



HINDUSTAN FOODS LIMITED

A Vanity Case Group Company

A Government Recognised Two Star Export House

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Date: May 28, 2024

To, The General Manager Department of Corporate Services BSE Limited Floor 25, P. J. Towers, Dalal Street, Mumbai- 400 001 Tel: (022) 2272 1233 / 34 Company Scrip Code: 519126	To, The Manager, National Stock Exchange of India Limited, Listing Department, Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400 070 Company Symbol: HNDFDS
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Dear Sir/Madam,

Sub: Transcript of Analyst/Investors conference call held on May 22, 2024

Ref: Pursuant to Regulation 30(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

With reference to our letter dated May 15, 2024 intimating you about the conference call with Analyst/Investors which was held on May 22, 2024, please find attached the transcript of the aforesaid conference call.

The above information will also be available on the website of the Company i.e. www.hindustanfoodslimited.com.

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully,

For **HINDUSTAN FOODS LIMITED**

Bankim Purohit
Company Secretary and Legal Head
ACS 21865

Encl: as above



“Hindustan Foods Limited Q4 FY-24 Earnings Conference Call”

May 22, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the website of the Company on 22nd May 2024 will prevail.

**MANAGEMENT: MR. SAMEER KOTHARI – MANAGING DIRECTOR,
HINDUSTAN FOODS LIMITED
MR. GANESH ARGEKAR – EXECUTIVE DIRECTOR,
HINDUSTAN FOODS LIMITED
MR. MAYANK SAMDANI – GROUP CFO, HINDUSTAN
FOODS LIMITED
MR. VIMAL SOLANKI – HEAD, EMERGING
BUSINESS & CORPORATE COMMUNICATIONS,
HINDUSTAN FOODS LIMITED**

Moderator: Ladies and gentlemen good day and welcome to Hindustan Foods Limited Q4 and FY24 Earnings Conference Call.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

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. Sameer Kothari – Managing Director, Hindustan Foods Limited. Thank you and over to you sir.

Sameer Kothari: Thank you, Sejal. Good afternoon and welcome everyone to our Q4 FY24 Earnings Conference Call. I appreciate you taking the time during your lunch hour to attend this call.

I am joined on the call by Ganesh Argekar – the Executive Director of our Company, Mr. Mayank Samdani, who is our Group CFO, Mr. Vimal Solanki; who heads our Corporate Communication and SGA; our Investor Relations Advisors. I hope everyone has had a chance to go through our updated earnings presentation uploaded on the exchange and our company website.

This quarter, though challenging has set the foundation for stage of growth that we at HFL are looking forward to. During this quarter we undertook the integration of the Baddi unit, a facility with complex regulatory demands and also KNS Shoetech, a company with approximately 5000 employees. The integration process is advancing smoothly and I am confident that we will begin to witness the advantages of this integration within the coming quarters or shortly thereafter. In fact, I have requested my colleague Ganesh to enumerate some of the things that we are doing for this integration. All of these efforts have reinforced my belief that successful M&A's are not about getting the right price or the right asset but more about getting the integration right. A classic example of this has been our acquisition of ATC Beverages way back in 2019 which in spite of our best efforts continues to be a drag after the integration. I am personally very pleased to confirm that the unit is now making money for HFL and we expect it to ramp up even further on the back of the strong demand in this season.

Overall, however FMCG demand remains sluggish and this slowdown coupled with the price deflation continues to challenge our business. However, our decision to diversify into new product categories and new geographies is helping us offset some of these headwinds. We got an opportunity to start manufacturing a new product category of ice creams in 2022 and recently we decided to expand in this category. Similarly, after our entry in beverages in 2019, we

recently expanded our beverage portfolio with an additional factory in Assam. Given the recent heat wave across the country and the resulting climate changes, we do see a strong growth in both of these categories. I am similarly confident that the two new categories that we have recently added that of OTC Pharma and shoes will similarly help us in scaling the business in the years to come.

In terms of other developments, the HFL board has authorized us to commence some exploratory steps for examining a potential demerger to integrate the promoter owned factory at Nashik with HFL. This is subject to further consideration and deliberation to be carried out by the board including the committees thereof, relevant at the point in time and the procedures to be followed by the company as per the applicable law. Just to give you some background however, this plant is a dedicated plant manufacturing soups and meal makers for a leading FMCG player. It has been our stated objective to bring the manufacturing units from Vanity Case to Hindustan Foods at an appropriate time. We had done this in the past with the merger of Coimbatore and Hyderabad. We believe that with the advent of additional business from this customer at this site, it will now be appropriate to bring this manufacturing unit under HFL and we will come back to you with the extra data on this as and when the decision is taken by the board.

To summarize despite the ongoing decline in the consumption impacting our growth strategy, I am optimistic that our efforts to expand our product range into emerging sectors will support our future growth trajectory. We remain dedicated to grow our business and achieve the goals that we have stated earlier. I will now handover the call to Ganesh Argekar, our executive director to brief you on the operational highlights.

Ganesh Argekar:

Thank you, Sameer and good afternoon, everyone. I would now walk you through the operational business highlights for Q4 FY24. While the deflation input material continues to affect our top line, the operations at our various factories have been stable in terms of volumes. Some of the factories manufacturing seasonal products are witnessing record production in spite of the overall slowdown in the demand of FMCG products.

The factory set up in Guwahati, Assam for production of juices commenced production as per schedule. The total CAPEX incurred for the same is approximately 20 crores. The scope of work for the new ice cream factory being set up in Kundli, Haryana, has increased. This will result in an overall CAPEX of approximately 150 crores as against an earlier estimate of 100 crores. The company expects to commence production by Q3 FY25. Investment of 50 crores has been planned at Hyderabad plant for expansion. The board has approved investing up to 40 crores for its color cosmetics plants located in Silvassa, investment of 20 crores for expansion of capacity at the ice cream plant in Lucknow. The company has completed acquisition of all the facilities under KNS Shoetech and operations are expected to stabilize from Q2 FY25 onwards.

