth of close to 5-6% in FY23 compared to last year. But this year, we are looking at more volume-driven growth. That's point number one. And what was the other question?

Manoj Verma: Yes, the other question was about the product-mix. So, Ravi, I think we spoke in the earlier call as well. So, we have identified a set of six brands that are high on gross margin. And what we are doing is that there is a conscious effort to drive their contribution, drive these categories. And this is not just a sales effort.

It is our marketing campaigns, our shopper marketing staff, the tracking of the fill rate of these SKUs. So, everyone end-to-end, our team is aligned on that. And that's what we are working on. Currently, we have moved this middle to about 12% of the contribution. 13% it has come to. We intend to take it to 18% over the three years from now.

Ravi Srivastava: Understood. So, just Manoj ji on that. If it moves to 18%, what is the delta on the gross margins? So, for example, it is 13% today.

Rishabh Jain: So, basically, gross margins will improve close to 1.2% if we take this to the next level.

Ravi Srivastava: Okay. So, if it goes to 18, then it has a 1.2% expansion in gross margin. Is that?

Rishabh Jain: Because we will invest also, we will do some pricing correction and all things because we will push their products. So, on net-net, we will do close to 1.2% to 1.3% gross margin expansion from that product.

Ravi Srivastava: Got it. Rishabh, just one more thing. For the full year, I think the EBITDA margins are close to 10.9%-11%. While for the last year, it was 13%. How should we think about operating margins or EBITDA margins, two to three years down the line? Is 13%, or 14% a good number to track or how would you sort of?

Rishabh Jain: Ravi, so if you look at the next two to three years' agenda, of course, that's our target because we need to move to 14% types of EBITDA. That's the target we are taking. But yes, you see FY24, so last year's EBITDA was close to 11%. So, we want to do this to at least 100 basis points. That's the target we are taking, across all functions, all key levels. That's the brand we want to grow. Because you see, since the last 5-6 years, it was 20% plus. When volume increased, there are multiple costs which become more efficient and cost doesn't increase as sales increase. So, that's what we want to improve.

Ravi Srivastava: Understood. But the focus was on volume growth, right? Is that, is that is the thing?

Rishabh Jain: Yes.

Moderator: The next question is from the line of Binoy from Sunidhi Securities and Finance. Please go ahead.

Binoy: Hi, thank you for the opportunity. Just want to understand your, raw material basket. How much of it would be edible oils? How much packaging material, potatoes, and likewise other raw materials?

Rishabh Jain: Yes, so basically edible oil, if you take it compared to sales, then edible oil is close to 23%. Pulses, including pulses and flour. So, it's around 20%-29%. And packaging material is around 9% - 9.5%. That's overall. Then there are dry fruits, there are mills, there are multiple. We are not dependent on any single raw material, that's the beauty of it. So, we can improve raw material. Any significant increase in single raw material doesn't depend much on our gross margin. So, in pulses also we are using more than 5-6 types of dals. 2-3 types of arhar. So, overall, yes, so dry fruit we are using close to 5.5%-6%. Sugar is close to 3%. Milk is close to 3.5%. So, that's overall, takes us to 70%.

Binoy: And all these percentages that you mentioned are as a percent of sales, right?

Rishabh Jain: Yes.

Binoy: Okay. Just a clarification, small one. You said pulses is how much?

Rishabh Jain: So, I'll come back to you with the exact number, but it's around 20%-29%.

Binoy: Okay. And how about potato, you said?

Rishabh Jain: Potato is close to 3.5% yeah.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Hi, Manoj, Rishabh, good evening. Thanks for the opportunity. Yes. Just a couple of questions. On slide 19 where you have given the regional mix, and I did a quick calculation where we have seen our strongest growth of 75% in South. I'm doing the Y-o-Y comparison for full year. Now, obviously, your distribution expansion is helping you to grow the market. But I was amazed to see the north and east, which is again a strong snacking market. So you have reported a growth of 20% and 31% in Eastern region.

