PFL/2024 **February 14, 2024**

To

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

BSE Scrip Code : 500368

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

NSE Symbol: PATANJALI

Dear Sir/Madam,

<u>Sub.: Transcript of Earnings Conference Call Q3 & 9M FY24 of Patanjali Foods Limited ("the Company')</u>

This is in continuation to our earlier letter dated February 09, 2024 regarding audio recording of Q3 & 9M FY 2023-24 Earnings Conference call held on February 09, 2023. Please find attached transcript of the Earnings Conference Call.

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

You are requested to take the same on your record.

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

Ramji Lal Gupta
Digitally signed by Ramji Lal Gupta
Date: 2024.02.14 16:55:16 +05'30'

Ramji Lal Gupta
Company Secretary

Encl. As above

Patanjali Foods Limited

Q3 FY'24 Earnings Conference Call

February 09, 2024

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on February 09 2024, will prevail.

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

Moderator: Ladies and gentlemen, good day, and welcome to Patanjali Foods Limited Q3 FY '24 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 guarantees 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjeev Asthana from Patanjali Foods Limited. Thank you, and over to you, sir.

Sanjeev Asthana: Thank you, and good morning. I trust everyone has had a positive beginning to 2024. On behalf of Patanjali Foods Limited, I warmly welcome each of you to today's earnings call covering the quarter ended 31st December '23. I'm accompanied by my company's colleagues, our CFO, Mr. Kumar Rajesh; Chintan Kotak, who's from the Investor Relations and our Adviser in Investor Relations, Strategic Growth Advisors.

We have uploaded the financial results and the investor presentation on the stock exchanges as well as company's website for your reference. I'm pleased to announce that our most recent financials underscore a robust performance reflecting our highest quarterly revenue since the company came under the stewardship of Patanjali management. This serves as a testament to the successful execution of our strategies translating into tangible results.

In the quarter, our performance has been propelled by edible oil segment with FMCG maintaining a stable performance. Our robust presence in the rural areas experienced a slight dip primarily due to the weather changes and some impact it had of the seasonality. Additionally, the effective sales volume was subdued in the FMCG space as well. Having said that, our initiatives to broaden our reach through new channels like modern trade, e-commerce, Q-commerce and B2C, especially in urban areas, have yielded positive results.

Concerning the Edible Oil segment, at the outset of the financial year, we encountered distinctive and unprecedented price volatility, characterized by a significant disparity between futures and physical prices of edible oils. However, during this quarter, we observed a contraction in this discrepancy resulting in increased price stability in the edible oil market. This reduction in pricing pressure coupled with robust demand contributed to a positive upturn in our overall performance.

Turning our attention to the performance of our Edible Oil segment. In Q3, the Edible Oil segment achieved INR5,482.64 crores in revenue, registering a sequential top line growth of 1.13%. Of this, INR232.55 crores is the revenue from the palm plantation business. The volumes in Q3 financial year '24 increased by 5.92% to 6.39 lakh metric tons versus 6.03 lakh metric tons in Q2 of financial year '24. In 9 months period in financial year '24, the volumes increased to 18.65 lakh metric tons with a growth of 16.22% over 9-month period in FY '23.

Branded sales continue to play significant role, constituting more than 75% of the total sales volume in the Edible Oil segment. The segmental EBITDA increased to INR107.67 crores against negative INR27.08 crores in Q2 FY '24, while it was INR223.19 crores in Q3 of FY '23. For the 9-month period in FY '24, the segment EBITDA was negative INR17.22 crores vis-a-vis INR86.27 crores in the previous year.

During the quarter, the company adopted various risk mitigation measures to ensure it is immunized from the price volatility to the best possible extent. There was a conscious reduction in hedge ratio considering the misalignment in the price direction in the futures versus physical. Hedging was based on fundamental and technical research. The company has always adopted natural hedge through and continuous churning of positions as per the market dynamics.

Our strategic efforts are currently concentrated on expanding sales in the premium oil segment through targeted initiatives and innovative strategies. We aim to foster growth and establish a robust presence in the premium oil market.

In the oil palm plantation business, building upon the initiatives launched in 2022, the Union Finance Minister shared strategies to achieve self-reliance in oilseed productions in the latest budget announcement last week. The plan aims to empower farmers to engage in cultivating oilseeds such as mustard, groundnuts, sesame, soybean and sunflower.

Key elements during her budget speech include researching high yielding varieties, adopting modern farming techniques, streamlining procurement processes and more. This comprehensive approach is anticipated to have a positive impact on our oil palm plantation business as well.

Certainly, the oil palm plantation business not only serves as a catalyst for substantial growth of Patanjali Foods, but also plays a crucial role in nation building. It is an integral component of our national effort. We are committed to spearheading and nurturing a thriving business that contributes significantly to the progress and prosperity of the nation.

Our endeavor is to increase earnings from oil palm plantation. For this quarter, oil palm plantation has achieved an EBITDA margin of 21.2%. The total area under oil palm cultivation is now 72,500 hectares, with an additional 4,000 hectares added in this quarter.

Approximately 1 crore trees have been planted on the cultivated land. Notably, we have achieved rapid plantation expansion as evidenced by the plantation, which are under 3 years old, which now constitute almost 28% of our overall plantation, showcasing substantial growth compared to 19% that we recorded in March of '23.

Two new state-of-the-art nurseries have been established in Northeast region, bringing the total Post Entry Quarantine, PEQ certified nurseries to 37 across India. These nurseries currently in-house about 1 crore sprouts. In the quarter, we imported 13.5 lakh oil palm seed sprouts from Costa Rica, Malaysia, Thailand and Papua New Guinea. Additionally, we signed a lease agreement with Assam Industrial Development Cooperation for establishment of palm oil mill in Assam. All these initiatives aligned with the pursuit of self-reliance in the edible oil business segment.

One of the key objectives is to reorient our marketing activities towards heightened brand premium and expanded market reach. In alignment with our brand building efforts, you will observe a more than 2x increase in advertising spend on Q-on-Q basis.

Notably, we have successfully signed renowned cricketer Mr. Mahendra Singh Dhoni to endorse the Mahakosh and Sunrich brands. We anticipate realizing the benefits of these expenditures in the forthcoming quarter, solidifying the company's investments in the impactful marketing initiative.

Now I'll come to the discussion on the food and the FMCG segment. The December quarter remained stable despite several factors which affected the overall operational landscape. The input price inflation exerted pressure on the costs, presenting challenge to the segment's profitability. Unexpected seasonal variations such as delayed winters and the impact of El Nino also influenced the quarter's performance.

Additionally, a deliberate and strategic decision to increase advertising spend to enhance brand visibility and market presence contributed to the market dynamics of the segment's financial outcomes. These multifaceted factors collectively underscore the quarterly performance.

Our quarterly performance aligns with the objective of increasing the share of Food & FMCG segment. In the reporting period, the Food & FMCG segment contributed approximately 31.6% to the total revenue from operations, a figure which is consistent with Q2 of FY '24 performance. This strategic trajectory reflects a positive trend and affirms the efficacy of our targeted efforts to enhance the prominence and contribution of the Food & FMCG segment within our overall revenues.

The biscuit portfolio stands out as one of our company's most formidable offerings, showcasing an impressive 15% year-on-year growth in the December quarter and 24% year-on-year growth over the 9-month period. It is on track to achieve a revenue milestone of INR1,500 crores, reflecting a remarkable 50% growth in just 2 years.

The stellar performance is particularly evident in our marquee biscuit brand, Doodh Biscuit and Nariyal Biscuit, both registering robust growth rates exceeding 25% during the quarter. The recently launched premium range has garnered a positive market response with steady repeat orders. The division caters to approximately 1.2 million retail outlets, showcasing the extensive market penetration.

Looking ahead, our vision involves expanding our customer base further by introducing new products in the upcoming quarters. The planned launch of handmade cookies and choco-chip cookies, coupled with facelift for the company's presence in the urban markets is part of this strategic growth plan. Additionally, we are actively considering the strategic expansion of our manufacturing capacity to accommodate the growing demand and capitalize on emerging market opportunities.

Our spices portfolio encompasses a diverse range of essential spices like turmeric, cumin, chili powders, spice blend etcetera. The spice market holds tremendous potential, and recognizing this, we are actively pursuing the expansion of this category.

Our TV commercials are currently being aired, and we are witnessing a multiple uptake in our spice demand, which is similar to also what we are doing for Chyawanprash and honey advertisements also. Under the 30-year-old brand Nutrela, the premium dry food range, we recently introduced has received widespread acceptance in the marketplace. The Nutrela Maxx Millet Oats underwent a successful pilot launch in Kolkata in November '23, and was officially introduced in Southern India in December last year.

Our nutraceutical brand has been steadily establishing itself as a top player in the industry, bolstering its position through continuous innovation and product enhancement. Nutrela's nutrition recognition as a Nutraceutical Company of the Year at the India Food Safety & Nutrition Summit and Awards 22 - 23 validates our commitment.

As affluent India experiences a robust wealth effect, the consumers make conscious food choices. Preferences have shifted towards premium products, reshaping the industry landscape. There is a growing appetite for premium food items among consumers. In line with this trend, Patanjali has intensified its focus on premium offerings, aligning with its commitment to innovation and enhancing the premiumization strategy. And premium products are expected to drive higher margins also.

We live in a highly dynamic world, and in recent times, the logistics network has faced disruptions due to the Red Sea crisis. We are closely monitoring the situation on this front. While our edible oil imports come largely from Asia, in case of palm oil, but they do -- especially the soft oil, which comes from Europe and South America, there is a challenge.

On the organization front, we are thrilled to announce that we have once again been honored with the esteemed, Great Place to Work Award for the third consecutive time. This recognition underscores our steadfast dedication to excellence across all facets. We are in the process of finalizing our ESOP policy, which should be rolled out hopefully in the next 2 weeks' time.

Taking a closer look at our financial performance. I'm coming to the last part of my opening remarks. Taking a closer look at our financial performance during the quarter. Our revenue from operations in Q3 of '24 clocked at INR7,910.70 crores, registering a marginal growth over Q2 of FY '24. The total income recorded is INR7,957.3 crores. Our EBITDA was INR390.6 crores with a margin of 4.9% during the quarter as against 5.3% in the previous quarter and 5.1% in the same quarter last year.

Quarterly PAT was INR216.5 crores versus INR254.5 crores in Q3 of last year, while the PAT margins were 2.7% versus 3.2% in Q2 of FY '24. The revenue from exports was INR62.06 crores, making an increase of 49% over the previous quarter.

For a 9-month period, the numbers stack up as follows: Our revenue from operations is INR23,499.69 crores. The total income booked at INR23,613.60 crores. Our EBITDA has been recorded at INR1,021.82 crores. And our PAT, which has been recorded is INR558.83 crores. We expect to close the fiscal on a high note with the revenue from Food & FMCG segment contributing to more than 30% to total revenue on a full year basis.

With this, let us now open the floor for Q&A. With this, I conclude the call. Thank you all for your patience. If you have any further queries, you can reach out to SG Advisors and we are open to any questions now.

Moderator: We have our first question from the line of Abneesh Roy from Nuvama.

Abneesh Roy: I've got 3 questions. First is on biscuits. So it's a focus segment for you. I wanted to understand 2 things here. One is if I see growth rate this quarter, it is meaningfully slower than in first half, so 9 months growth rate was 24%, while Q3 growth rate was around 15.4%. So that's a significant slowdown and it's your focus category?

Second is biscuit is a very diversified portfolio. So here, you are focusing on the mid- and lower end. Or are you focusing more in terms of premiumization? That is the first question.

Sanjeev Asthana: So I'll answer that question. So biscuits typically, in terms of the slowdown, it's a part of seasonality effect. Typically, which is slightly strange in the areas, their distribution is pan-India, but especially in north and eastern part of the country and partially in the western part, we always witnessed a slowdown in the biscuit sales during the winter months. And so it’s part of a pretty much similar trend that we observed last year also.

So for example, biscuits last year in Q2 was INR378 crores of revenue. In Q3FY23, it dropped to INR337 crores. And this year, likewise, as you’ve seen, the biscuits from INR456 crores have dropped to INR389 crores. So it’s part of the seasonality effect, and I would not read too much into it. We’ll get back to it. We are pretty much on course to achieving INR1,500 crores of revenue in this fiscal. In this quarter itself, that will improve. So it’s pretty much a seasonality impact.

To answer the second part to your question, largely our portfolio has 2 components. One is the value biscuits like doodh biscuit, which is our largest selling product. It is almost close to 75% plus of our portfolio right now. We are adding more premium products to it. Late last year, we had launched in August 3 variants of the premium biscuits, like ragi, 7 grains and digestives, which are gaining a lot of traction on the marketplace. We have a few more launches, which are planned in this quarter. So longer term, we'd like certainly the portfolio to be more balanced between premium and the value segment.

And the value segment always has challenges around the input inflation on wheat, palm oil and sugar, typically in the packing material. The benefit of the increased sales is clearly helping us in expanding the EBITDA substantially. But also, we'd like this to be a premium segment. So we're pretty much at par with the best in class in the industry now. And we will focus more on expanding our value reach, but a lot more focus is now in terms of driving the premium end of the biscuit range that we have.

Abneesh Roy: My second question is on EBITDA margins for Food & FMCG. So one is it's very volatile. So if I see your Q3 margin, that's around 400 bps lower than first half of the same financial year, and your margins have fallen Y-o-Y both for Q3 and for 9 months. So want to understand why you want to focus more on sale of staples because that will be more competitive. Most companies in food and FMCG try to go for a profitable volume growth. So in that context, why not focus on the higher-margin businesses, focus on premiumization than focus on sale of staple?

Sanjeev Asthana: So Abneesh, I'll just take a minute extra to explain why this has happened. So to your point, On the overall basis our run rate is pretty stable in terms of the overall business, and staples have contributed very well. In this particular quarter, if you remove the big benefit that we had in the Q2 when we acquired the business from the parent, so we had a big bump on the inventory, etcetera, that came in under the slump sale, which benefit accrued in Q2 of last year.

But post that, we are pretty much in a range. I think this particular quarter, the challenge has been basically threefold why the margins have dropped, is one is that on the staple side, we clearly had an impact of sort of seasonal inflation on the input pricing across the board pretty much. So if you look at the rice, wheat, pulses, some of these spices, etcetera, so there's been a challenge, which the impact, I would imagine, will be close to about 1% of our overall EBITDA margin on the food side. So that was one impact.

Second is that we had the impact of the additional spend on the food side of almost nearly INR29 crores which we spent on the advertisement in the quarter, due to which 100 basis points it knocked off from the foods EBITDA.

And third is the seasonality impact that we had in 2 businesses, both biscuits and Nutrela so it is not entirely the staples part. It's also we had a similar drop, which is witnessed in the winter months and partially in Nutrela as well in our TSP portfolio, which is not a consistent. There's a blip always in a particular quarter because the people move on to different food inventors, and that's why this happens. It again stabilizes. So that will be about 1.5%, what we had dropped in both Nutrela and biscuits.

So I would not read too much into it. Our staples, in terms of the drop, would have contributed to just about 1% plus to the dip in the margins, we should do that. But to your larger point that why the focus should be less on staples and more on the premium end. Absolutely, that is pretty much the target. So we are spending heavily on, as I mentioned, Chyawanprash, honey and spices.

We are adding a lot more premium end products to our food range as well, as I mentioned in the biscuits. The idea being that our dependence on the staples will remain volatile and especially as we, in some sort of windows, especially going into an election year in the last quarter, etcetera, there might be some blip. But broadly I'm pretty confident that this will be just about a minor one, and we should be pretty much getting back onto our regular run rate that we had, back to around 15% plus EBITDA margins in the foods portfolio overall.

Abneesh Roy: Sure. Last quick question on edible oil. So MS Dhoni brand ambassador plus higher advertising. What is the thought process here? Is it because regional players have become more competitive, local plays more competitive because of the commodity meltdown? They always come back when that happens. Or is it because you want to become more of a premium player here longer term within your subsegments? Or third reason could be your market share. It's a strong second player market share, but gap with the #1 player is there. Do you want to bridge that gap, which is the main reason for this?

Sanjeev Asthana: So the main reason is clearly that, a, M.S. Dhoni stands for sort of health and nutrition and very clean image, which fits in very well with our philosophy. Second is to expand the reach into areas where we were less covered. So while the distribution is pretty extensive, that we have because the size and scale that we have across the country. But I think especially Mahakosh and Sunrich are strong brands, which needed a fresh dose where, we reach out to the consumers and add a bit of premium to currently that we are.

So we already are witnessing some impact of this in our both the brand premium that we earn as well as in the distribution reach that we built up. So it's a combination of all 3 that we'll be able to compete more effectively if our brand premium continues to expand.

And I'm reasonably confident that I think remaining the course as we currently are, we are pretty confident of building up at a level where we should be expanding our margins, we should be expanding our sales, which we are aggressively pushing constantly. Our volume growth is way more than the industry standards and the country's demand.

And we are witnessing a consolidation in the edible oil sales. The risk profiles have gone up. The capacity of smaller and midsized players to continue with that is lesser. So I think we should witness better margin construct increase still and we keep consolidating on that base.

Moderator: The next question is from the line of Dhiraj Mistry from Antique Stockbroking Limited.

Dhiraj Mistry: Yes. So my first question is on nutraceuticals. So the last quarter, we were having a same run rate of INR14 crores, INR15 crores, where there was some inventory correction which happened. What is stopping us from scaling this business in this quarter?

Sanjeev Asthana: So Dhiraj, the issue is not on what is stopping us. The issue is doing it right. So we have 3 strategies that we are pushing in nutraceuticals. One is that after the huge scale up that we had in the beginning in last year, we have completely reworked on our strategy. In terms of the reach we currently have, we have close to 1.7 lakh retail outlets that we reach in nutraceuticals.

Second thing is that we've added a lot more products to our portfolio. There are more launches that have been lined up, especially for kids and women. For example, gummies and effervescent tablets and new range and with more flavors.

And the third one is that we are increasing focus on e-commerce and D2C and the more emerging segments of the distribution channels, which we can drive and build up that change, which is what the effort is. It's taken more time than what we thought. I'm reasonably confident that in the ensuing quarters, we will pick up.

So overall, we want to quickly start getting this behind us. And I'm still reasonably hopeful that nutraceutical is very good to get into a INR200 crores portfolio in next year. And all the preparations are ready. The teams are ready. The business is already going up. It's substantial. There's a wide-scale acceptance of the product. It's just that nutraceutical is a particular way of moving.

So our reach on the retail side is very good, but our e-commerce and D2C is the one which is still to be in traction. We have spent heavily in social media campaigns. We are actively at it through the year. We've got an excellent team, which is in place. So it has taken a little more time, but I'm reasonably confident that, I think, given 1 more quarter, I think we should get back to our winning race in nutraceuticals. And the objective, as I mentioned, that next year, we should be targeting closer to INR200 crores of revenue in nutraceuticals and with a very healthy margin. Our target margin is close to 25%, we should be able to put that in place.

Dhiraj Mistry: Okay. Okay. That answered my question. Sir, second part on the Food & FMCG business. So in this year, for the 9 months, we are around 15% margin. But our long-term guidance has been somewhere around 17% to 18%. How confident you are of achieving that kind of margin and by when?

Sanjeev Asthana: Our guidance has always been that our target range of 16% to 18% and in very diverse set of categories. So for example, if I were to compare this year versus the last year, we are at about 14.6% in the current year and versus 19.9% what we had. So broadly, my sense is that we should get back to be pretty much a similar range.

This quarter, as I mentioned, we dropped pretty substantially to almost by more than INR100 crores, for which I explained the reasons as well, like our drop in Nutrela, which is seasonality play for INR16 crores. Biscuits came down by INR21 crores, again, pretty much a seasonal play, which we should get back. And food was INR71 crores, largely around both advertising, part of that through food inflation. So overall, if you're asking as to how this is going to go, we should get back to pretty much on the same basis.

In the previous question we also discussed regarding Staples we would be working towards it, hopefully, that uncertainty should go away. So long-term projection that we have between 15% on a conservative basis and 18% on a better basis, I think we should be able to accomplish that objective.

Dhiraj Mistry: Okay. Can you help me with the revenue from oil palm plantation in this quarter and EBITDA for this quarter as well as for 9 month basis?

Sanjeev Asthana: So oil palm plantation business, what we have, for example, the 9-month period, our EBITDA is INR148 crores, which is about 17.9% in terms of EBITDA margin. In this quarter, our margins were INR49 crores, which is a 21.2% margin in the oil palm plantation business. And we are actually getting, hopefully, by next year because the age of younger plants are getting better and better. I think it should get a bigger uptick I think the year after, when some of these plantations, what we planted last year will start to fruit and start to get there.

Dhiraj Mistry: Okay. Okay. And sir, last question on oil business. Now the oil price is relatively stable, so in coming quarters, what is our expectation? Like in this quarter, we have moved to 2% EBITDA margin. If the oil prices continue to remain at this level, what kind of margin we can expect in next year?

Sanjeev Asthana: So margin next year, we are very much confident that we should be better than the midpoint range. I think these 4 quarters of continuous volatility should be behind us. The efforts that we are making on campaign with M.S. Dhoni, the distribution, etcetera. So for next year, between 2% and 4%, we've always maintained for our edible oil business. We are reasonably comfortable to closer to 3% plus next year on the edible oil business.

Moderator: The next question is from the line of Kuldeep Gangwar from ASK Investment Managers.

Kuldeep Gangwar: Just a couple of clarification. Like you mentioned about INR29 crores A&P (Advertisement & Promotional). So whether it's only for food business or it's for the overall company?

Sanjeev Asthana: It's for the overall company, Kuldeep, but it is higher by almost about INR15 crores compared to the previous quarter. So for foods, it's about additional INR15 crores that we spent.

Kuldeep Gangwar: Okay. And will it be possible to share, sir, segment-wise revenue and EBITDA within the Food & FMCG business?

Sanjeev Asthana: Yes, sure. So if we look at this quarter in terms of the revenue breakup, we have on the soya products, the Nutrela, the revenue is INR132 crores. The biscuits business revenue is INR389 crores. The food revenue is I NR1,963 crores and nutraceutical revenues, INR14 crores.

Kuldeep Gangwar: And what would be the corresponding EBITDA if possible?

Sanjeev Asthana: Yes. So for Nutrela, it is INR19 crores. For biscuits, it's INR69 crores. For food, it is INR186 crores. And for nutraceuticals, it's a negative INR3 crores.

Kuldeep Gangwar: Sure. And you mentioned about, say, 3, 4 reasons about this Q-on-Q volatility of the margin. So it's specific to food business, right, like while it has come down from 15 to 11. So A&P 1%, biscuit and nutraceutical combined 1.5% and staples. Is it correct to understand?

Sanjeev Asthana: That's right. So basically, as I was just explaining, and maybe I'll give 30 seconds to quickly repeat it again. Why the margin sort of fell. So seasonality impact is almost about 1.5%, where INR37 crores, we dropped on Nutrela & Biscuits. So Nutrela, for example, our EBITDA was INR35 crores in Q2, which is INR19 crores in this quarter. So that is a INR16 crores drop.

Biscuits, it was INR90 crores in the last quarter. This quarter, it came down to INR69 crores, which is INR21 crores drop. So this was largely seasonal and which INR37 crores, which is about 1.5% what we dropped in the margin.

Advertisement spend is about additional 1% and staples sort of category, which contributed to about 1% due to a very specific quarterly sort of challenge that we had on the business, which is about the inflation across the board, largely a lot of policy interventions, etcetera, which are there and sort of during the quarter, especially considering the sort of environment that we currently are in. I think that's been there, but hopefully, that should be gone once the elections are done and over. Pretty much that should be well past us.

Kuldeep Gangwar: Sure. And in food business, revenue Q-on-Q, in past had variation like if I look Y-o-Y, food business almost 50% in the quarter. So on steady-state basis, what should be the good expectation from this particular segment overall?

Sanjeev Asthana: So I don't know if you are asking for the FMCG segment or only the food part of the portfolio.

Kuldeep Gangwar: Food and FMCG combined.

Sanjeev Asthana: Combined. So as we have said, I think the revenue run rate, my expectation is that we should be pretty much on course for a pretty much similar revenues. So just one sort of caveat there. I think many times, the seasonality impact is there.

So I think what you may have witnessed is that, a couple of quarters, India has got its own specific preferences for foods in different seasons. So you may have variations in quarters as I mentioned about biscuits and Nutrela in this particular quarter. But in general, I think we are pretty confident that we should be in this broad ballpark range of about between INR2,000 crores to INR2,400 crores in the food business and FMCG business overall.

Moderator: The next question is from the line of Vishal Gutka from PhillipCapital.

Vishal Gutka: Just 2 questions. Firstly, there are news articles stating that Patanjali -- I don't know if it a listed entity or through with the parent arm, we are looking to acquire Rolta. Just wanted some clarification on that. That will be the main focus of the business.

And second is that any thoughts, your thought which was in the recent investor analyst meet, you had highlighted that the company is looking for M&A. Any thoughts of merging the personal care business that you have with the food arm, so that leads to further value creation for listed entity? That’s it from my side. Thank you.

Sanjeev Asthana: Sure. So I'll answer the first question first. So while it is the parent which has shown interest in Rolta. I think people are less aware that Patanjali, the parent, has also a very large IT business. And certain areas of Rolta are fitting into the strategy of that IT business, which is run under Bharuwa Solutions to sort of explore synergies there and see that it is the right sized -- right kind of asset, right kind of intellectual capital and knowledge what they have to explore acquisition of that. So broadly, that is a plan around Rolta to the best of my understanding. I may not be able to give a lot of details around it. But broadly, that's the plan.

In terms of the further consolidation of the FMCG portfolio within the group itself, so this is often discussed and debated and thought through also. We also explore these areas. I think we'll have to wait for this to happen.

So clearly, if you ask logically, it makes a lot of sense and brings in a lot of synergy and value to be doing this. So from a logical thought perspective, it's should happen but I think we'll wait for this to happen and really get announced for us to take this forward. But I would imagine that there is a logic why this should happen.

Vishal Gutka: Got it. And sir, what kind of growth rates are you expecting in medium term for the Food & FMCG business? Well shall be able to grow 20% plus for Food & FMCG business in the ongoing year?

Sanjeev Asthana: So overall, we have a diverse portfolio. So 20% plus is always a challenge. I think, typically, what we targeted was that we should keep between 12% to 15% growth rate in revenues. So we have done fairly well on this front, barring some blips here or there. I mean largely, we are pretty much on course to achieve between 12% and 15% consistent growth in our portfolio because there are a lot of categories where we are not present. There are categories in which we need to fully flesh out and fully expand the opportunity. So we are pretty much on course for that.

Vishal Gutka: And any update on dry foods piece that I think a few quarters back were highlighted that you have signed up with an international player as well for the dry foods business. Have you commenced that? And what is the update on that front?

Sanjeev Asthana: No. So we've already commenced. As I had mentioned last time, we launched our first 4 under the Maxx Nuts category, Nutrela. It is receiving very good response on the e-commerce platforms and our own stores. So right now, it's a pilot phase when we are sort of consolidating and getting our overall distribution right. At some point of time, once this is over. So, if I have my numbers right, we've done more than INR4.5 crores of sales during the quarter. And we are going to expand that further.

So we are pretty comfortable because there is a supply chain benefit that we have sourcing directly from the suppliers. And also both our own stores and e-commerce and D2C, I think we should be able to expand that footprint pretty rapidly. So we are very much on course for that.

Vishal Gutka: Wishing you all the best for the upcoming year because I think that now edible oil business, I think, you settled down and the growth rate picking up in Food & FMCG. It should be much better profitability coming from FMCG side of the company.

Moderator: The next question is from the line of Shirish Pardeshi from Centrum Broking Limited.

Shirish Pardeshi: Just 2 questions. Now edible oil inflation is settled, and there is a good amount of inventory, which would have exhausted of the high price. So going forward, this 1.5% can go to potentially 3.5% in next quarter margin?

Sanjeev Asthana: So potentially, yes. I mean, as we do know that market has its own sort of short-term volatility which would be there. Our target always is that we'd like to keep it stable between 2% and 4%. So to have a straight answer, whether it can go, definitely, it can go. And that is the effort as well. So, so far, what I've seen in the month of January, there is a confidence that we should pretty much see better performance than this quarter.

Shirish Pardeshi: So in terms of overall edible oil business, how large would be Mahakosh now?

Sanjeev Asthana: So between Mahakosh, Sunrich and Ruchi Gold, we do almost INR15,000 - 20,000 crores of business. And within this, Mahakosh should be about 25%. We should be about INR6,000 crores in Mahakosh.

Shirish Pardeshi: Yes. The reason I'm asking, this business is growing much faster pace, and obviously, you've put MS Dhoni. So I think is that the strategy we're wanting to get this to half or it will remain in the similar level of 25%?

Sanjeev Asthana: No. So we have 2 brands, Mahakosh and Sunrich. The effort is on both sides. I think together, currently, it constitutes about 35% of our portfolio, I mean, some quarters goes up. But I think pretty much, we'd like Mahakosh and Sunrich to be closer to 50%. And palm oil has its own challenges in the kind of premium that it can fetch. So that's why the big focus is on Mahakosh and Sunrich as brands in our portfolio.

Patanjali in cold-pressed oils and premium oils will continue to drive and Nutrela oil, we are pushing as well now, so that -- at a mid-price segment. So the most premium is Patanjali. Next here is Nutrela and then we got Patanjali, Mahakosh and Sunrich, is what we are driving towards. And the commodity brand is Ruchi Gold, which is around the palm oil brand that we have.

Shirish Pardeshi: So just more curious, between Mahakosh, Sunrich and Ruchi, what will be the EBITDA margin difference? Would it be substantially about 200, 300 basis points higher?

Sanjeev Asthana: Yes, definitely. So compared to Ruchi Gold, Mahakosh and Sunrich is always significantly higher. And in fact, we are witnessing both sort of pricing strategy that we follow. As I was mentioning earlier to a question that from a pricing strategy perspective, distribution perspective, there's a lot more focus to get our distribution right and also the pricing uptick we have started taking.

So that is we have seen the benefits of both the getting a new brand ambassador, pushing the advertisements, pushing into a lot of these products into self-service stores and those markets. I think we expect certainly that this lead of Mahakosh and Sunrich over the Ruchi Gold should expand. And we're certainly getting there. I think this quarter is one witness that we have seen, and I think that push will continue.

Shirish Pardeshi: Okay. And my second question is on the biscuits. So we are growing much faster. So I'm just more interested, what is the capacity you are looking for building biscuits or it is enough for next year? And overall, what kind of CAPEX we are envisaging in the FMCG business for next year?

Sanjeev Asthana: So largely, there are 2 strategies that we have, one is that we got 3 plants of our own, and we've got 12 locations, which we have on contract manufacturing. So capacity is not a constraint at all in terms of expanding our reach. So that work is going on.

In fact, at Noida, we're putting up our cookies factory and cream biscuits which are premium end facility, which is there. And so I don't expect any problem on capacity to service the demand as we grow. That should not be a limitation.

Shirish Pardeshi: Okay. And one more just follow-up on biscuits. What I understand, in terms of distribution, we are weaker in South. So is the plant is not there? Or is the focus is not there? Or is the distribution is a challenge in South? And if that is true, what is the efforts which you are taking to build the South business?

Sanjeev Asthana: Yes. So it is not that it's weaker. And a lot of our capacity is in Hyderabad in South. So that's not a problem. The capacities are there. We service the southern markets very well. But your observation is correct that we need to further beef up our presence. We need to further build up marketing efforts in South. There are other areas also, which are certainly we find that we need to pay a lot more attention.

But that is part of a continuous process of evolution and development that we keep driving, where we are reaching out to the newer markets, we are expanding our reach into different segments. So that's pretty much part of our ongoing efforts.

So I would not read too much into it. But yes, our focus is there. Some of the products do sell very well. For example, our edible oil, in south we are huge in palm oil. We are very large in several segments. It's a different ways of approaching it. But biscuits, we will expand more in South, and there is a very good traction that the company has in the southern markets.

Shirish Pardeshi: But sir, is it because that we have a common distribution like in the front end?

Sanjeev Asthana: We don't have common distribution. So one of the unique features that we have within the company that we've got very separate teams, separate business heads, completely separate distribution channel, including there may not be many common distributors also. So that is why it gives us the kind of focus that we want in the marketplace and which is one of the reasons that our growth expansion which is happening across all the verticals.

Shirish Pardeshi: Okay. And just last question on new product in the FMCG, what kind of contribution which we have seen this quarter?

Sanjeev Asthana: Yes. So in the overall, the play because of the large size, the contribution is not very significant. But as I mentioned, for example, we did about INR4.5 crores of nuts. We have done additional about INR4 crores of biscuit sales. We have done also done ragi biscuits during the quarter. And millets, we have done additional INR2 crores of sales, what is that – now we launched initially as a test pilot in South. We expanded that to the Eastern markets in Bengal. So we're gaining traction.

I would say the new product launches, which is just about 5 months, we would have done more than INR10 crores, INR11 crores of business in there and which is growing. But in the overall as a percentage to the overall business, it's miniscule right now.

Moderator: The next question is from the line of Rohit from SK Securities.

Rohit: So I have a couple of questions. Can you shed some light on the price trend you envisage for the quarters to come?

Sanjeev Asthana: So price trend in which categories?

Rohit: Mostly in edible oil.

Sanjeev Asthana: Okay. So in edible oil, the markets have their own ways, because India is nearly a 70% importer of its requirement. So clearly, the global trend that we are seeing right now is the markets in the last 3 trading sessions have moved up on the future exchanges. India is pretty much in an environment of stable price regime to marginally bearish.

But our expectation is that this could change. So there are very good crops, which are going to come up in South America, very good crop of mustard that we have domestically. There's a good development on the palm oil crops. So overall, it looks stable.

But right now, if you ask me that in the last 1 week, what's my sense is probably stable to marginally uppish is what I would imagine the edible oil prices are going to be.

Rohit: Yes, perfect. And second question is, are there any new products in the pipeline?

Sanjeev Asthana: So there are, of course, new product development is constantly sort of being worked out. So yes, there are several products across all the categories. So as I mentioned that we've got nutraceuticals sea of products.

Biscuits, we've got premium end biscuits, which are going to be launched soon. In Nutrela, we are building it into an umbrella brand. We're looking at breakfast cereals. Nuts, we have already launched, millet-based products are there. Then within the foods category, also, we are looking at expanding our reach. So yes, there's a lot of products which are going to be launched.

Moderator: The next question is from the line of Akhilesh an individual investor.

Akhilesh: So this quarter, we spent INR28 crores on advertising. So what is the budget looking like for Q4 and FY '25 on advertising spend?

Sanjeev Asthana: So we will maintain pretty much the trend, and we are going to be in the marketplace and it is going to be similar or even more in terms of the plan. So this quarter, certainly, I'm expecting larger than INR29 crores and next quarter as well. And the plan is twofold, basically continue to aggressively rebuild where the rebuilding of the brand was required, repositioning was planned. And also the new ranges as we are constantly sort of bringing to the market place, we'll continuously to support them with the aggressive A&M.

Akhilesh: So do you think then that the EBITDA margin will remain under pressure because advertising will keep getting ramped up? Or do you think that the Food & FMCG segment can get to 15% margin pretty soon, Q4 onwards?

Sanjeev Asthana: No. As I mentioned, the advertisement spend is not a large dent overall. There was set of 3 factors which impacted. So if, at all, there is a blip, it will have a marginal impact for sure. But the other things, once they come up, I think we should pretty much be positive on the earnings outlook. So we should be pretty much okay. But advertising is something that we need to be in the marketplace and be there, which is what the effort is.

Akhilesh: And my second question is on the Oil palm plantation. This quarter, we have added 4,500 hectares. So I'm curious to understand how the pace is decided. Are we choosing to do 4,000 hectares, 5,000 hectares every quarter? What is the max we can do every quarter? Because the sooner we get more and more acreage done, the sooner we will get the rewards of 3, 4, 5 years down the line. So how are we deciding how much to take on in a particular quarter? What are the factors impacting that?

Sanjeev Asthana: So there are 2 sort of pointers, which give us that how fast we grow. So in terms of the preparation, as I mentioned, that there's a 15-month lag typically between importing the sprout, putting it on nurseries, it grows and then we distribute to the farmers.

And the second factor is the farmers' willingness to go for it because they are moving in India. We are not cutting the forest to do that. So farmers have to get out of a particular crop to move into it. And for them, it's a leap of faith as well. So that work continues, but I'm expecting this pace to pick up very fast now because we see the cycle of the fresh saplings are getting ready. And I'm expecting that next year should be significantly higher compared to this year.

The plan is closer to 25,000 hectares plus is what we are expecting that we should be planting next year. And thereafter, it is going to pick up. There will be a massive uptick in the year after.

Moderator: That was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Sanjeev Asthana: So we are very thankful to everyone who attended the call and asked a very good questions. With this, I conclude the call. Thank you for the patience. And for any further queries, you may contact SGA, our Investor Relation advisers. Thank you so much and have a good day.

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