As mentioned by Sameer, let me take a couple of minutes to explain the work that we as a team are doing to make this new acquisition successful. While we read and talk about acquisitions on paper, it is really a tough task to ensure that the integration is properly set up in the company, supply chain and within various departments of the company to continue an uninterrupted manufacturing and dispatch cycle. We are exporting to more than 20 countries from our Baddi factory which has approvals from the US FDA, MHRA, WHO, Russian GMP, TGA, Ayush as well as BSI 13485. A change of ownership would necessarily mean transfer of all pertaining licenses, new regulatory approvals of products and changes in all the packaging materials. While we do chart out our action plan right from the acquisition it does take some time for the documentation and changes to happen. For instance, product approvals for some countries may take a year to complete the entire process. The ERP also plays a vital role as a changeover to a new software and for all the modules that we have to implement. Training and implementation need to be conducted for the inductor staff before we move on seamlessly to the new systems. Our IT and external ERP teams are already on the job, coordinating the implementation of the system processes.

Our new shoe manufacturing unit based out of Kundli Haryana and Paonta Sahib at Himachal Pradesh currently employ more than 5000 staff and workers. As mentioned earlier, we have to complete the transfer formalities of the existing employees to the parent company. This also involves timely execution and settlements for which our HR team is in charge. New registration of item, vendor, customer, pack master in the system has to be carefully incorporated and plotted. The shoe business itself has more than 2500 vendors and (+50,000) material RM/PM item masters. I would specifically like to mention that some categories of this business have to be programmed and customized for the MRP, SOPs and MIS reports as per our requirement. The customization can be done only after we have onboarded the company and after having conducted a system requirement study. Our past experience of integration of unit gives us confidence that these two acquisitions should start contributing soon. With this I will now hand over the call to Mayank Samdani, our group CFO to take you through the financial results for the quarter ended the 30th June 2024.

Mayank Samdani:

Thank you Ganesh. I will now run you through the Financial Performance for the Quarter that went by and the year FY24 as a whole. As far as the financial numbers are concerned, we posted a decent set of numbers on the back of steady performance, across our existing factories and despite the quarter being affected by the integration of the two of the largest acquisitions done by the company.

Financial highlights of FY24 are as follows:

Revenue increased by 6% to 2,761 crores in FY24 from 2,602 crores in FY23. EBITDA grew by 29% to Rs. 228 crores in FY24 from Rs. 177 crores in FY23. PAT increased by 31% to Rs. 93 crores in FY24 from Rs. 71 crores in FY23.

Now the financial highlights of Q4 FY24 is as follows:

Revenue increased by 11% to Rs. 734 crores in Q4 FY24 from Rs. 660 crores in Q4 FY23. EBITDA grew by 28% to Rs. 64 crores in Q4 FY24 from Rs. 50 crores in Q4 FY23. PAT increased by 13% to Rs. 23 crores from Q4 FY24 from Rs. 20 crores in Q4 FY23. We posted a record EBITDA for the Q4 FY24 and FY24, highlighting better utilization of our existing factories. The company has incurred an additional Rs. 8 crores in depreciation and interest expenses compared to the previous quarter primarily due to the acquisition of Baddi and the shoe unit. However, the delayed ramp up of Baddi factory caused by licensing and other regulatory issues led to lower-than-expected revenues, impacting both PBT and PAT for the quarter. Net worth as on the 31st March, 2024 stood at Rs. 646 crores, gross block as on the 31st March 2024 stood at 1,129 crores.

Debt-to-equity stood at 1.06X and we maintain a healthy ROE of 18.2%. As the funds from the new capital raised are put to use, we hope to be able to better our ROE performance in the coming quarters. The company has to invest in the working capital in the form of raw material, packaging material and finished goods due to acquisition of the Baddi and the shoe unit. And in spite of that the company generated a healthy cash flow from operations of Rs. 87 crores on the consolidated level. As indicated earlier also, the working capital cycle of shoe business is different as we need to invest in working capital because of the advanced payment to exports and high conversion time from RM to FG.

This will lead to an increase in the cash conversion days of working capital going ahead. With this I would like to open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Akhil Parekh from B&K Securities.

Akhil Parekh: Sameer, my first question is on the sales guidance that we are maintaining it at 4,000 crores for FY25. So, is it fair to assume, we are kind of assuming similar pricing trend for FY25 and so incrementally 1,200 crores is possible at the same price inflation?

Sameer Kothari: So, Akhil, while we maintain the guidance in terms of turnover, you know that our revenues are completely dependent on the inflation depression as far as commodities are concerned. While those inflationary or deflationary pressures actually don't affect our bottom line. The 4,000 number the guidance that we are giving is assuming that prices will not fall further. Having said that Ganesh, my colleague here can testify that even the last couple of months the trend in terms of the commodity has been trending lower. I really do not want to take a call on how things are going to shape up on the price front. Having said that let me just break it down operationally. Operationally, we do believe that the shoe business should get fully integrated in this financial year and should start contributing to the top line and the bottom line. We do expect that, Baddi should start ramping up once all the licenses have been transferred etc. and that should start contributing towards the top line and the bottom line as well. The NIC ice cream project in

Kundli as Ganesh mentioned in his opening remarks, we are hoping that we'll be able to start production from Q3 definitely by beginning of Q4 is when the season will start and as a result that should start contributing towards the revenues as well. So broadly that's what gives us confidence in terms of our growth numbers. But in view of the so many variables as far as the pricing is concerned, I really do not want to take a call on where the inflation is going or not going.

Akhil Parekh: And whatever incremental I mean let's assume if the price trend remains constant, so incremental sales is going to come from shoe, Baddi and a bit from NIC, is that understanding correct? So, these are the three big levers basically for FY25.

Sameer Kothari: Absolutely.

Akhil Parekh: Baddi, we have not highlighted like by when we are expected to get it on stream. Shoe, I am assuming it's going to start by 1Q of '25. Is it fair to assume Baddi will start around similar timeframe?

Sameer Kothari: So Baddi in fact, we started booking the revenues in our system from the previous quarter. So, this quarter which has passed, which is the March quarter also had some amount of Baddi. However, because of the licensing issues, Baddi is not functioning at its full capacity. I have again very little visibility in terms of the regulatory issues because we are dealing with regulatory authorities across countries. To just give an idea, the Russian authorities have indicated that it might take them at least 8 months to get the reorder done for the site because of the name change etc. So, from that perspective I am again hesitant to tell you when exactly we'll be able to get to the peak capacities or the stated capacities in Baddi. But work has already started. In terms of revenues, they have started accruing since the last quarter itself.

Akhil Parekh: And would you be able to quantify what is the true potential of the unit in terms of sales?

Sameer Kothari: We generally avoid doing that Akhil from a perspective of individual units just because that some of these units are dedicated to our customers and then it ends up disclosing information about those particular customers as well. Broadly we continue to say that we had invested around 120 crores in Baddi. We do expect asset turn of between 3 and 4. That's what Mayank has mentioned a bunch of times before. We continue to believe that we should be able to deliver that kind of asset turns across all our assets.

Akhil Parekh: Just two more questions. One of the gross blocks (+1,100) crores includes CWIP. And in the last con-call we had highlighted which we should kind of try and reach 1,800 crores mark in next 2 to 3 years. So, this year probably I think based on whatever guidance you have given in the press release in terms of capacity expansion, so hopefully we should touch 1,500 crores for this and 1,800 crores by '26 or first half of '27, is that fair understanding?

Sameer Kothari: So, obviously Akhil, the ones which have been announced etc. are in the press release already and that's pure mathematics. We just have to add them up and get to that number. In terms of the future, we continue to look at it quite positively. Having said that I mentioned this in a couple of our investor interactions as well as in the last couple of calls, that the overall operating environment for FMCG has been tough in the last few quarters. The growth pipeline is definitely far less populated than it was let's say about a year and a half ago. Post this election and especially for this monsoon, we are hoping that things will start showing up again. But again, I really don't want to go out on a limb on this because this is way beyond my pay grade in terms of trying to explain whether the consumption story is going to come back to India soon or late.

Akhil Parekh: Just to clarify that 1,100 crores number, what does it include and what it doesn't include, in terms of shoe the Baddi I am assuming is already a part of that 1,100 crores number, so NIC is not part I believe and shoe 100 crores is not part of it, right? Is that correct?

Mayank Samdani: You are correct that Baddi is included in this and shoe 30 crores is included which we have done, we have closed in Feb, the rest is not included yet and this that will come in this quarter. The ice cream of NIC is not included in this and whatever we announced in this board meeting those are not included in this.

Akhil Parekh: And lastly on the margin expansion front, I think deflationary scenario we do see margins expand. But if I do a math of consol minus standalone, I see a gross margin of (+30%) and EBITDA margins of (+14%) to (+15%). So, is it because of the beverages and the ice cream facility which we have, these two categories why we have seen the margin expansion?

Sameer Kothari: Akhil, we urged people earlier as well that margin for us as a percentage of sales has got to do completely with things which are beyond our control. The entire RMPM cost is a pass through for us in most categories. And as a result, in case of a deflationary environment frankly our margins start looking up even without us doing anything. I would again urge you that yes, there has been an expansion of margins which is evident in this quarter's results. While you can give us credit frankly, we don't deserve any for it.

Akhil Parekh: But ice cream and beverage has nothing to play. I mean there's no role of these two categories in terms of margin expansion.

Sameer Kothari: So, they do have a role to the extent that there will be better utilization of both the ice cream as well as the beverage facility because of the enormous amount of heat that all of us are putting up with. Out of that the ice cream facility is a dedicated facility. So frankly while there is zero operating leverage in that which means while we are very happy that we are currently producing record amount of ice creams for our customer, the fact of the matter is it's not going to make too much of a difference to us in terms of our bottom lines. On the other hand, the beverage you are absolutely right, the beverage is anchor-tenant model where the current capacity utilization is definitely going to help repay for my earlier sins of ATC Beverages where we have been making

losses since 2019. So I am hoping that we'll recover some of that money in the next quarter or so.

Moderator: The next question is from the line of Kashyap Javeri from Emkay Investments Managers.

Kashyap Javeri: My first question is on the CAPEX on our ice cream facility which is gone up by about 50 crores. Does this commensurately increase output over there also or otherwise why is this about 50 crores increase there?

Sameer Kothari: So Kashyap, just maybe I should take a 30 second gap in explaining to you our business model as far as dedicated size is concerned. So, when it comes to dedicated size, the entire CAPEX is decided in discussions with the customer. Any increase in the CAPEX size is got to do with a scope increase, which means either the customer has asked us to set up some additional facilities or has asked us to increase the capacity of certain lines etc. and that's what is reflecting in this update where we had initially announced that we will be investing around 100 crores CAPEX in this project which has now gone up to 150. It basically means that yes, we are going to probably end up making more ice cream than what we had envisaged, and we'll also probably end up making better ice cream than what we had envisaged. And the better I mean because we're going in for more sophisticated machines than what we had planned earlier. In terms of our bottom lines and our top lines, yes, our asset turn guidance remains the same. So, any increase in our gross block should reflect a commensurate change in our top lines. As far as bottom line is concerned especially for dedicated units since they are ROE based, any kind of increase in the gross block or increase in the CAPEX definitely helps us in earning a little bit more money.

Kashyap Javeri: Basically, it could be higher revenues. Maybe it is driven by more output or the same output with a better product.

Sameer Kothari: Absolutely.

Kashyap Javeri: Now in terms of ramp up in the ice cream facility, you also highlighted about the existing sweet phase which is there probably across India. So, this Quarter 1 revenues, should potentially reflect then the peak output or even beyond that there is a ramp up possible? We may not still touch the full output even in Q1.

Sameer Kothari: So again Kashyap, request you not to look at revenue numbers for dedicated sites. Just to satisfy the academic curiosity yes, we are manufacturing ice creams at our peak capacity right now. It's obviously as hot as it gets outside. So, from that perspective we'll definitely be at our peak capacity utilization for the year in this particular month. However please appreciate that the operating leverage coming in from this peak capacity utilization does not flow to us completely because it's a dedicated site, a large part of the operating leverage flows back to our customer and as a result our bottom lines may not reflect the exact or the complete effect of this increase in the capacity utilization. Having said that you're absolutely right, people are selling ice creams as if there's no tomorrow.

Kashyap Javeri: And on the standalone business you mentioned that on the FMCG side there is still no green shoots yet visible from our customers at this point of time. Because what we heard across most of the FMCG is that finally after such a long time rural has started looking up after a long time.

Sameer Kothari: Kashyap, we promised ourselves as a management at this time we will not use the word green shoots because we have been using this for the last three quarters, and we said this green has become grey now and the grey has become brown now. It's so hot outside that they are all burnt now. So, the short answer and the formal answer is that I don't know. I think unless we see a sustained increase in the consumption, I really do not want to comment whether we are seeing a revival of the consumption in India. All I can say is the last year, year and half have been tough. We'll see. I really do not want to go out on a limb and say that things are turning around. We are hoping that because of the election and because of the monsoons etc. demand will come back. But it's too early to say here.

Kashyap Javeri: Just last question from me, on this facility that we would be merging from Vanity Case. The presentation says that potential CAPEX could be roughly about 20 crores. Now also sort of talks about the amount of land available there whether it is leasing and the consequent the civil construction over there also, what kind of let's say revenue or profits or something that one could expect from this? Would you be able to disclose that?

Sameer Kothari: Too early, Kashyap. So right now, we have just taken an in-principle approval from the board to start the process. The reason and maybe I should spend 30 seconds on this is because this is an important aspect of this quarter's update. Traditionally, the Vanity Case Group had been doing contract manufacturing much before it acquired Hindustan Foods and the stated objective was to fold everything into Hindustan Foods. Because of various operational issues we did Hyderabad and Coimbatore much earlier and as of the end of the last financial year, nearly 90% or more of the business is in Hindustan Foods and just about 10% or even lesser is in the privately held companies. We got an opportunity to do this particular consolidation because the customer in question is asking us to double our capacity which is in the current factory and it will become a strategic site for the customer as well. So, we discussed it with the board that while it will involve some amount of operational difficulties especially for Ganesh to manage all the raw material, packing material etc. We thought it would be a worthwhile time to do this because we do intend that this will become a strategic site for our customer being one of the only manufacturers of that product category. Having said that from a commercial perspective and more importantly from a financial perspective, Mayank – our CFO is working on it along with Bankim, our company secretary. So, once they have all the details, they'll come back to you with the various numbers in terms of swap ratios etc.

Kashyap Javeri: Two last questions, one, are there any more effects in Vanity Case which can be merged later? And second this quarter's cash conversion cycle which is roughly about 30 days now is that a steady state including the shoe business overall working capital cycle to look at in future?

Sameer Kothari: The second part of the question I am going to ask Mayank to talk about in terms of the cash conversion cycle but as far as other assets is concerned yes Vanity Case does have, I think two more factories which are yet to be consolidated into Hindustan Foods. I think put together they would account for maybe less than 100 crores of turnover. And within that 100 crores they're probably dealing with a lot of D2C and a lot of smaller brands etc. So, the complexity of bringing those into Hindustan Foods frankly right now outweighs the benefits of bringing them in. But at an appropriate time, we have undertaken that we'll bring those into Hindustan Foods as well. Now as far as the cash conversion cycle is concerned, Mayank.

Mayank Samdani: So, as you correctly mentioned that our cash conversation cycle today is around 26 days. And in my speech, I have indicated that shoe will require some additional working capital because of the nature of the business. It requires importing goods with the advanced payments and also the conversion from RM to FG is longer than what our other factories do. So, we believe it a little bump up from the today's working capital cycle, but it will not be much.

Moderator: The next question is from the line of Abneesh Roy from Nuvama.

Abneesh Roy: My first question is more on the industry level. We have seen few international issues for spices. So, are you also seeing more checks, more diligence in terms of product quality given this has come in the media a lot? While the Indian regulator has found no issue, we have seen Singapore Hong Kong etc. generally find issue with some of the spices. So, do you see that the overall testing and quality parameters etc. being under higher surveillance currently?

Sameer Kothari: Abneesh, let me first tell you that everybody around here that we will take all the questions even if we run over the one hour. And the reason I am giving this caveat right now is because Abneesh has asked a general 'gyan' question and everybody in the room knows that I love to speak about this anyway. So, I am going to spend a couple of minutes addressing this Abneesh. I don't think people have completely understood the ETO issue which is being flagged out in the media right now. Ethylene dioxide is a treatment which is used to sterilize these spices. And it's a commonly used treatment in India, not only for spices but also for a lot of other cosmetics and food items. The issue in question is that residual ethylene dioxide in the product, there are limits which are suggested by various governments across the country for how much of ETO residual is allowed after having done the ETO treatment. That does not say anything about not doing the ETO treatment or about the harms of the ETO treatment. Now in terms of the residual limits, incidentally and while I can't comment about the cases in question, all large food companies are extremely cognizant about this. It is a norm which has been set across. Regular testing are done for the residual ETO anyway. I would be really surprised if any of the larger known brands are actually falling foul of those. Having said that the sensitivity of the residual ETO varies from batch to batch, and it also varies from country to country. So, I am not actually completely taken aback by the fact that some of the countries have raised this as an issue while our Indian regulators have not found a similar issue in this. Having said that let me also just address it at a top level that yes, all companies obviously are extremely serious about the kind of food that we

deliver to our customers from a product safety perspective. I think it would be unfair to say that just because there have been a couple of cases in the media or in the social media that suddenly companies have woken up and have started doing stuff. Be rest assured that we as contract manufacturers and more importantly the brand owners, strive hard to ensure that the product which is being delivered to the customer is as safe as it can be.

There are sometimes some misunderstandings about the law. There are some evolutions about the law where the law needs to catch up with the actual practices etc. That takes time and that leads to some amount of issues. There has been some issue recently about the baby food and the amount of sugar etc. It's just a question of the law catching up with let's say the social media warriors. Having said that all brands and I can say that with a lot of confidence because we do work with most of the brands in the country are extremely serious about food safety and go above and beyond in terms of what they deliver to the customer.

Abneesh Roy:

My last question will be on the summer categories which you mentioned. So, we are seeing very strong demand which you also mentioned. In the non-exclusive factories, are you seeing good utilization given so strong demand especially in talcum powder, ice creams etc., deo etc. possibly, so are you seeing that benefit? I know it's a smaller part of the business but are you getting more of that and possibly higher margins because too much demand is there and supply might be a bit of a challenge.

Sameer Kothari:

So Abneesh, theoretically yes, from a financial perspective it may not make too much of a difference to HFL because you rightly identify that it's a small part of the business. But the fact of the matter is yes, this heat wave has created a phenomenal demand for all the summer season products. We did have a little bit of a dip in the month of April where again temperatures actually dipped but then second half of April and May have been extremely hot. And right now, yes, you're absolutely right, there's no capacity across the entire ecosystem as far as beverages, ice cream, all the summer products including talcum powder etc. is concerned.

Moderator:

The next question is from the line of Nitish from Chrys Capital.

Nitish:

My question is on Baddi and the shoe business. So how much do we expect the record Baddi and the shoe business to contribute to our FY25 revenue?

Sameer Kothari:

So, Nitish like I said earlier, we try to avoid giving out unit wise level revenue and financial numbers. Mayank has time and again mentioned that we will strive to maintain a similar asset turn at the company level across all of these. There will be some differences. We've also mentioned that in the case of shoes probably the asset turns will be higher as compared to let's say a factory like Baddi or ice creams where the CAPEX is much more. But overall, we do believe that we should be able to end up with a 3x to 4x asset turn as a company as a whole. Like I said in response to Akhil's question difficult for us to give you specific numbers for our Baddi unit or for the shoe unit because of the large concentration of customers that we have in a

particular unit, especially the dedicated ones, we might end up disclosing more than what we want.

Nitish: And what would be the margins for both these businesses?

Sameer Kothari: So, the Baddi factory is anchor-tenant model. Nitish, you asked for both the businesses or only for sports shoes?

Nitish: For sports shoes and Baddi.

Sameer Kothari: Let me address Baddi, it's easier. So Baddi is anchor-tenant model and we have a certain guarantee from one of our largest customers there for a certain part of the capacity and for the balance we are free to go out and get additional businesses which means we will have some benefit of operating leverage in that facility. And the way we look at it's not again margins. We tend to look at it as ROEs or ROIs. And because it's anchor-tenant model, while we contracted ROE is lower, if we get the operating leverage right and we are able to get the other customers coming in, the overall delivered ROE for that site could be much higher than our ROE for the entire company. And those are numbers that we have given broad guidance about. In terms of the shoe business, the shoe business is interesting. It's a very manual business. It's a very labor-intensive business. So, from an ROE perspective if we get the operating leverage right, the ROEs should be very high. Having said that Ganesh and I spent a large part of our opening remarks talking about the difficulties of integration etc. So, once we get past that we do believe that the shoe business should generate a decent ROE as well. But right now, we're still trying to get the integrations done successfully. So maybe in the next quarter we'll be able to give you a little bit more color about the margin profile etc.

Moderator: The next question is from the line of Amruta Deherkar from Wealth Managers India Private Limited.

Amruta Deherkar: So, I was asking for FY24 if you could give us the revenue breakup between the Dedicated Manufacturing Unit, ATM, SMS and private labeling and how do you see this changing 2-3 years down the line?

Sameer Kothari: Amruta of course, we can't give you exact numbers, but we have given a broad guidance that nearly 80% to 85% of our business will continue to be coming in from dedicated sites. And we do expect that for this financial year as well as probably the next, we will continue to maintain that ratio. I don't think that's going to change drastically in the next couple of years. Was that your question?

Amruta Deherkar: Yes, and it was regarding like now with the shoe business, which is under the shared manufacturing facility, so do we expect like the proportions to change?

Sameer Kothari:

So, you're absolutely right. The shoe is on a shared manufacturing model. Having said that the shoe business as a part of the overall business of the company is still much smaller. So, it's around between 10% and 15% of the company. And I am not sure whether that's going to make a real big change as far as the nature of the company is concerned. And having said that and this is something which I am passionate about, we are basically trying to ensure that this model of dedicated manufacturing etc. is propagated in the shoe industry as well. So maybe we will be able to be successful in that where we actually manage to convert it from a shared manufacturing business into anchor-tenant and then later into a dedicated manufacturing model.

Moderator:

The next question is from the line of Vishal Gutka from HDFC Securities.

Vishal Gutka:

Two questions from my side, any differential skill set required for running the Baddi plant, to begin the OTC business, so bit of APIs will be involved into it and the margin profile for the same business, is the margin profile better than the core FMCG business that you have? And another question on the seasonal categories. What are we seeing a trend that lot of seasonal categories such as ice cream or beverages, you're setting a plant for those categories, does it make much more sense for the original brand owner to outsource rather than manufacture? Because if he doesn't own it by himself then the retention could be suboptimal for him. So, are you seeing trend that more and more seasonal category players are likely to outsource to contract manufacturers? Your comments on this I think really helpful.

Vishal Gutka:

So, Vishal about the margin profile I'll let Mayank answer it but let me talk about the attractiveness or not of contract manufacturing for seasonal production. In a category like ice cream frankly the seasonal production part is a difficult parameter to talk about because what ends up happening is generally people would, if you're looking at a product where the demand is not constant you want to get economies of scale by going to a contract manufacturer who can then aggregate demand from various players and manufacture that product. However, in the case of ice creams what ends up happening is that the peak demand for all brands is exactly at the same time. So, if you had to set up a facility which had a larger capacity as a brand owner you probably want the maximum capacity in the same month as your competition and it's very difficult to share this facility with somebody else. So, in ice cream specifically and the same is true for beverages as well where the peak demand is the same for all the brands and as a result the brand owners actually do not like a shared manufacturing contract. They prefer a dedicated manufacturing facility because then they have complete visibility so that during the season when they need the capacity, they will get it. Because otherwise what ends up happening is that let's say it's the month of May and everybody wants to make beverages and the contract manufacturer gets to a situation where he gets to choose which brand gets to the market or not. That's not a great place for a brand to be in. So yes, you're right that from seasonal perspective it would make sense. But because the season is the same for all brands, they actually prefer dedicated manufacturing rather than shared manufacturing. Does that answer your question?

Vishal Gutka: And are you seeing any trend that more and more people involved in seasonal categories, there will be more seasonal categories like cooling oil for example talc powder, as you said that the asset utilization might not uniform throughout the year. Are you seeing any trend that trend is picking up where we are seeing that this trend is picking up that for seasonal categories, it's like even more outsourcing?

Sameer Kothari: So frankly I think the trend as far as contract manufacturing is concerned has got to do with growth. The trend as far as contract manufacturing has to do with capacity additions. Given what we talked about the tepid growth of FMCG in terms of volumes, frankly whether it is seasonal or not seasonal, there has not been tremendous volume growth as far as even categories like hair oil or task etc. is concerned. As a result, I think it would be premature of me to say that we are seeing some kind of a trend etc. because you would look at a contract manufacturing facility or an option only if you needed capacity. Given the fact that you are currently in a situation where your existing factories are probably underutilized even at the peak of the season, you probably are not looking at adding capacities or adding contract manufacturers. So, I think the bigger tailwind for us has to be the increase in the volume and consumption of the country and then within that we'll then slice it between seasonal products and products which are non-seasonal. But right now, we're seeing a problem in terms of the volume growth across product categories both seasonal as well as perennial.

Vishal Gutka: For the OTC business Mayank.

Mayank Samdani: So, in the answer before this Sameer has mentioned that margin profile is to do with the commodity pricing also. So, 80% to 85% or our sales cost is COGS. So that is why we don't give the margins profile across the factories. But the trend will be affected by the change in the commodity prices because in most of the cases in majorly all the cases it is a pass-through cost.

Vishal Gutka: No, I am telling because OTC is more technical in nature, logically the margin should be higher than the core FMCG because....

Sameer Kothari: You are absolutely right Vishal, from that perspective obviously manufacturing a floor cleaner versus manufacturing let's say ingestible syrup dealing with acidity requires a whole different skill set and a sophistication which is reflected both in terms of cost of people, it's reflected in terms of the cost of infrastructure and all of that. What we are trying and what Mayank was trying to do is trying to shift the perspective away from margins as a percentage of sales to margins or ROEs as a percentage of the employed capital. But you are absolutely right. If you had to concentrate only on margins as a percentage of sales pharma definitely delivers a much better margin profile as compared to FMCG. I mean that's a no brainer.

Vishal Gutka: And there's last one more question from my side. The CEO from a reputed company highlighted two points for outsourcing. What he highlighted is that two things are important if someone has to in-source or manufacture in-house or outsource outside. So, what he told that if the product is differentiated logically FMCG companies will prefer manufacturing in-house if they have an IP.

And second thing he highlighted that if the market share with the respective category is very high then it will make much more sense for FMCG brand owners to manufacture in house. In terms of FMCG what we see is that in each respective categories, two or three meaningful players contribute a meaningful market share. The tail is very small in many of the categories, hardly any retail players are there. So, in that context the larger categories, do you see that more and more companies outsourcing, second point I was just trying to harp upon because the relative market share of the market shares in respective categories retail players to be command 80%-90% market share. So just wanted your thoughts on this.

Sameer Kothari:

So I did read the transcript of the company in question and while I have utmost respect for the management of that company I do have some—it's obvious right, I mean I do have a—difference of opinion as far as the contract manufacturing perspective and the framework that they use versus what we would like them to use. If you look at the argument about IP, I think if you look at the beverage segment, it's got one of the most strongest IP in terms of the formulation of let's say a Pepsi or a Coke which is globally guarded as a secret and yet globally it is bottlers and contract manufacturers who manufacture a large part of the entire beverage production. So, from that perspective there are ways and means of protecting the IP. I don't think the decision about whether to contract manufacturer or not has got to do with the IP. I mean the whole idea of us as contract manufacturers partners is, we do believe that we look at it. We are not fly by night operators where we would take some company's IP and go and distribute it to their competitors etc. In fact, that's one of the reasons why contract manufacturers are looked at as partners, contract manufacturers need to be strong companies who are sustainable etc. rather than looking at smaller guys. I read earlier today morning that a large contract manufacturer in the EMS space has signed up with Google and is going to manufacture their flagship phones in India. Obviously, there's a lot of IP involved in manufacturing let's say an Apple phone or a Google phone. The fact that these large companies are willing to partner with contract manufacturers and give this IP to them is a clear testament to the fact that contract manufacturers can work ethically and with integrity as far as intellectual property is concerned and that should not be an impediment for the decision of whether to contract manufacture or not. As far as the other argument is concerned, I frankly don't follow that argument. I mean I am not sure what the market facing sales parameters have to do with the manufacturing decision. So maybe I need to understand that a little bit better before I can comment on it.

Vishal Gutka:

The question was that if a company is a very low market share, then there's a tendency to outsource. If the very high market share, then logically they try to avoid outsourcing because they will be having then the **(Inaudible)** (51.18). So that was the premise that was given by the CEO.

Sameer Kothari:

Sorry Sejal, let me just finish this. And Sejal like you mentioned, we will even if we do run over the time, we'll definitely address all the questions. But Vishal so, it's not that I did not understand the question. I understood the question. I read the statement as well. I think at a very simplistic level what the gentleman in question was trying to say is that if you got a small market share

you probably have smaller volumes. You do not have economies of scale. So, you go to a contract manufacturer who has large economy economies of scale and as a result you will get a better COGS or cost of goods sold as compared to let's say where you had to do it by yourself. Having said that again like I said I do not subscribe to that argument because if you look at even large companies who have a dominant share of particular product category, we have a solution for them where we are basically doing dedicated manufacturing, where we do pass on the entire operating leverage benefit to them. We as Hindustan Foods have come up with various solutions. If you are a small brand, if you are in a fragmented market, if you are the only brand in a very large monopolistic market, if you've got volumes if you've not got volumes, if got intellectual property, if you don't have intellectual property, I think we have solutions for all of them. So, which is why I said that I am not sure I subscribe to the argument that contract manufacturing can be done only in specific cases. As a salesman my pitch to the company in question is that yes, we can manufacture for them anything and everything.

Vishal Gutka:

So recently I visited the contract manufacturing expo in Bandra. There we found a lot of actual contract manufacturers who are going overseas as well. So, they have units in Nepal, Sri Lanka, Philippines. Just wanted your thoughts, would like to restrict yourself to India or you would like to go abroad level setting a new....In case one of the large players invites you to set up a unit out over there.

Sameer Kothari:

So frankly, we have stayed away from international expansions. We believe that we do not have the management bandwidth to be able to handle manufacturing operations out of the country. Manufacturing is a very brick and mortar business. It's a very hands-on business. And like Ganesh was talking about in terms of his integrations, etc. there's a lot of work which needs to be done. As a result, so far, we have stayed away from international expansion. Never say never. We've discussed this with our customers, and we have mentioned earlier that we are not okay. But things will change and maybe we will look at international expansions as our management team and our management bandwidth improve.

Moderator:

The next question is from the line of Priyank Chheda from Vallum Capital.

Priyank Chheda:

What would be the total investment that we have done till now in ice cream given the Lucknow plant we plan to increase, so Haryana plant we plan to increase even in Lucknow, so what would be the total investment that we would have done in ice cream?

Mayank Samdani:

We have currently done the investment of around 200 to 225 crores in Lucknow plant. We have announced that we will do another 20 crores in that plant. So that will take it up to around 250 crores. We announced that for the NIC ice cream we will additionally do 150 in a new plant. Both are different plants and different states Priyank.

Priyank Chheda:

So total investment in ice cream as a category will go to around 400 crores?

Sameer Kothari:

Yes.

Priyank Chheda: Coming to the Baddi plant, again given the anchor-tenant model that we have, the contracted portions from the Reckitt which we would be having, we would be getting the current EBITDA numbers. I mean the difficulty that we should be facing in terms of scaling up the Baddi unit which we have mentioned in our press release, has to do with the balance portion which we would go out in the market and find the new tenant. Am I understanding correctly?

Sameer Kothari: Your understanding is absolutely correct Priyank. The only delta being that there are some amount of semi-variable expenses while the fixed expenses as per our business model are taken care of by the contract that we have signed. Because of the sub optimal usage of capacities, there are certain semi-variable expenses which are currently depressing our P&L which we are hoping that once everything falls in place, will stop depressing. But the totally fixed costs which are part of those expenses will get reimbursed to us as per the contract.

Priyank Chheda: So currently we're getting reimbursed the fixed cost. While the revenue scale up would not have happened till now in Baddi given the challenges on the regulatory side. So now going ahead in case everything settles down, the revenue would scale up. Maybe the reimbursement towards the variable portion will only be scaled up as far as HFL is concerned?

Sameer Kothari: So as far as the anchor-tenant is concerned, yes, what we are hoping is as far as the anchor-tenant volumes scale up, the losses on the semi-variable expenses will get recovered. And the second is the operating leverage kicking in once all the licenses are in and we are able to attract other customers. That's when frankly we expect Baddi to really start contributing because the entire premise of Baddi was the fact that we got access to a fantastic factory which is approved by most of the global regulatory authorities and that we'll be able to offer this to our other customers. So, once we start unlocking those operating leverage or that capacity is when Baddi will actually start paying off.

Priyank Chheda: Any challenges outside the Reckitt, the client that will fund or any high-level talk that we would be having with our customers. How much are we confident on scaling this plant in FY25?

Sameer Kothari: Priyank we were confident, that's why we acquired the asset. We continue to be extremely bullish about growth as well as consumption in the country. Having said that and I have time and again mentioned this that, it's been tough in the last 6 to 8 months. Most of our customers are not selling as much as they would like to and because they're not selling as much as they would like to, there are existing capacities which are idle. So, they are probably not looking at additional capacities right now. Once the consumption story returns once we people start spending more money on FMCG, we will get very quickly to a situation where additional capacities will be required. We've got on our hand in Baddi a fantastic facility which will be able to give this capacity very easily to our customers. But till they start meeting that capacity that risk continues that operating leverage will end up hitting us.

Priyank Chheda: And the investment in the Hyderabad plant I missed out is into the same soaps and bar plant where we had invested 150 crores or is this something different?

Mayank Samdani: So Priyank we have taken the approval of 150 crores. But we have invested lesser than that because this was delayed. Now after this 40-50 crores, it will go towards 150 bar and bath. So, we will complete that cycle.

Priyank Chheda: So, the total investment in Hyderabad soaps and bar would be 150 crores.

Mayank Samdani: Yes, with this additional investment.

Priyank Chheda: Any guidance on what would be the revenue for this Nashik plant which we plan to merge with HFL, what would be the revenue that the plan would have generated in FY24?

Mayank Samdani: Priyan frankly it is too early to say that because just the board has just given us the approval to start the process. It will take time to us for all the regulatory things to come in. And at the appropriate time after the board approves it, we will come back to you about all these details.

Priyank Chheda: Just last question on the capital allocation part. So now we have warrant approval of around 400 crores of which 100 crores we have a utilization which you had explained in the last quarter. Now my question is our gross debt has gone up 1X the equity. So, what do we plan around the warrant as well as the debt? And given the expansion plans on the shoe side we have, so how we would manage this warrant versus the expansion from the internal accruals?

Mayank Samdani: Priyank, we have indicated when we were raising the equity that we will try to maintain near to 1:1 debt equity ratio for our future investment also. This quarter our debt equity ratio is very near to 1:1. And given that we have some money which we have already raised and money to come in we expect this to be near to 1:1 than beyond that.

Sameer Kothari: And Priyank as far as utilization of the money is concerned, I think when we raise the money one of the reasons why we raised it by way of warrant is because we were not sure in terms of the growth as well as the pipeline in terms of how new projects are coming in etc. As a result that's the reason why we also raise the money as warrants which gave us a breathing space of around 18 months to be able to draw down that money depending on how projects pan out. It goes back to my earlier statement about the fact that we are hoping post this monsoon consumption story will return growth will return to the FMCG sector and then we should be able to come back with additional growth plans. But right now, that's the way things are.

Moderator: The next question is from the line of Dhimant Shah from ITI Mutual Fund.

Dhimant Shah: I was slightly late in the call do pardon me if I repetitive question. Just question number one, in the presentation you have shown a procrastinated turnover of 4,000 crores. Now how much is this inclusive of incremental if you can just help us. Nashik and the shoe business and a little bit of Baddi if I am not wrong how much does that contribute to this incremental forecast?

Sameer Kothari: Dhimant, actually the Nashik discussion is too premature and it's really new. I don't think.

Dhimant Shah: Is there anything included from Nashik into this project?

Sameer Kothari: That was not the plan. I mean we have been talking about 4,000 crores now I think for more than a year or maybe even 2 years. All of the guys in the room are pointing out that it's been 2 years that we have been talking about it. So no, Nashik was not even on the radar at that point of time, Baddi definitely was and the shoe business was and is the newer project of NIC ice cream was and is. So, I did kind of lay out the glide path, these are the three new projects which we are hoping will contribute as far as the turnover is concerned from where we are at the end of this financial year to where we want to be at the end of next financial year. And then in between of course, we are hoping that some other things will fall in place and we will be able to reach there quicker. Having said that I have to tell you that our commentary on this 4,000 crores and I explained that to Akhil in the earlier part of the conversation, has also got to do a lot with the inflationary deflationary pressure as far as RMPM is concerned because our model envisages a situation where any kind of changes in the raw material prices or packing material prices gets passed on to the customers immediately. While we do expect that the current pricing scenario will remain constant if there is any change on that of course it will end up affecting us as well. Our bottom lines however would not get affected especially to the extent of the dedicated factories. So even if the turnover increases tremendously or it falls, our bottom line would remain the same. I did talk about it in response to some other question where our gross margins are looking better in this quarter without us having done anything better. So that kind of caveat you need to keep in mind when you're looking at only a top line number. I would urge you to look at ROEs for us. I would urge you to look at ROCEs. I would urge you to look at our PAT numbers. But if you do insist on looking at top lines, I would say just look at it with all these caveats.

