



# PATANJALI FOODS LIMITED

(Formerly known as Ruchi Soya Industries Limited)

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To

**BSE Ltd.**

Floor No. 25,

Phiroze Jeejeebhoy Tower,

Dalal Street,

Mumbai – 400 001

**National Stock Exchange of India Ltd.,**

“Exchange Plaza”,

Bandra-Kurla Complex,

Bandra (E),

Mumbai – 400 051

**BSE Scrip Code: 500368**

**NSE Symbol: PATANJALI**

Dear Sirs,

**Sub: Transcript of Earnings Call of Q1 FY 2023-24 of Patanjali Foods Limited (“the Company”)**

This is in continuation to our earlier letter dated 16<sup>th</sup> August, 2023 regarding audio recording of Q1 FY 2023-24 Earnings call held on 16<sup>th</sup> August, 2023. Please find attached transcript of the Earnings Call.

The aforesaid information will also be hosted on the website of the Company at [www.patanjalifoods.com](http://www.patanjalifoods.com).

You are requested to take the same on your record.

Yours faithfully,

**For Patanjali Foods Limited**

(formerly known as Ruchi Soya Industries Limited)

**Ramji Lal Gupta**

**Company Secretary**

Encl. As above



# “Patanjali Foods Limited Q1 FY2024 Earnings Conference Call”

August 16, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 16<sup>th</sup> August 2023 will prevail



**ANALYST: MR. DHIRAJ MISTRY – ANTIQUE STOCK BROKING LIMITED**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Patanjali Foods Limited's Q1 FY2024 Earnings Conference Call hosted by Antique Stock Broking Limited. 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 "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dhiraj Mistry from Antique Stock Broking Limited. Thank you and over to Mr. Mistry!

**Dhiraj Mistry:** Hi! Good morning all. On behalf of Antique Stock Broking, I would like to welcome all participants and thank management of Patanjali Foods Limited. We have with us Mr. Sanjeev Asthana – CEO of the company, Kumar Rajesh – CFO, and Chintan Kotak – IR. Without further ado I would like to hand over call to the management. Over to you Sir!

**Sanjeev Asthana:** Thank you Dhiraj and ladies and gentlemen good morning. Thank you for joining us today for Patanjali Foods Earning Call for Q1 FY2024. I am joined by the company's CFO, Mr. Kumar Rajesh, internal IR Mr. Chintan Kotak and Investor Relations Advisor, Strategic Growth Advisor, SGA. We have uploaded results and press release on the stock exchanges as well as on our company's website. I hope everyone got an opportunity to go through it. We would like to touch upon a few key developments on the company and the industry post which we will have question and answer session.

I will start with the commentary. Despite the negative macroeconomic environment in Q1 FY2024 Patanjali Foods Limited demonstrated a sustained performance across all the financial matrices. Performance of FMCG segment has been particularly impressive. Our business is going through a tactical shift by focusing on the high margin FMCG segment. After the stellar performance in the last quarter in FY2023 we are on way to continue to build on our FMCG growth journey coupled with the expansion of our legacy businesses, and oil palm plantation business. As we navigate the ever changing business landscape it is our strategic choice to place a strong emphasis on several key factors to ensure sustained growth and success. First we recognize the significance of enhancing our product portfolio to be closely aligned with the evolving consumption trends in the country. Additionally, gaining a larger market share is vital and we aim to achieve this through a two-pronged approach of continuous innovation and effective distribution. Our focus on innovation has been a key driver of our success in line with the commitment to becoming a leading FMCG company of India. We have introduced several new products under our premiumization

drive that cater to the evolving consumer preferences in the last few months. We have made some launches and allow me to take you through the same.

During the quarter we have revamped our nutraceutical offering and launched branded dried fruit products. Talking about a few more initiatives that we have, Nutrela is one of our strongest brands evolving as an umbrella FMCG brand for us. The brand extension has been initiated into millet-based food products and then Nutrela MaxxMillets sub-brand. The newly launched includes Ragi Choco Cereal whose pilot launch has received good response with nearly 15% repeat order and this is in just about in last 45 days we have seen in the previous quarter when the launch was done, so it is positive. The nutraceutical business, we have reworked on the complete branding of our sports nutrition products under Nutrela sports pack with better packaging and overall offering. The new launches comprise 6 products with 19 SKUs. Our nutraceutical products include whey protein, vitamin capsules, hormone balancing products, collagen builder, orthocare and many other supplements. Nutrela Sports aims to tap into the surging demand in the Indian sports nutrition industry. We have entered into the premium dried fruit market through our launch of Nutrela MaxxNuts, which includes premium quality almonds, cashews, pistachio and walnuts. Through our strategic tie-ups with some of the renowned names such as Wonderful Foods, World's largest player in Pistachio and Naryani Nuts amongst the largest players in Almonds and Walnuts. We are providing premium superior dried fruit product at affordable pricing. Our target is to clock revenue of 1000 Crores in the next five years for branded dried fruit category.