I fail to understand, and maybe you can give some qualitative comments that in the western part, our revenue has moved to INR 123 crores against the INR 115 crores, which you reported in FY22, which is about 6.7% growth. So is there any competition angle or is there anything snacking per se activities or something like? So I was looking for some qualitative answer from you.

Manoj Verma: Sure, Suresh, I think that's a very valid observation. And thanks for bringing it up. So let me tell you, when we speak about a core and focus state. So unfortunately, none of these states from the west fallen into any of these brackets. So when we say core, and that's where we invest and we to hold our guns. So east, if you look at both Assam and Bihar, the east geography is doing well for us. North, when we speak, primarily Rajasthan, which is the largest state. And if Rajasthan does well, the entire north matrix would do well. South, we have already, what we've called out two states, which is Karnataka and Telangana, are part of our focus state. And hence, so the focus on south and also the number looks substantially high because of low base. Western states, to talk about, not that, we choose to ignore, but honestly speaking, we do not have as much focus. I think, you know, you will have to hold for a couple of years more.

You know, we are all set to come up with a plant in Chhattisgarh by the end of this financial year. And maybe next year you will see that the Western markets will start witnessing the higher growth. And in line with the investment, what we intend to make in later this year.

Moderator: Thank you. The current participant has left the question queue. Mr. Pardeshi, are you there?

Shirish Pardeshi: Yes. So, sorry, Manoj, I lost. I was cut in between. So, I could not hear what you said, but maybe I'll take it.

Manoj Verma: You want me to repeat, Sridhar? I'll quickly, you know, give you…

Shirish Pardeshi: No, I'll take it offline. No issues. I have a second question. On the gross margin front, the observation here is that we have started gaining some benefits here. And Rishabh did say that we are targeting at least 100 basis points improvement in the margin. But just one historical data point, if you can share. When the input raw material price is correct, does that mean that the local competition is already started hitting us? Or maybe if you can give some color more on the local competition, especially in the high-consumption states?

Manoj Verma: So, Sridhar, I'll take this question. So, one is that if we look at last year, as we got into this year, so quarter one was the period wherein, there were headwinds in terms of the pricing of the commodities. And, that gave a big hit to our bottom-line numbers. Over the quarters, what we did was that we went back, we tried to improve our efficiencies, productivity some grammage reduction, price increase, whatever.

And, what happened was that by quarter four, the prices, commodity prices also started softening. So that's what, we benefited, in the double sense. One was that we improved our efficiencies and corrected things. And second, is the softening of prices. And numbers speak louder than for what I say, that if you compare, the EBITDA margin of quarter four versus quarter one, you can see the difference, what was there.

Now, to your question, with the softening of prices, yes, not only the regional players, even the national players or the large players have started passing, the pricing benefit to the consumers. And so have we done. Another data point to validate for what I'm saying is that if you look at our quarter four numbers, our volume growth is 13%, and value growth is about 16%. Whereas if you look at our annual number, it is 15 and 22. So this now speaks about the question that you've asked.

Shirish Pardeshi: Understood, Manoj, that's helpful. Just one follow-up here. You mentioned that you've started giving back the benefit. Would you quantify, is that the practice which you are going to follow for the next four quarters? Or you're still not completely passed on and you're trying to get to the competition and the market, how consumers behave?

Manoj Verma: So it's both. I think it is practical and strategic, both. That's how we look at it. And also, we very closely watch what competition is doing in the marketplace. And what would help us to take this decision is also the commodity pricing. So today, prices are such that which can help us or which allow us to do this. Therefore, we are doing it. Tomorrow, let's say if there's something or some catastrophe or some stuff happens wherein prices go beyond our expectations, maybe we'll have to stop or cut the spins of what we're doing.

Shirish Pardeshi: Okay. Manoj, that's helpful. My last question, in terms of competition, do you see heightened competition or more regional competition in the Western or in the Ethnic? Because I see that most of the MNCs are also now trying to get aggressive into the ethnic.