Dhimant Shah: So incrementally, would you say that both ROCE and ROE, if you call out the incremental contributory avenues, those would kind of enjoy better ROEs and ROCEs in your opinion?

Sameer Kothari: Okay now I've lost you.

Dhimant Shah: So, let's say till date whatever business is contributing you are obviously including shoe and a little bit of incremental ice cream and some other business into the forecasted 4,000 crores. Now if we don't take that incremental business or rather if we take only that new business that you have forecasted will be included as a part of 4,000 crores, does that incremental capital employed and incremental turnover enjoy a better ROCE-ROE in your opinion?

Sameer Kothari: It's not a question of better ROE-ROCE because Dhimant right now we have deployed the capital. Till now it's not yet started giving returns, as soon as it starts giving returns, so obviously ROE will start improving. If you look at it from a perspective of our fundraise, so we have already raised money. We've got around 175 crores of money from the 400 crores that we had raised as warrants. And I think Mayank in his remarks has mentioned that as we deploy this, we do expect our ROEs to improve because right now we have not fully deployed this. Broadly we expect that we should be able to deliver around 20% to 22% ROEs. We do expect that the debt-

equity profile of the company will remain 1:1. Given what we are projecting in terms of the gross block, I think it's an easy calculation to arrive at our PAT numbers.

Dhimant Shah: So, the incremental block will contribute slightly better than the existing block is my question, in a way incremental ROCE will be improving?

Sameer Kothari: Incremental ROCEs will be improving yes, predominantly because we have already raised money for it and it's not earning anything. Right now, the only thing that the money is doing is earning us either FD interest or has been used to repay debt which is why the debt equity ratio has come down. So, if you look at the overall ROE last quarter, we were at around 21% odd. We've come down to 18% in this year because we have ended up raising that money which has not been deployed as yet. So as Baddi as well as the other projects start delivering money, we will end up definitely improving our ROE Dhimant. I am not sure I am getting your question.

Dhimant Shah: I will take it separately. Question number two, you did allude to some amount of operating leverage to kick in which will take care of some of the expenses that have not been sort of absorbed by the level of activity, in particular the employee and the other expenses. So how do you think will that be absorbed in the current year?

Sameer Kothari: Are we talking of a specific unit or we talking about in general?

Dhimant Shah: No in total.

Sameer Kothari: So, in total, that's where operating leverage comes in. So, in case of our dedicated factories, we don't enjoy the operating leverage. So, any fixed cost in terms of employees, depreciation interest gets reimbursed to us by the customers anyway. However, in the case of the shared manufacturing or even anchor-tenant model, there's some element of fixed cost which is not reimbursed by our customers which is what we are supposed to either earn on or spend on. And that's the one which we are hoping that we'll be able to earn on. So, for example in case of the shoe business, we definitely hoping that we should be able to integrate the facility successfully in the next quarter or so and then start earning on the fixed cost which is currently being paid. Similarly in case of Baddi while there's anchor-tenant which is paying for a certain part of the fixed cost and the certain part of our employee cost, we are hoping that as we are able to get the licenses in place and attract other customers, we will start earning on the unamortized fixed cost as well. So, it's a very simple way of earning from fixed cost. As we increase our capacity utilization our operating leverage benefits should start kicking in.

Dhimant Shah: And somebody also alluded to the capital allocation policy. This is the last question. How would you want to achieve balance between a dedicated guy, a tenant and all in one kind of and against that a completely open-ended kind of manufacturing where clients can come in irrespective? So how would you want to balance here number one? Number two, also is there certain parts in the contract which will allow us a better recovery just in case?

Sameer Kothari:

So, Dhimant, principally as a company we are more comfortable with dedicated manufacturing. I mentioned this time and again that we are predominantly risk averse company. We would like to tie up with brands which are strong. We'd like to tie-up with brands which have visibility for the next 5-10 years. We'd like to tie up with the brands and companies who are able to give us the visibility and sustainability of our future as well. I don't think the capital allocation policy is going to change drastically from that. We did make some corrections based on the overall environment in terms of the FMCG growth etc., the overall feedback that we are getting from our larger customers. And we did change our risk profile in terms of getting into more shared manufacturing facilities which is the entire shoe business or trying to tie up with newer brands, the new ice cream brand that we have signed up. So, while we are making some changes depending on the realities of the market, in a perfect world, we would like to be predominantly doing only dedicated manufacturing.

Moderator:

As there are no further questions from the participants, I now hand the conference over to Mr. Vimal Solanki – Head Corporate Communication and emerging businesses for closing comments.

Vimal Solanki:

Thank you, Sejal. At HFL we have established a solid foundation for success with FY24 demonstrating promise despite various challenges. Our two largest acquisitions during FY24 highlight the company's resilience and performance trend. We demonstrated our diverse capabilities by successfully capitalizing on opportunities across various segments. Integrating the Nashik plant into HFL will further enhance our position. Although the slow ramp up of Baddi factory due to licensing and regulatory issues has not yet yielded expected revenues. We remain confident in our ability to perform in the upcoming quarters and achieve our target for FY25.

Allow me to summarize today's session. So as indicated by Sameer, the new businesses that should make the much-required difference are of course the two large categories which have come up in the past couple of years. One is footwear overall that is leather and sports and ice cream. And these would become significant in the coming years for us. And like Ganesh had mentioned while statutory compliances that are beyond our control would take time and seamless integration also take up time, we are hopeful for a brighter '24-25.

I take this opportunity to thank everyone for joining on this call. I hope we have been able to address all your queries. For any further information kindly get in touch with us or SGA, our Investor Relations Advisors. Last week each one of us at HFL took time out to exercise our right and cast our votes. Trust you all did too. Thank you so much.

Moderator:

On behalf of Hindustan Foods Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.