Patanjali is a leading player in the biscuits industry that quarterly revenues of biscuits have grown from 276 Crores last year to 381.16 Crores this year with a 38.1% year-on-year growth. Last year in biscuits we clocked revenue of over 1200 Crores and we aim to cross 1500 Crores this year. Further to drive a vision for our biscuit segment forward we have launched the premium range of biscuits of 7-grain, ragi and digestives along with the dried fruit box that we have done.

Our new FMCG products offer consumers healthier options without compromising on the tastes while reinforcing the principles of Patanjali brand. Further it helps us market not just as a mass brand but also cater to a niche premium segment. Looking ahead our vision for the future revolves around transforming into an all-encompassing FMCG brand with multiple options to the consumers. As we embrace the multichannel growth approach we have set our sights on expanding beyond borders and especially to tap key international markets such as UK, US and Canada and Middle East. Moreover we will prioritize building a robust presence in the modern trade outlets, enhancing our e-commerce capabilities to capitalize on the growing online consumer base. By staying attuned to consumer needs, continuously exploring novel avenues and providing quality products. We are optimistic

that our offering shall have positive response from the market, improve the margin profiling of the company and strengthen our position in the foods and FMCG space.

Further going to the next business, our oil palm plantation business, which is advantageous for the country and the farmers in the country equally. We have already planted nearly 10 million palm saplings and are planning to plant additional 10 million plant saplings in the next three years and this is for the entire company. Currently around 40,000 farmers are associated with Patanjali in the mission palm plantation. In the coming five years we are expecting more than 4 lakh farmers will join hands for the mission oil palm plantation business.

Before we talk about company's performance, I am happy to share that we have delivered on a promise of meeting the minimum public shareholding norms as one of our promoters Patanjali Ayurved Limited offloaded 7% of its holding through an OFS which receives an overwhelming response from the FIIs, QIBs, global funds, HNI and the retail segment. I am highlighting the Q1 numbers for everyone. Total income stood at 7,810.50 Crores with a year-on-year growth of about 5.98%, EBITDA stood at 211.99 Crores with a margin of 2.71%, and the PAT stood at 87.75 Crores with a margin of 1.12%. The export turnover was 162.45 Crores to 25 countries with a growth of 127.85%. The branded sales comprising of Foods and FMCG segment and edible oil stood at Rs.5,527.78 Crores, nearly 70.78% of revenue from operations. So overall in terms of the company's growth for first quarter has been satisfying. First quarter result is after taking into account also includes close to 71 Crores of expected credit loss provision on long aging debtor as per the Ind-AS, which will be reversed in the second quarter which has already happened.

An overview of this segmental revenue, in Q1 the edible oil segment contributed 5,890.73 Crores to sale registering a degrowth of 4% on Q-oQ basis, but our volumes we have nearly grown by 35% Y-o-Y, so it was on the lower price point the revenues dropped. The segment profit before interest and tax also witnessed degrowth on account of multiple headwinds in the edible oil segment and stood at 146.61 Crores negative as compared to positive 114 Crores in the previous quarter. The segment witnessed volume growth of 35.80% as I mentioned earlier. In Q1 food segment contributed 1,952.46 Crores to sale registering an increase of 8.2% Q-o-Q with segmental EBIT 350.58 Crores from Rs.247.31 Crores registering overall 41.76% growth. The segment recorded an EBITDA of 360.80 Crores with an EBITDA margin of close to 18.48% despite rising inflation levels and macro challenges by managing the costs more effectively and proactively.

Let us understand the performance of each segment and why certain elements came in this quarter. Our Food and FMCG segment is fully aligned to emerging Indian consumption growth to become one of the leaders in this space. The Food and FMCG segment has

demonstrated an exceptional growth making a significant contribution of nearly quarter of the company's revenue at 24.84% of our total revenue, this is against 22.7% contribution continues to show a growth trend. This growth can be attributed to several factors such as established brands, ability to expand into new markets both domestically and internationally, and unwavering loyalty to our customer base. The segment recorded an EBITDA of 350.80 Crores with a margin of 18.48%, which I have already mentioned. Our biscuit business has experienced strong growth in volume and value terms, clocked a revenue of 381.16 Crores with 35% growth and 12% growth on quarter-on-quarter basis. Our marquee brands like Doodh biscuit recorded ~225 Crores sales in the quarter, this is up nearly 35% year-on-year. Our Nariyal biscuits achieved 29 Crores which is up 84% year-on-year and set to become Rs.100 Crores brand within this year itself so that the biscuit segment has been growing very impressively. Maintaining the momentum, the acquired food business generated 1,354 Crores of revenue with an EBITDA of 19.66%. The key product such as atta recorded a growth of 40% Q-on-Q, kesar, medicated juices and dried fruits grew by more than 25% quarter-on-quarter basis. On a sequential basis nutraceutical business picked up steam and generated decent revenue of 62 Crores. The company is aiming to have its nutraceutical business to be closer to 2,000 Crores in the next five years that we have lot of tasks that on hand to continue maintaining the growth momentum that now had started gaining traction.

The edible oil segment is the one which is important in this quarter for the reasons on the slippage in the income. It contributed to nearly 75% of our total revenue. Despite a 4% decline in edible oil income the year-on-year growth due to lowering of prices it has happened. We have seen strong volume growth of 35% year-on-year. This quarter our volume increased by 1.4 lakh metric tonnes compared to last quarter and stood at 5.5 lakh metric tonnes. Our premium oil volume grew by 93% to 5,700 tonnes and our monthly edible oil volumes are the largest ever we nearly did 1.5 lakh tonnes of volumes. The edible oil industry is known for its volatility, it poses certain unpredictable challenges, a significant influence by multiple macro factors, which has led to be with India, but includes geopolitical situations, wars, seasonal behavior, the monsoons and global markets.

I am just explaining what exactly occurred in the edible oil segment. In the month of April and May the cash and futures price on BMD, and the overseas exchanges where we hedge, the Oil and Oil Palm and Soya Oil markets were moving very much in tandem and in line. However, in June the price movement between the cash markets in India and the futures prices were very divergent with the future prices outperform the cash prices by almost 12% to 14%. To give you a flavour on May 31<sup>st</sup>, 2023 which was the beginning of the month the futures market as we saw was \$725 in palm and soya it was \$850. A month later the Palm prices from 725 moved to almost \$855 and Soya prices moved from \$850 to \$1,040. Whereas the physical prices in India palm was Rs.80,000 a tonne it just moved to Rs.83,000

a tonne, soya it was Rs.82,000 a tonne it moved to just Rs.90,000 a tonne, and sun which was Rs.81,000 a tonne it moved to Rs.86,000 a tonne. So what occurred was that the normal gain against the hedge which should accrue on the physical positions in India actually did not accrue as much, but the futures prices on account of the hedges that were taken because there was a drop in prices of overall almost 10% there we lost money on the futures prices. So this has been one of the major reasons in terms of the factor, which has had an impact in terms of the oil we have. We kept turning our position in terms of the good systems, good practices that ought to be followed, and this has an impact both in terms of the book losses as well as in the mark-to-market carried forward losses that we had to face. From July 1<sup>st</sup>, 2023 onwards the markets have been relatively normal as far as Palm prices are concerned; however, the prices have moved in tandem with almost 2% down on both the platforms. Soya prices have been erratic with CBOT pricing nearly 6% and the cash prices in India remaining pretty much flat. The company continues to strategize on an ongoing basis. We move our positions around to keep aligning it to the marketplaces. Our risk management systems are very robust and very strong. We build up the hedges as and when the market goes up the company has maintained a hedge ratio of nearly 30% on the overall position and we continue to remain confident that what is occurred in Q1 would get neutralized over the next three quarters and the business has to be within those lines. Our oil palm plantation business which is largest in the country is also performing exceedingly well. The total revenues have been almost 278 Crores with EBITDA margin of 15.44%.

During the quarter we signed MoU with government of Telangana for establishing an oil palm integrated part with the seed garden, R&D center with state-of-the-art palm oil refinery. Also we have set up 11 new nurseries which have been set up, 8 has been in North East and three in rest of India. There is a 30 tonnes per annum of oil mill expansion plant at Peddapuram, Andhra Pradesh continues to be at pace and it has been headed over for operations. The way the business structure it is positive for the company's future with almost consistent annuity business with a healthy margin.

I am coming to distribution now. Our multichannel distribution network expansion is crucial to our growth by expanding our reach we are catering to more consumers and continue to improve our market presence. Looking ahead, we are poised to embrace the promising consumption growth story of India propelling us towards future of unparalleled success. Our strategic vision is very much around sustainable EBITDA expansion, laying the foundation for robust financial growth and stability. To achieve this, we are committed to driving premiumization drive in our consumer businesses catering not only to the masses but also capturing the discerning classes and the emerging middle class in India, which is looking for premium offering. Furthermore, we recognize the net position of the oil palm segment and in the steady state. As a significant driver of growth the segment presents an

opportunity to capitalize on market demand while contributing to the overall sustainability of our operations.

I am coming to the last one minute. Our commitment to sustainability remains unwavering. We continue to prioritize environment friendly practices throughout our operation and are dedicated to minimize our impact on the planet to afford such as use of wind power, water harvesting, and reuse cycle while delivering high quality products to consumers. As a company we have got ambitious targets and over the next five years they have been laid out in multiple different calls in earlier years. In terms of margin profile our aim is very clearly that 80% of our income should be derived from our Foods and FMCG segment, which we are working diligently to accomplish. Let us open now the floor for the Q&A.

**Moderator:** Thank you very much Sir. We will now begin the question and answer session. We will take the first question from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

**Shirish Pardeshi:** Good morning. Thanks for the opportunity. Two questions in the beginning, what is your near-term Palm Oil outlook and do you think we will get benefited going forward because the inventory days will get depleted very soon?

**Sanjeev Asthana:** In terms of the outlook the markets have tended to be more aligned now and it is gaining traction in the domestic market. We are heading into the festival season in normal times in both the demand there is an uptick as well as the demand side tends to sort of give support to the prices, so I am expecting that the prices would tend to benefit and in the Palm Oil segment we are already witnessing a surge in industrial uses because the Diwali demand typically the festival season demand tends to be advanced by nearly 45 days, so we are expecting the market to improve and so that is one part. The second part in terms of the outlook the market tends to follow a lot with a cue from the larger edible oil complex itself, which is Soya and Sun also and we will have to wait and watch in terms of how the palm oil prices goes, but for us what is important is that the markets have to move in tandem in terms of both the futures and the physical prices in India, so it should be positive and it is gaining substantial alignment as we speak now.

**Shirish Pardeshi:** Just one follow-up do you mean to say that the price will remain inflationary or move from here up?

**Sanjeev Asthana:** That is exactly what I am saying, that the futures market in BMD as well as in the cash market the market is tending to get better with the festival and seeing festival demand. So yes prices should start to look up.



- Shirish Pardeshi:** So directionally it should help us in Q2 onwards to improve our scale and also the margin?
- Sanjeev Asthana:** Yes, the driver that I was mentioning earlier that since you asked the question the edible oil business typically has to be seen in a longer-term continue because there would be sort of windows in which or a period of instability in the global market and because of the accounting norms and the reporting that we have to do quarter-on-quarter, so many times that you have to account for both in terms of the mark-to-market that gets accounted for, but tends to even out over a period of time. So certainly, in Q2 it should be better than Q1 and we are expecting the demand continues to work on. I think we should do significantly better results that we should see in this quarter.
- Shirish Pardeshi:** My second and last question on the biscuits and confectionery and on the premium dried fruits. So would you be able to strip out what is this specific growth you have seen on quarter-on-quarter in these two businesses and when you mean to say that the scale up of 1 million do you think these are the primarily top outlets we are covering or we are scaling up across Tier-1 and Tier-2, Tier-3 markets also?
- Sanjeev Asthana:** So two parts to answer this question. We have seen a very robust growth, so compared to last year we almost saw 38% growth and the revenues this quarter as I mentioned are 381 Crores versus 276 Crores last year and they grown 14%. So we are seeing a very strong growth across the range of biscuit offering that we have and the surge in demand for specific brands within that like Doodh biscuits and Nariyal biscuit, the new launches that we have done are also gaining traction, which is of course very early, but we are seeing the repeat orders. It is driven by two core strategies that we have, the one is on the distribution expansion, so several sort of spaces which were almost white or less covered that coverage continues at pace. So a lot of it in smaller terms and the focus is lot more while urban areas tend to have a very solid demand, but we want to expand that and the mix of offering that we have for the urban areas especially the larger cities is undergoing a change and which is what the core work is right now going on and the mix of, for example premium biscuits that we have offered the biscuits within our portfolio we tend to have a larger consumption pattern in the urban sort of areas, that this focus is going on in terms of expanding a distribution to urban areas. So the idea is that our margin on the biscuits business were about 10.5%, the idea is that we move up the margin construct of the biscuit business by higher price point product and more sort of brands which are appealing to the consumers we are looking for that option so that is one part. On the dried fruit side Patanjali is already doing the dried fruits. We are working right now on a strategy to give a premium offering on the dried fruits as well as the mass market side and continue to evolve and develop it in a way that the offering is more like this because we are witnessing a strong growth across all the segments. So we working on supply chains as I mentioned that we tied up with very large sort of suppliers and the US we are looking at more suppliers as they are coming on

stream and building up supply chain capabilities and we are offering the launch we have already done with the Nutrela MaxxNuts so that you will see on the shelves now and we are pretty confident that this category will be one of the larger categories that are going to expand the range by offering the quoted offerings and flavours we are looking at dates to be added very quickly to the portfolio. So we are pretty confident on dried fruits as a category within the foods for a longer-term sort of growth momentum.

**Shirish Pardeshi:** Thank you and all the best Sir.

**Moderator:** Thank you. We will take the next question from the line of Akhilesh Bagri, an Individual Investor. Please go ahead.

**Akhilesh Bagri:** Thanks for the opportunity. Initially I would like to congratulate you and the team for a very healthy performance on the Foods business, but unfortunately this edible oil business seems to extend a lot of volatility in our numbers, so I wanted to get your thoughts on what synergies exist between the edible oil business and our foods business and whether these businesses could be separated going ahead because every now and then in some quarter or the other this business may take away the attention from the performance of the Foods business?

**Sanjeev Asthana:** That is a great question and I just want to highlight that edible oils as a business is a good business and because of the reporting the sort of timelines that the companies have to follow every quarter end, which I sort of spoke during the call also, so many times there is a lag between how the markets response and where the markets are headed. So for example that the prices are rising, the domestic and there are three elements to the way prices operate. One is the domestic Indian market prices that we have, second is the international market the physical market from where almost 70% of country's requirements are imported and third is how the futures market being. Because of the lag in the sort of timing of each of them there might be windows in which the market may give you a shock, market may sort of tend to give you a lower sort of margin or also maybe in a negative sort of performance, but it evens out over a longer-term window always. So as I mentioned in my call that the performance of Q1 will certainly tend to even out. We are pretty confident that we will meet the objectives that we set out for the edible oil business, but coming back to the more important question that does it fit into our food businesses strategically, it does very well because there are two parts. There is a lot of commonality of distribution that we have in the urban areas while lot of oil sells to kirana stores and sells to B2B, but 80% business of ours is almost in the branded form and most of the brands are selling through where India consumes whether it is a modern trade, whether it is e-commerce in a smaller way or it is a kirana stores or multiple different channels through which the oils are selling. So there is a lot of synergy that we have between the two and both in terms of the return on capital that

the business generates in terms of cash flow that it sort of allows us the strength company has and the way we have been growing because there is a lot of consolidation which is happening as well. So our growth momentum in volume terms of nearly 30% plus that you have seen typically Indian market is going between 3% and 5% occasionally, which means that we are taking the share away from smaller players, so this will take some time, but this consolidation in the longer-term will be very helpful for company's longer-term growth momentum. So I feel that not only should we stay with the business but we should continue to expand and make it a more predictable one.

**Akhilesh Bagri:**

Thank you for your answer. Going on the same topic could you also elaborate between the linkage between our Oil Palm business and the Edible Oil business as follows, how much percentage of the overall edible oil business is from palm oil and as on date how much percentage of the palm required for that business are we getting from our own cities and our own palm plantations?

**Sanjeev Asthana:**

Oil palm plantation currently if I were to do the numbers we get about 10% from our own oil palm plantation that we have in the edible oil segment and going forward in the fullness of time when we have the entire 0.5 million tonnes planted I am expecting that nearly 70% will come through our oil palm plantation business of the palm oil requirement. Now, why is it critical that we sort of the integration of the two businesses is important that not only on a standalone basis the oil palm plantation is a consistent generator of between 16% and 18% of EBITDA, but when you look at the synergies of directly servicing our domestic requirement, there is a lot of value integrating that the refinery business, then the consumer business, the branded business or how it sells. So the vertical integration in a lot of ways brings in added efficiency and added value for the company. So both the things are very synergistic, standalone oil palm plantation businesses in India certainly will struggle and while they may make margin, but their ability to leverage the margin for expanded growth. On the overall business itself will always be limited as a standalone player.

**Akhilesh Bagri:**

Will it be fair to say that as more and more share of the palm oil business comes from our plantation, the volatility in our overall business would also reduce because you would have a certain cost ways for the Oil Palm Plantations which will not be as volatile as the Palm Oil prices are every quarter and every month?

**Sanjeev Asthana:**

That is correct, but I just want to highlight one important point. So to your first point whether it will reduce the volatility and otherwise absolutely, but the way business is run that the higher the oil palm prices the better of it is for the oil palm business which may or may not necessarily be very good for the edible oil segment. So having said that, in general, I would expect that the more we have the predictable the domestically sourced palm oil it

will have a significant value add for the company because will be less exposed to global uncertainty and it will assure on an integrated basis much better margin construct.

**Akhilesh Bagri:** This 70% figure which you mentioned is that possible by FY2027 or by when are we targeting?

**Sanjeev Asthana:** By FY2027 this will have actually gradual increase every year, but this should take almost 7 to 8 years before we can expect 70% of Oil Palm Plantation to start coming in, it will probably be closer to 55% in year 7 it will build up, but in year 10 onwards it will be nearly 70%.

**Akhilesh Bagri:** Thank you.

**Moderator:** Thank you. We will take the next question from the line of Bharat C Shah from ASK Investment Managers Limited. Please go ahead.

**Bharat C Shah:** Sir, continuing from the previous question strategically how do we say long-term the construct of the edible oil business, what kind of likely growth rate margins in a more normalized basis that should prevent, I understand that last year is being a particularly unusual period, second quarter of the last year and through that period even till last quarter the picture is being somewhat volatile, but on a more normalized basis how do we see the long-term construct of the business, what kind of margins, what kind of growth rate for the industry and what kind of the growth rate for us, and therefore what kind of return on capital employed in a more normalized basis we expect?

**Sanjeev Asthana:** I will start with the last question first in terms of return on capital employed. It is a good business because they are nearly 6 to 7 tonnes we can take on the working capital deployment and the business at 3% with 7% is nearly 21% return on capital employed, but I would say that let us take it at even 3% and 6%, it is about 18% return on capital, which is a good business to be in, and that is what I repeatedly sort of said before also that edible oil business in a particular quarter on absolute terms may give a shock once in a while and may not be consistent because of the way the reporting is done, but overall from a return on capital, from the distribution structure that is in place, from the opportunity of a steady cash flow that it provides and our longstanding strength in this business for long legacy of erstwhile Ruchi Soya and now Patanjali Foods, the consolidation in the industry because of the larger working capital sort of requirement, the edible oil business has, the need for brand and distribution having large deals, etc., there is a consolidation which is being witnessed in the edible oil space that tends to help all the larger companies and we are also beneficiaries of that which is reflected in the volumes that are there. Coming to the growth rate of the industry in general, the growth rate has been between 3% and 5%. There have been

occasional windows especially during COVID times when it was flat to marginally negative, but overall I expect with the growth in country's population, the current place at which India is placed on the average consumption per capita and the way we have got examples of US which is of course very evolved and development, but if we were to take China as well and there is a substantial sort of headroom for growth in the edible oil segment and we wish to grow and we are not growing by volumes and the cost of profits, so we want to keep the pace on the volume side and which is why you would notice that the longer-term revenue projections and all that we are neutralizing the edible oil revenues and only looking at the volumes and ensuring that our FMCG businesses are the ones which are focused in terms of the revenue growth. The margin construct, as I repeatedly said this business is good for between 2% and 4% of margin and in a good quarter it can be 4%, we were not up to 8% and 10% also, but those are outliers consistently for two years and the markets where on a growth momentum overall worldwide we also benefitted and there have been periods when the market we lost money also, but overall basis it would be safe to assume that in a year's time between 2% to 4% is a good number to go with and even this quarter the change that you saw and a drop in margin we are reasonably confident of covering it back during the year. So I would only urge the way we look at businesses that we would work on the strategy not by the quarter end sort of numbers what are coming out but ensuring that the predictability of margin over a period of time has ensured that we do not have any major shocks in how we manage the business.

**Bharat C Shah:**

I was looking it over last 11 quarters of the margins so what you are saying is right, last year second quarter was the one which was a huge shock where the margins were badly impacted in the negative and the first quarter of the current year has been a second period, so in the eleven quarters that I have seen that has been the case. I presume this last one year probably is more unusual and on a more normalized long-term basis this kind of high frequency fluctuation probably is not a normal character of the business am I right in understanding that?

**Sanjeev Asthana:**

Yes. That is absolutely right. The last year Q2 was unprecedented. It was nearly sort of it happened after three decades this kind of volatility which was not witnessed before and all the global players, the best of companies globally, the largest company in the world, that the shock in terms of the way markets reacted and it was very little in control with the companies that have had, the actions on regulatory actions in Indonesia, the war in Russia-Ukraine, etc., it happened. Even this quarter is a pretty exceptional because with the pace that with the future market sort of tended to move up and the domestic markets on account of supply and demand at a lag this happened, but I would say that these are more instances of certain windows in which this may occur but in normal course over three years we would have seen company's performance like Patanjali Foods itself that we did not have any particular quarter which there was such an unprecedented change in the markets moving in

very divergently compared to each other. So there tends to be some bit of correlation. The correlation in certain windows is very strong, in other windows is less strong, but that is a part of the science of managing the business and also the art of managing the business and the experience that comes in. So we feel pretty comfortable in where we stand right now and it is reasonably comfortable to say that by the year end we should have normalized with first quarter results and should be pretty much on pace for the growth plans that the company has.

**Bharat C Shah:** Which means, if we have to make a long-term kind of a model of the business then industry growth rate about 3% to 5% our records and our ambition is to do better than that, so maybe presumably 5% to 7% will that be a fair number for our growth rate?

**Sanjeev Asthana:** That is right.

**Bharat C Shah:** If it is 5% to 7% growth rate with the margins only ranging between 3% to 4% in tricking the other fiscal 2021-2022 which of the quarters that I saw the margins were in excess of 4%, so let us say we take 3% to 4% kind of a margin and with a stable over a period of time some amount of the improvement therefore return on capital employed at certain times done should be somewhere in the vicinity of 21% to 20% will that be a kind of a fair summary of long-term future plus and at the fair rate we will be integrating our own palm oil more and more into the mix and therefore even if there is some volatility at some stage will be corresponding neutralizing factor in the internal palm production. So relative more stability going forward and margin construct in the ROCE in that range is that a kind of a picture we can kind of build into the model?

**Sanjeev Asthana:** You see that will be the fair reflection of the numbers and we are pretty convinced that and the much as convinced. The business has intrinsic value for players we are large, for players we have got distribution with infrastructure that we have built over a period of time and the inherent nature of the business. So the 21% return on capital margin construct of anywhere between 2% and 4% you are saying 3% is the midpoint that is reasonable assumption to make and the integration of the palm oil business especially with the oil palm plantation progressively as we go forward is going to benefit the company immensely and this is something that we are striving for as well to bring about that to develop predictability that you speak about in terms of the business model. The only thing I would say here the caveat is that there might be windows in which a month or two months or three months, one quarter in a year which would give us some divergence in terms of the predictability and like an FMCG segment will give us a change and which we have to deal and manage. I think that is the only part I would say, but overall in a year's time that if you look at a 12 months window we should be pretty consistent with what you have just now said.

- Bharat C Shah:** One last question. While talking your voice was not very clear so I did not probably fully understand, but you mentioned that there were some 71 or 72 Crores of credit losses and which have been reversed in the current quarter is that what you say can you explain that little better?
- Sanjeev Asthana:** So what happened was that on account of the Ind AS standard that out of debtors we had to take 71 Crores of expected credit loss in the books, so our actual P&L should have been higher by 71 Crores, but because of this reason of Ind AS and the regulations we had to take that into account. So that was just an accounting entry that had to be done in the quarter end which has been reversed in this quarter. We are expecting the change to be nearly between 63 and 65 Crores which has already written back in the books of accounts in this quarter.
- Bharat C Shah:** It was ECL based on Ind AS that you written off?
- Kumar Rajesh:** Yes. Just I would like to clarify it. As per Ind AS requirement we have to define the defined credit policy for the customers and we have defined in the books a particular credit period for our customers and you can say the payment has been received slightly delayed by two or three days, not on June 30<sup>th</sup>, 2023 that is why as per Ind AS requirement we have provided the expected credit loss. This payment has been received in the month of July itself and we are going to reverse it as per accounting standard so this is the fact.
- Bharat C Shah:** Thank you Rajesh. Thank you Asthana.
- Moderator:** Thank you Sir. We will take the next question from the line of Kuldeep Gangwar from ASK Investment Managers. Please go ahead.
- Kuldeep Gangwar:** Just regarding this credit loss, recovering that number it will part of other income or any other line item?
- Kumar Rajesh:** This is right now included in the other expenses and while reversing it will include in the operational income not in the part of other income.
- Kuldeep Gangwar:** Second part can you please provide the breakup of FMCG business sales and margin in the major subcategories in Q1 FY2024?
- Sanjeev Asthana:** In terms of breakup of the FMCG business in terms of the Nutrela which is soya proteins it is 155 Crores, there is a growth of 3%. In the foods division we did 1,354 Crores. Last year, of course this business was not with us, so it is against that backdrop. The biscuits did revenue of 381 Crores this is against 276 Crores last year in the same quarter and nutraceuticals did 62 Crores in this quarter.

- Kuldeep Gangwar:** How is the margin profile across categories?
- Sanjeev Asthana:** So the margin profile in each category in the soya protein business, we made 13% margin. This was 20 Crores of EBITDA, Food division we did 266 Crores, which is 19.71%, biscuits we did 39 Crores, and nutraceuticals we did 36 Crores.
- Kuldeep Gangwar:** What should be the full year expectation overall from the FMCG business in revenue and the margin profile?
- Sanjeev Asthana:** It is pretty much on course for that. I think our target always as we mentioned is between 16% and 18% we are doing right now better than that because there have been some positive with that we have got, but overall I think looks like that we might be closer to 18% plus than below that.
- Kuldeep Gangwar:** To answer Q1 FY2023 sales in FMCG business can be analyzed or is there any seasonality in that particular business?
- Sanjeev Asthana:** There is some seasonality. So very clearly like for example the nutraceutical and biscuits would not have, soya protein business have marginal seasonality and the food business will have. So for example in the festival season the sales tends to pick up and all of these products are meant for sort of winter months there are products which are meant for summer months, so there would be some bit of seasonality there, but not any dramatic seasonality.
- Kuldeep Gangwar:** Is there any seasonality in Oil Plantation business?
- Sanjeev Asthana:** There is high seasonality. So there are periods in which in some quarters when the harvesting of the fresh fruit bunches happens so you will get in certain months much higher and that is why it automatically translates into the yield, but overall, so yes, it will happen about six months when the harvest is happening we will have pick sort of lot more revenues and the EBITDA getting generated and of the quarter the EBITDA will tend to be lower, but overall margin construct of again as I mentioned 16% to 18% is a pretty consistent margin and very safe to always take in our calculation on Oil Palm Plantation business.
- Kuldeep Gangwar:** Which are those quarters were higher contribution from Oil Plantation coming to the sector?
- Sanjeev Asthana:** This quarter will be higher contribution and as we are getting into the harvest season as well as it will just go forward into the next quarter as well.
- Kuldeep Gangwar:** You were mentioning about the edible oil business model so full year basis can we still assume that it is a 2% to 4% range achievable for full year basis in edible oil business?



- Sanjeev Asthana:** We feel confident Kuldeep, as I just mentioned in quite detail that the targeted margin construct of between 2% and 4% so we are still pretty much we feel confident that the full year between 2% and 4% we should be able to generate EBITDA margin in the edible oil business.
- Kuldeep Gangwar:** Depreciation has increased from 43 Crores last quarter to 68 Crores in Q1 FY2024 what are the reason for the same and what should be going run rate for coming quarters?
- Sanjeev Asthana:** I think the run rate typically has marginally gone up on the depreciation side because we have acquired certain other assets and the depreciation has been taken in this quarter, but normally I think during the year we should have close to about 170 to 180 Crores of depreciation.
- Kuldeep Gangwar:** This depreciation figure increased from 43 Crores to 68 Crores in Q1 FY2024 so reason and what we should expect going forward?
- Kumar Rajesh:** Actually this depreciation we have made some alignment to the asset which was lying in our fixed asset register for pre-CIRP period was revalued during the pre-CIRP period and right now we have aligned this with the Companies Act. So depreciation has been increased by 28 Crores for this quarter and near about 10 Crores of depreciation is additional in this quarter. So going forward this will increase by 15 Crores as compared to the past quarters.
- Kuldeep Gangwar:** So coming quarter 15 Crores should be the run rate ballpark in next two, three quarters right?
- Kumar Rajesh:** Yes, approximately 15 Crores will be increased.
- Kuldeep Gangwar:** Last bit like distribution reach currently and what should be the target in next couple of years?
- Kumar Rajesh:** Broadly we had as I had mentioned that in our presentation earlier that we currently have 1.5 million retail outlets which we reach directly in all the businesses combined. There is indirect reach that we have close to nearly a million retail outlets and the target is that we are on continuous expansion path as I mentioned in the biscuits and nutraceutical. So we are adding distribution outlets at the rate of nearly between 10,000 and 15,000 every month and so that work is going on much larger part of the work is going on in the biscuit business. Nutraceuticals is more special, more sort of different strategies being followed; actually our focus is lot more on the e-commerce and B2C. So it is safe to assume that we will add every year anywhere between 1,50,000 to 2,00,000 retail outlets in our reach.

- Kuldeep Gangwar:** Thanks a lot.
- Moderator:** Thank you. We will take the next question from the line of Akhilesh Bagri, an Individual Investor. Please go ahead.
- Akhilesh Bagri:** Thank you for the followup. Sir one suggestion if you could include this category wise revenue and EBITDA margin on the food business in your result release itself that would be more helpful for everyone for comparison sake and my question is this 71 Crores credit loss which you mentioned, which will get reversed, was it for the oil segment or it is for the foods business?
- Sanjeev Asthana:** This was for the food business, but Rajesh Ji you can elaborate a little more.
- Kumar Rajesh:** Majority is from the food business.
- Akhilesh Bagri:** Prior to say that the EBITDA then for this quarter for the foods business would have been higher by almost 50 – 60 Crores actually?
- Kumar Rajesh:** Yes.
- Akhilesh Bagri:** So actually our EBITDA margins would be even higher than what we have reported currently on the foods business?
- Kumar Rajesh:** Basically you cannot say like that because this is a penal clause, which requires the treatment of expected credit loss. So operationally, if it would not be there this has been shown into the other expenses so EBITDA margin could be higher, if you consider that up to some extent relating to the food business.
- Akhilesh Bagri:** Alright. Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Sanjeev Asthana, CEO, Patanjali Foods Limited for closing comments. Over to you Sir!
- Sanjeev Asthana:** Thank you very much for patiently listening to our sort of result for the investors. We continue to work towards stabilizing the sort of margins in the edible oil business with the focus and target is on managing the risks to ensuring that we maintain our steady pace of the commitments that we are making. The company continues to strive and work towards the FMCG businesses and we are quite pleased with the progress. There are slew of launches that we have lined up we will continue to work on those and the suggestions that we give in terms of reporting and giving out better quality reporting we keep treated with



*Patanjali Foods Limited*  
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lot of respect and carefully we will consider and we will certainly start making it better and little more consistent with the requirement of market ahead. Should you have any further queries please contact SGA, our Investor Relations Advisors. Thank you.

**Moderator:**

Thank you members of the management. Ladies and gentlemen on behalf of Antique Stock Broking Limited that concludes this conference. We thank you for joining us. You may now disconnect your lines.