Manoj Verma: So I think, perhaps what you're talking about is right. But more in the sense that, you know, Ethnic, there were very few players earlier. And Western had many. So this was a cluttered market. Today, we also see that a lot of companies have started trying to get into the Ethnic space, which is true. But I think there's no less competition on the Western side as well. And we see enough and more, new variants coming in. The companies who are well established are trying to not to do the brand extension and all that stuff. So, competition is on both ends. It is not just one.

Shirish Pardeshi: Thank you, Manoj. Thank you, Deepak and Rishabh. Thanks for the opportunity and all the best.

Moderator: Thank you. The next question is from the line of Saurabh Jain from HDFC Life Insurance. Please go ahead.

Saurabh Jain: Yes, sir. Thanks for the opportunity. So, sir, two questions from my side. Firstly, I'm referring to slide 21, where you mentioned the installed capacity of about 2,70,000 metric tons. Can you comment that, what is the volume that you produced in FY '23?

Rishabh Jain: So, FY '23, if you look at the overall average, so we have been close to 42% to 43%. But you see, it depends on your capacity categories, like sweets and sweets are largely festival driven. So that's the peak capacity, we use normally from Rakhi, Diwali. But Bhujia, Namkeen, we eat on the weekend which we used, they are using a good capacity. But yes, from last year FY '22, we have started building capacity. So yes, our current usage capacity is close to between around 42% to 43%. But yes, our target is to take this to 65%-70% in next three-four years.

Saurabh Jain: Okay, so you're saying that, the optimum capacity utilization is about 65% to 70%?

Rishabh Jain: Optimum means in salty snacks is close to 85%, sir. Optimum. So we can take this to 85% comfortably.

Saurabh Jain: Okay, sir.

Rishabh Jain: Yes, But in sweets, it's largely seasonal driven. So in sweets, taking this to 80%-85% is actually tough. So in sweets, we can take this to 45%-50%, if you see a blended average over the years, 40%-45%. But in salty snacks, we can comfortably take this to 85%.

Saurabh Jain: Got it. And what is the capacity that, will come under operation in the year FY '24, that is CWIP?

Rishabh Jain: So we have three plants coming up. One is frozen, and the other is Patna, which is CMU basically. And the other one is in Raipur. That's also CMU. So basically, two are CMU and one is a frozen plant, which will come in the next three months-four months. So the overall capacity in Patna will be close to around 10,000 tons. But overall, if you merge all, the capacity will be between 10,000 tons and 25,000 tons addition.

Saurabh Jain: Okay. Sir, my next question is, on the other expenses. So, if we see for Q4, they have gone up by about 34%. And if we look at the percentage of sales also, they have gone up both on Y-o-Y basis and a Q-on-Q basis. So what is the reason for this?

Rishabh Jain: So basically, there are two-three things basically. One is basically, there are huge costs and people's costs increased last year. And our logistic costs increased to around 0.3%-0.4%. And also, there was a fair value adjustment in investment, that's close to 0.6%-0.7%. So that's the cost, which we have overall. It was a 2.5% increase in other expenses compared to last year.

Saurabh Jain: So attributing these two first, you are saying manpower cost.

Rishabh Jain: Exactly. So there was ad spend, which has been increased. So ad spend was increased. There was freight-forward charge, which has been increased. So there are multiple costs, which we invested largely. We invested in ad basically to build a market, to build a campaign. Also, logistic costs have been increased because we are building snacks market. So there were chips, western snacks. So western snacks involve reasonably good logistic costs. That's why we are building plant across all key states, nearby states. So logistic costs have increased a little bit. And then there was fair value adjustment on investment.

Saurabh Jain: Okay. So these three items. Got it. And in terms of the overall, in terms of quantum, what is the ad spend for Q4 and for the entire FY '23?

Rishabh Jain: So ad spend in Q4 is close to 2% actually. And over the year also, we have done close to 1.9%. So it's largely in line. In first quarter, it was very minimal. But in the second and third quarter, because of Diwali campaign, we have done reasonably good ad costs. And in last quarter also, we have done close to 2.14% type of ad costs.

Saurabh Jain: Okay. Got it. Thank you.

Moderator: Thank you. The next question is from the line of Anurag Lodha from Axis Capital. Please go ahead.

Anurag Lodha: Thank you for the opportunity. I just had one question. So your exit gross margins came in at about 34%. So I just wanted to understand if, we can sustain these margins in the coming quarter since you have been taking so many initiatives towards gross margins. So, I just wanted to get a sense of that, thanks.

Rishabh Jain: Yes. See, we always look at the gross margin at the over-the-year level. So of course, our last year's gross margin was close to 29%. Last quarter of course was reasonably good because there was a fresh crop. So that has helped us in improving gross margin to this level. But the regular gross margin, which we looked at was close to 150 basis points higher than this. Close to 31% type of gross margin, which we looked at over the year.

Anurag Lodha: Sorry, you said 31 percent?

Rishabh Jain: 31% that's the gross margin, which we look at, when we see over the years.

Anurag Lodha: Okay. Understood. Thank you.

Moderator: Thank you. The next question is from the line of Binoy from Sunidhi Securities and Finance. Please go ahead.

Binoy: Yes. Hi. Thank you for the opportunity. Just a question on your distribution reach, which is about 9.5 lakh outlets. How much of this would be, would the split between core and focus states?

Manoj Verma: Yes. So core would be the highest. So it's about 7.35 lakh outlets in the core state. Focus has 1,12,000 outlets and the rest is others.

Binoy: Understood. And sir, let's say in these…

Manoj Verma: Let me give some more insight on the question, what perhaps you asked. So in the core state, we enjoy, we have gained numeric distribution. We have a numeric distribution of 55% plus in the core state. While in the focus states, we just the entrance, we have about 4.2% numeric distribution. So that's the room, what we have in focus states. And we are fairly good on the core states.

Binoy: Understood. So just as we have a reach of 9.5 lakh outlets, what would be, let's say, Haldiram's reach?

Manoj Verma: I'll not be able to comment on Haldiram, but I'm sure, they…

Rishabh Jain: I think, what we have in the core market, they must be…

Manoj Verma: They must be at a pan-India level if you take Haldiram as a brand.

Binoy: Sorry, I didn't understand. Sorry. Can you just come again?

Manoj Verma: So I'm saying like, we enjoy about 55% numeric distribution, right? In our core state. That's the kind of market share, Haldiram has for the pan-India, for the country kind of thing. So their numeric distribution would be 55% for pan-India, this is what, we think. You can look at it easily, 3x kind of a number for what we have. That's our guess.

Binoy: Understood. And, sir, the other question is on the portfolio. That we have ethnic packaged sweets, western, Papad, and others. If we have to understand this in terms of the GM profile, how would the GM profile be stacked up?

Manoj Verma: So, GM, if you look at the sweets and Papad will be, ahead of curve. Right? And the Bhujia, Namkeen would broadly be on the same stack. And then the western snacks would be a notch below.

Binoy: Understood. And what would be the differential between, let us say, western snacks and…

Manoj Verma: Couple of percentage points.

Binoy: Couple of percentage. Not too much.

Manoj Verma: No. Not much.

Binoy: Understood. That's all from my side. Thank you so much.

Manoj Verma: Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Manoj Verma: So, thank you, ladies and gentlemen, for joining us for this call. I mean, it was a pleasure interacting with you all. If you have any questions left out, feel free to reach out to us. We'll be happy to answer them all. Thanks. Thanks once again.

Bhupender Sohal: Thank you very much.

Rishabh Jain: Thank you to all the investors and shareholders.

Moderator: Thank you. Ladies and gentlemen, on behalf of S-Ancial Technologies Pvt. Ltd., that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings