



# PATANJALI FOODS LIMITED

(Formerly known as Ruchi Soya Industries Limited)

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**PFL/2023**

**January 31, 2023**

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 Q3 & 9 months FY 2022-23 of Patanjali Foods Limited (“the Company”)**

This is in continuation to our earlier letter dated 27<sup>th</sup> January 2023 regarding audio recording of Q3 & 9 months FY 2022-23 Earnings call held on 27<sup>th</sup> January 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  
3Q & 9MFY23 Earnings Conference Call”

January 27, 2023



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

**Mr. Sanjeev Asthana:** Good morning to everyone and wishing everyone a very happy New Year. I would start with the performance highlights of what we did in quarter 3 and walk you through it

So from the revenue terms, we did INR 7,964 crores of revenue, which is a drop of about 7% from the previous quarter. Our EBITDA went up from INR 205 crores to INR 405 crores, which is up almost 97%. EBITDA as a percentage of revenue is about 5.1%

PBT is INR 344 crores versus INR 154. Broadly, in terms of the segmental wise performance, we had the big three segments that we have, is the Edible Oils portfolio. Second is the Foods portfolio. And third is the seed extraction portfolio. And then there are associated businesses like Windmill. So, I will go through one-by-one on the revenue and the margins that we gained on these businesses.

So on the foods, we did INR 1,570 crores versus INR 2,400 crores that we had in the last quarter. Our overall margin EBITDA was INR 174 crores versus INR 622 crores that we made in the foods segment. And there's reasons for the drop, both in terms of the revenue and the margin, and I will pick it up later on the call.

On the oil segment, we did INR 6,067 crores versus INR 5,917 crores, which was marginally up. We did close to INR 196 crores of EBITDA this quarter versus negative of INR 451 crores what we had in Q2. On the seed extraction side, versus INR 440 crores in the previous quarter, we did INR 689 crores. And on the EBITDA side, versus INR 24 crores, there was a margin drop of INR 2 crores, we did INR 22 crores. On the windmill, we had an income of INR 6 crores in the quarter. So, in total, the EBITDA for the quarter was INR 405 crores versus 205 in the last quarter.

In terms of the highlights of the business performance in this quarter, Foods as a percentage of the revenue for the overall company is now nearly 20%, which is a very positive sign. And in our stated intent that we would like to take it 50-50 over next five years and we are very much on course for that.

In Oils we did a growth of more than 10%. It's in double digits versus the overall industry growth of 5%. So that has been a very positive sign as we continue to march up larger numbers. Biscuits, we have grown nearly 15%-plus. And the number of retail outlets, we increased from 4 lakhs to 8 lakhs, and that march continues well. Our margin profile in the biscuits has improved as well, and I will give the detailed breakup of the Food business also.

The oil margin, we did 3.2% in a market which was extremely volatile, where the prices have continued to swing between minus 10% to plus 10%, and that has continued to change. We have worked on revamping the entire Nutraceuticals business. So a lot of work which is going on, on some parts of rebranding, some parts of new distribution structures. The work on direct to consumers is fully getting on stream. And likewise, multiple other initiatives, including launching of flavored and different sports nutrition, etc., that is going on.

During the quarter, we had two additions to the leadership team. Mr. Pawan Arora, who came from ADM Agro. He has joined as the Head of the Consumer business. He looks after the Nutrela business. And Mr. Apurva Kumar he has come with long experiences of Amway of nearly 20 years-plus, and he has joined and in the team. In the Oil Palm segment, we signed two new MOUs with the government of Nagaland and Government of Tripura. Tripura we have been allocated 1,03,000 hectares of land. And Nagaland, we've been signed for three districts in Nagaland, the area is yet to be determined.

We set up nine new nurseries. Our imports of Sprouts, which is the basic material which you have to place in the nursery. That has gone up exponentially. We have done more than 5 million sprout imports this year. The plan is to do 10 million of sprout imports next year and from '23-'24, and '24-'25, are going to a huge pickup years for our oil palm plantation.

Our international business, as I had mentioned in the previous call, has continued to gain momentum. We have done almost INR 16 crores of exports of biscuits on two segments that we're focused on. And added to the food business as a connectivity, second part was in terms of the dry fruit imports which is going to basically dovetail into the Foods business. So rather than buying from the trading community, we are importing our own and adding value to it by processing it and then exporting.

In terms of the new product development, there's a lot of work which has gone in. I mentioned about in the sports nutrition by adding multiple different flavors, which are catching the eye of the gym goers. Likewise, this is a year of Millet. So we're working quite actively on the number of millet-based products, and in the next two months or so, you will hopefully see these getting launched. In the Ready-to-Cook segments on the Nutrela side, there's a lot of work which is going on. So next three months, we're going to see multiple different launches happening which is going to basically be driving the growth in the areas.

One more in terms of the HR issues, we had second year in the running, we were awarded the Great Place to Work, which is idea being that both in terms of the employees and the teams and the leadership team, their motivation levels and making Patanjali Foods an attractive place to work. So, a lot of good stuff has gone in.

I'll come to something that I wanted to share on the food side. So in terms of the breakup of the food business, it comprises of basically four distinct segments that we have. And in the four distinct segments, we broadly have areas like foods that we took over from Patanjali Ayurved. The second one is the biscuits business, third is the nutraceutical business and fourth one is the TSP, the texturized soy proteins, which we call under the Nutrela brand.

So in terms of the revenue, it dropped by INR 352 crores. Basically, a couple of things happened that there was a heavy inventory push in the quarter 2, which we made. And as I mentioned last time in the call also, in the previous quarter, that sustaining the revenues and the margins of quarter 2 would be impossible because there was a lot of, it was first quarter that came in, it was a lot of push that we did in the marketplace and that has carried forward. –Why have the revenues dropped? So, one was the revenue on account of the foods. Second one was the nutraceuticals

category, where we had started on the new distribution category of Yoga Karyakartas, who typically are associated with Patanjali and there are more than 1 lakh of them. So there was a big push that we had in terms of pushing the inventory towards them. They were the super stockists and the distribution system. There was a big push that we had towards the nutraceutical products. So that had a drop.

And the third one was that in terms of all the schemes that we continued giving to the market, post the Diwali and the wedding season rush. After that, this has continued to basically gain momentum and that has carried forward in terms of contributing towards the growth. In terms of the food margin, what we have always maintained that it makes consistently, it should be between 15% to 18% business that we will have.

Against, that 15% to 18% our margin this quarter was 11.08%. So there is a 4% less than what we otherwise would have anticipated and of course a very substantial drop versus the previous quarter. But this is something which is one-off because there was a carryover of the previous quarter, which has had an impact. And there are certain categories under which this has undergone a certain amount of change that we've had.

And we're expecting that we should get back to the regular run rate on the food side from this quarter onwards. Oil has stabilized. Our businesses within that, whether it's nutraceuticals or Biscuits and others, continues to move a pace and move fairly well. And rest of the business, we are kicking in pretty decently. So in terms of how the next quarter would look or how the quarters after that would look, I think we are pretty much towards normalization of our revenues and margins. And the growth rates, what we mentioned before, and the margin profile that we mentioned before should be pretty much in line with what we mentioned. With this I will close my remarks and I'm open for questions from investors.

**Moderator:** The first question is from the line of Abneesh Roy from Nuvama Institutional Equities.

**Mr. Abneesh Roy:** My first question is on two things which you mentioned, the 1 lakh Yoga Karyakartas and the fact that you have hired a very senior person from Amway. Both of these initiatives are very innovative and normally, most of the other FMCG companies obviously don't do that because Amway again has a very differentiated model. I wanted to understand why have you hired that person from Amway? Would you plan to do some level of similar distribution in the medium long-term?

And on the Yoga Karyakartas part, you did mention that the dip in the foods business was partly because of that. I understand that. But is there a big opportunity here because this has been available in the group for a long time. So why did we not tap it earlier?

**Mr. Sanjeev Asthana:** So I think the three parts of the question. One is the Amway person we have not hired for multi-level marketing because there are obviously a lot of regulatory challenges there. He came with his expertise in the nutraceuticals business. As you know, that's a significant player in the marketplace. He carries a long experience in that business. So that was hiring on that basis.

The answer to your second question is, yes, it's a strength which Patanjali has. In the last quarter, we started that. It takes time in the inventory getting, passing through the system, the customers in those camps gaining traction with what we offer. So it is taking its time, but that is something which we are extremely bullish about. And so that's a more direct marketing model which we are adopting where the distribution system is being tied up to Yoga Karyakartas, who would in turn distribute it to their followers. And that's a model we are following.

And to the last part of your question that why have we not pursued this earlier, I agree, it could have been. And this is something, so we are making the first attempt on nutraceuticals because that is something which people who come for yoga are directly connected to that in terms of their health concerns and all that.

So the ability to relates to what is being offered is much better besides becoming income enhancement opportunity for the Yog Karyakartas, etc. So, we are quite positive about it. And it would take a couple of quarters for that to start to stabilize. So we did a pilot, we ran through that last quarter and we continue to work very closely with them.

**Mr. Abneesh Roy:**

Sir, my second and last question is on the Reliance FMCG foray. So of course they have extremely ambitious plans and in this part of your business I think they will be a bit more aggressive given it's a large market. I understand, post their entry it will be good for the branded piece to pick up for all players. But would you change your strategy medium, long term, whenever Reliance increases aggression in your core products -- still it is early days, that's why my question is more from a medium long term, how do you see such a large conglomerate entering the large parts of the so-called commoditized part of FMCG?

**Mr. Sanjeev Asthana:**

Right, so I've spoken before to the media also, because this obviously has aroused a lot of curiosity in terms of how that would impact. See, broadly, if you look at the overall category of food is humongous. So we, from an overall India perspective, occupy a very minuscule part of that, and likewise for Reliance as well. And food is a highly distributed business. So, in terms of the core of foods that we have, it's extremely differentiated.

Our competing points might be very few and very limited number of categories. So, I'm not anticipating any direct impact on our business. So for example, products like Chyawanprash and medicated juices and Ayurvedic based products and all that in the foods portfolio, that's totally away from that. And likewise, in very few categories, perhaps there might be competition. We respect Reliance. I think that's an incredibly competitive large company. So, we respect them, but I don't believe that there will be any substantive impact in the near term.

Yes, over medium term to long term if things do start to impact, we will certainly respond and then we welcome competition of that kind. I think that builds up the market and builds up the category itself.

**Moderator:**

The next question is from the line of Jeevan from Sahasrar Capital.

**Mr. Jeevan:** I have actually two questions. The first question is on sustainable basis, how you see the food business doing in FY '24? So can it be like INR 6,000 crores portfolio with 15 to 18% margin? Can we assume that?

**Mr. Sanjeev Asthana:** So, what we have maintained is the food business typically should generate 15% to 18% margin that we maintain. It could be 100 basis points less, it could be 200 basis points more, but broadly it could be in that range. In terms of the revenue, what we acquired versus what we already have, I think we should be in terms of the revenues next year pretty much close to about between INR 5,500 crores to INR 6,000 crores of revenue.

**Mr. Jeevan:** And in the oil business, can it be like 4% margin is a sustainable margin operating level I am seeing?

**Mr. Sanjeev Asthana:** Oil business is quite volatile. So, in terms of the objective that we have is that we want to sustain a margin range of 3% to 4%. And 4% if we do, it's obviously a good performance. We have done the past much better than that as well. But I would say from a guidance perspective, between 3% to 4% is safe to assume. And that is something that from a targeted basis is what we are aiming for right now. Because there is a lot of volatility, and we are careful about that. But I think in general, if we look at the past two years of performance, and if we look at the current year as well, I think barring the blip that we had in quarter 2 in general, we should be in the range of 3% to 4%.

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

**Mr. Kuldeep Gangwar:** I just wanted to know the breakup of the food business across segment like what you acquired, and then Nutraceutical and TSP, and how has been the operating profit over there, or EBITDA over there?

**Mr. Sanjeev Asthana:** So if I understood your question right, it was slightly unclear, but the food business that we acquired from Patanjali Ayurved was INR 4,000 crores, in which it was split almost one-third, one-third, one-third between Ghee, edible oil portfolio and the other foods. So the edible oil portfolio gets reported with the edible oil, so I will not address that. So basically on an annualized basis, the business that we acquired was close to INR 2,700-odd crores that we took over.

Other two, three components of that is nutraceuticals business, the biscuits business that we have, and the CBD, the Nutrela brand that we have of TSP, Soya Nuggets, etcetera, that you see in the marketplace. So this quarter, we have done INR 1,570 crores of revenue in that segment, where the foods has been INR 1,083 crores. Nutraceuticals has been INR 11 crores. Biscuits has been INR 306 crores and Nutrela, the Soya Nuggets has been INR 135 crores and others are accounted for INR 47 crores. So that is a split in terms of the revenue.

And as I already explained earlier, that the change in the margin construct and the drop, it happened in two categories. In the foods, certain parts of the business, the sales dropped because they were pushed aggressively in quarter 2. And things like Ghee and Honey and certain medicated juices. The second one was that the nutraceuticals pipeline was very aggressively full.

So basically you have to see 2.5 quarters which were rolled into one in the last quarter. So that happened.

Biscuits, we dropped marginally because this is a completely off season for biscuits in general because in the winter typically the demand moves elsewhere. So versus INR 352 crores, we did INR 306 crores. And Nutrela, we did about pretty much the run rate that we have, about INR 135 crores. That's what INR 550 crores we do annually. So that is how the split in the business was.

And income-wise, as I mentioned earlier, that change happened. So totally 11%. And I think from a guidance perspective, maintaining an expectation of 15% to 18% will be the range as we go forward on the foods part. And I'm expecting from this quarter onwards, we should pretty much remain on the same path of 15% EBITDA, and growth rate of 15% overall among the four segments.

**Mr. Kuldeep Gangwar:** This quarter in food business, that was close to INR 1,570 crores revenue. So is it the sustainable base which we should consider in the food business side in the coming quarters?

**Mr. Sanjeev Asthana:** Yes, of course. I think pretty much we should be on course and barring marginal change in terms of the revenue, we should be pretty much on course for that.

**Mr. Kuldeep Gangwar:** So my question is like in FY '24, this number should be overall combined more than INR 6,000 crores, right? INR 6,000 crores to INR 7,000 crores, because it's having all the components. Nutraceuticals biscuit, Patanjali Food combined, so...

**Mr. Sanjeev Asthana:** I mentioned earlier in the call itself that we should be close to INR 6,000 crores irrespective for the next year. In fact, it could exceed that as well. If we look at the overall run rate that we have, we should exceed INR 6,000 crores next year.

**Mr. Kuldeep Gangwar:** And last bit, this oil business, you are maintaining the margin profile of 3% to 4%, either in coming quarters or for medium term, that is the correct understanding, right?

**Mr. Sanjeev Asthana:** Yes, that's right.

**Moderator:** The next question is from the line of Vikas Mistry from Moonshot Ventures.

**Mr. Vikas Mistry:** Sanjeev, my question is on oil palm cultivation. We have 50,000 hectares of it. Can you let me understand the economics of it, how 1,000 hectares will give how much revenue, something like that?

**Mr. Sanjeev Asthana:** Okay. So that will take a lot of time. I can give you a simplified version and maybe after this we can talk offline as well. But briefly, we currently have 64,000 hectares under which is planted, which is split over nine states, but the dominant one is Andhra, right now, where we have a major part of the work done. Then we have between Telangana, Karnataka, parts of the rest of India, and the big aggressive push that we have in the northeastern part. So basic economics is that the margin profile is typical 15%, 16% depending on the value of the palm oil against a very



fixed formula. So it becomes like an annuity income that we generate out of the business. And in terms of that, it depends on the yields and which state and how it is, but I can give you the further perspective on that.

But in general, annually we typically end up making close to INR 200 crores from the business in the oil palm and which is pretty much consistent income that we have and which will sustain itself. As more-and-more trees come into maturity and start yielding fruit, this margin will continue to go up. So it is pretty much dependent on how fast we execute and how soon these trees start to mature and that profile builds up.

So I'm expecting that while on steady base, we will see a good progress over the next four or five years. But the big jump will come after six years when we will see a dramatic increase in the plantation that we are doing now. And they start yielding fruits in the fourth year and in the eighth year onwards they start to mature. So then we should see a big bump in the income.

**Mr. Vikas Mistry:** Can you give me the figure that after five years what can be the revenue potential from 1000 hectares per 1000 hectares?

**Mr. Sanjeev Asthana:** So you want to look at per 1,000 hectares basis?

**Mr. Vikas Mistry:** How much revenue it can generate after five years, it goes to the maturity phase?

**Mr. Sanjeev Asthana:** Okay. So maybe I can give an example on a per hectare basis. So we typically have about 20 tons of fresh food bunches that we take. And about typically in terms of the yield on the oil side, it is running at about 16% to 17% that we have. And so in terms of yield basis, about INR 1.5 lakh per hectare should be the revenue, and there about 15% margin is very safe to assume.

**Mr. Vikas Mistry:** And next question is on the foods portfolio. We have very good margin on TSP side and other nutraceutical businesses. And we are having aggressive targets of increasing also, and we are going for premiumization. I think 15% is too low. I think we can make much better than that?

**Mr. Sanjeev Asthana:** So I'll explain that, that the biscuits typically, while this quarter, we did well. But in general, as a business, it is between 5% to 8% business because by the very nature of the product mix that we currently have. We are working very actively towards premiumization. You will see multiple launches of the premium biscuits that we are going to be doing this quarter, but it will take time to take rules.

The foods portfolio is 15%. The nutraceuticals typically is about 30% margin business and Nutrela as well. So yes, it can pick up. But I think on a conservative basis, if we look at the growth momentum, I think 15% to 18% is a safe bet to take and which is quite aggressive. Because even the Foods portfolio configuration that we have, as I mentioned earlier, Ghee is a high-margin product. But the rest of the products, which typically would be falling into some medicated juices and others, they are pretty good. But the third part of that, which is towards the Ata and pulses and rice and all that. Typically, their margin profile is limited. So to that extent, I think 15% is safe and aggressive should be anywhere between 16% to 17% we should do.

- Mr. Vikas Mistry:** My last question is that our brand had some image of more of a Bharat kind of brand not of a premium kind of brand, what kind of branding and product philosophy, we're trying to make sure that our -- this emotion has to be changed?
- Mr. Sanjeev Asthana:** So Bharat actually is a strong USP that we have. And but it's a very good question what we're working towards that this is a contemporary India. And there is a traditional base that Patanjali has. And we are working towards straddling both. So, as I mentioned earlier, that the urban distribution, the premiumization, the nutraceutical push, in fact, in terms of rebranding, not by name, but in terms of what packaging and positioning, etcetera, that you're putting forward. So that effort is going on fully pace.
- And you will see a lot of change in the way the company is positioning itself without diluting any of the core values that we have. And we will be modern, we'll be contemporary. We'll be a smart company, which is facing the consumers with confidence. And I'm reasonably hopeful that this gradual shift in our strategy will bring good fruits to the company's performance.
- Moderator:** The next question is from the line of Ankush Agrawal from Surge Capital.
- Mr. Ankush Agrawal:** So again on the split of foods business that you gave, so just to clarify the numbers, you said nutraceutical was just INR 11 crores for the quarter?
- Mr. Sanjeev Asthana:** Yes. As I mentioned that the sales of nutraceutical you should see in the perspective of almost nearly 2.5 quarters of sales done in one quarter. And on account of the new distribution channels and businesses that we did. So that is the basis. And this will pick up momentum again. I think I'm expecting that by middle of next month, we'll be getting back to the normalized number.
- Mr. Ankush Agrawal:** Sir, how much was Honey and Atta, for the quarter? Last quarter, it was INR 192 crores.
- Mr. Kumar Rajesh:** Yes. This is INR 132 crores in this quarter as compared to last quarter, some sort of Honey is less than last quarter.
- Mr. Ankush Agrawal:** Sanjeev sir, one thing I wanted to get your sense more on this Q-o-Q volatility, the revenue and margins for the food business, I mean, it's highly unusual for an FMCG company to have this kind of similarity. So I mean, one part that you've covered, obviously, in the last quarter, there was some distribution expansion numbers. But if you can highlight more on how much quantum of that was opening up distribution. And actually, it helps understand that better, because it looks too volatile for an FMCG company in that?
- Mr. Sanjeev Asthana:** Yes. So I'll explain that. As I mentioned, and I'll repeat that, our revenues dropped by about INR 352 crores in terms of the foods alone, where the big differential was. And second differential was that where we saw a drop in the nutraceutical revenue. So Nutraceuticals was a very unique case where we were filling up the pipeline quite actively. And that had an impact on the results of this quarter, because for pipeline to find its way through the primaries through the secondary sales and the treasury sales, it takes its own time. So that is one reason, which as I mentioned, that I'm hoping that this gets stabilized.

Food was very exceptional case, because last quarter was the first time that we took over the Foods business. There was a heavy surge in demand that we witnessed and there was a lot of push with the sales team that came over, started putting to the pipeline. There's a lot of primary sales, which were generated to get to the distributors and superstockist. So that was one reason why the sales suddenly saw an upsurge in the last quarter. This quarter, part of that has continued in terms of going forward, some parts of seasonality that one can explain. In terms of the season changed certain items tend to sell less. So that is one reason.

But as I mentioned earlier, so some seasonality of differential will be there. But I would ask you to look at it not just as foods on a standalone basis, but on an overall basis, that we would expect that we maintain that run rate of INR 1,500 crores to INR 1,800 crores. Next year, we do expect that we will be INR 6,000 crores-plus on an annualized basis.

And that is broadly the orientation that we want to keep in our business that sometimes there is some pickup because a lot of businesses that we have, have got seasonality to it, especially in the Foods business. Nutraceutical is a pretty steady business. Nutrela also has got seasonality of six months of high demand and even biscuits have seasonality effect. So, we will iron that out. But on a blended basis, I think that is pretty much safe to assume that between INR 1,500 crores to INR 1,800 crores of revenue is what we expect to do.

**Mr. Ankush Agrawal:** So what would be the trade receivables number as of December end?

**Mr. Kumar Rajesh:** This is INR 2,100 crores up approximately at the December end you can say.

**Mr. Sanjeev Asthana:** Okay. And we continue to maintain a view that by the end of Q4, we will see this number go down.

**Mr. Kumar Rajesh:** Mostly.

**Mr. Ankush Agrawal:** Lastly, Sanjeev, sir, on the Oils business. So in the last con call, you had mentioned that of about INR 450 crores of losses that you booked, half of the losses were on the mark-to-market loss on the inventory side, which you said that you had recover given that the oil prices have recovered from the lows of September. But if I see this quarter, our EBITDA is much lower than even that number. So, in the normal course of business, I mean, we haven't conceded much of the margin in this quarter because if I consider that some part of the INR 250 core, obviously, would have lost again, but still, I mean, the number is still lower than even that number?

**Mr. Sanjeev Asthana:** So the oil market, I just want to give you a perspective on the volatility on the oil market, so that you should understand as to under what circumstances this is being done. So during the quarter itself, the high and low between the palm oil was INR 99,000 a ton was the high and low as INR 81,000. So the range was INR 16,000 a ton, it swung Likewise, in Soya oil, the change happened was INR 31,000 a ton, it swung from INR 137,000 to INR 106,000 and Sunflower oil swung which is almost INR 39,000 a ton from INR 156,000 to INR 116,000.

So I would say that the massive drop that we saw in Q2, which was, of course, was unprecedented and it impacted everyone. This quarter was extremely volatile. And I think within that, our expectation should be clearly that the range should be between 3% to 4%. And on the low side, we will be happy that on the low side, we never dropped below 3%. And on the high side, keeping our expectations at 4%, I think, is a very reasonable expectation for the business. Where if we maintain something like INR 34,000 crores of revenue that we expect to do in the oil business. Broadly, I think we should be pretty much in the range of between 3% and 4% margin. And I think that's reasonable INR 200 crores margin that we should be some quarters will do better, some quarters we may do marginally worse, but pretty much that would be the range.

**Mr. Ankush Agrawal:** Lastly, on the promoter stake sale, any timeline on that, sir?

**Mr. Sanjeev Asthana:** So as you know, that 31, December was the date that we have sought some time. So I think very soon, you will hear progress on that. And we're expecting to hopefully complete it within next few months.

**Moderator:** The next question is from the line of Bharat Shah from Ask Investment Managers.

**Mr. Bharat Shah:** Asthana sir, two questions. One to take it from the questions that to earlier participants asked. That was about the oil business where second quarter was an unprecedented global volatility. So that's understandable one. And some amount of I understand that volatility still is affected the third quarter. So do we see this now getting normalized from the fourth quarter, barring any new shock, we should see the oil business stabilizing in terms of behavior from the current quarter, that with the fourth quarter?

**Mr. Sanjeev Asthana:** So Bharat bhai, the two parts to the question I'll answer. One is from the aspiration and own plan perspective, I already gave the answer that between 3% and 4%, we would like to maintain the margin. In terms of the -- what we expect from the market side? Market seems to be stabilizing, barring some major shock on the war intensifying or the major monsoon failure in South America at this late stage because markets are volatile there and maybe the change in China situation with them opening up the economy suddenly, our bigger challenges the regulatory ones, which is very difficult to anticipate and plan for. So for example, the new mandates that are getting started in Indonesia on the biodiesel side. Malaysia wanting to do the same. Big change in Indonesia starting their own exchange versus Malaysia.

The challenge that we have in South America, as I mentioned earlier, in terms of Argentinian currency because Argentina is a major exporter of oil, soya to India. So that has a big impact. So the problem is in the marketplace is that market parts we can do still well, where the supply and demand is concerned and the fundamental factors are concerned, technical analysis, etcetera, we do okay with that. We do pretty good on that. The challenge is the regulatory events and something which is impossible to plan for that. So I do anticipate that we should stabilize. And having said that, I'm just giving one small kV on the regulatory actions, which have a very substantive impact on how the commodity markets behave.

- Mr. Bharat Shah:** Sure. So, barging any major shock again of a global kind or any out-of-turn regulatory action from the current quarter onwards, we should be seeing the progression of oil business normalizing in terms of the margin behavior that we normally expect to see between 3% to 4%.
- Mr. Sanjeev Asthana:** That's right.
- Mr. Bharat Shah:** And while the margin maybe modest in the oil business, I suppose, given the large terms, the return on capital employed overall in normal situation is very satisfactory in oil business.
- Mr. Sanjeev Asthana:** That's right. Because there are multiple turns that we do in a year. So currently, which is between 5% to 6%. We want to grow that to 7x to 8x. I think if we can do that and margin profiles. The return on capital deployed is very decent.
- Mr. Bharat Shah:** And could you explain that third quarter, there was an unusual combination of sectors that affected margin? Second quarter was exceptional both in the topline as well as margin due to Diwali effect plus special situation. And from the next year, that business in the guidance that you provided, you expect that to normalize?
- Mr. Sanjeev Asthana:** Yes.
- Mr. Bharat Shah:** One final thing on a more long-term basis, can we highlight what growth rate we expect and what kind of operating margins we believe we should see. So, oil separately. And within the food business, biscuits Nutrela, our other food business and nutraceutical, if you can highlight what kind of on a five-year basis, if you have to look at three to five-year basis, what growth rate you believe would be there on a per annum compounded basis? And what margin progress we would see over that time frame?
- Mr. Sanjeev Asthana:** Right. So in the foods, very clearly, I see that on pretty much on a consistent basis, we're targeting for 15% growth year-on-year on a compounded basis. In the biscuits business, and this is better than what the market trends are. Biscuits, we are witnessing very solid growth right now. But I would assume that 15% year-on-year growth in revenue, we should certainly be able to attain. Nutraceutical that market is expanding quite rapidly. We have gone through a lot of learning also in the last year and this year. So I expect that the range of revenue growth should be between 20% and 25% year-on-year.
- And lastly, on the TSP side, I'm expecting that our growth rate should be about 10% on the low side and on the higher side, 15%. But there, we are witnessing a lot of smaller players, larger players coming in as a competition, but we pretty much have a very solid leadership position and we continue to expand our distribution. So we should be on course in terms of revenue terms. Margin profile-wise, foods, we have stated that 15% to 18% margin is what we should get in the foods. Biscuits, the current range is 5% to 8%, but this quarter was exceptionally better. But I would -- our effort is that as we move towards premiumization, we start hitting 8% to 10% margin profile in this one and preferably towards the double digits as we go towards that.

Nutraceuticals is a blend of margins. We target 30% clearly is targeted. But I think it is safe as we have built up more aggression and there's a lot of incentive structures that you've done. So we are saying that between 25% and 30% margin is what we should do in nutraceuticals and TSP, what is currently at about 15%, 15% to 18% will be the consistent range. I don't anticipate that it will drop. But also at the same time, it may not exponentially go up either. So broadly, that is the profile of both the revenue growth and the profitability growth is what we can safely look at.

**Mr. Bharat Shah:** And on the oil?

**Mr. Sanjeev Asthana:** On the oil side, the market is growing between 3% to 4% year-on-year. Last year, last quarter was about 5%, but there was, as I mentioned, that due to Diwali and opening up of economy and wedding etcetera, it went up, typically 3% to 4%. We are growing definitely between 6% to 8%. And I think if we can maintain that growth momentum, we should be in a good position to continue expanding our market share and continue growing at the cost of our competition, both the larger and the smaller ones.

**Mr. Bharat Shah:** And the margins, 3% to 4% you mentioned. But over the period of time, I think the overall size of the business expanding, hopefully, that margin also can lift up a bit over a period of time?

**Mr. Sanjeev Asthana:** It logically should, but I'm just careful about the margin profile because I'm just providing for the one-off exceptional events or the sudden change in the price profile. So that's what we're providing for it. Of course, we would like it to be between 4% and 5%. But I think it is safe to assume that it will remain in the broad range of about 4%.

**Mr. Bharat Shah:** So to summarize the oil business, we should do better than the market and grow more like 6% to 8% and margin 3% to 4%? And with the base expands hopefully, [inaudible 0:48:50] we can assume that we move in the category of 4% to 5%. And as far as the overall larger food umbrella is concerned, biscuits, we should be doing much better than the market and 15% compounded over three to five years, while margins to be 5% to 8%, you are saying that the premiumization should move to 10% or closer to that double digit. Nutraceutical will be high growth and will be high matching both at about a 25% growth rate and margins closer to 30%. And Nutrela you said, growth rate should be 10% to 15% and margins will be in a stable range, neither will increase much or decrease much at 15% to 18%.

**Mr. Sanjeev Asthana:** That right.

**Mr. Bharat Shah:** And the remainder of the Foods business, 15% growth rate and 15% to 18% margin. Is that a good summary of what you said?

**Mr. Sanjeev Asthana:** Yes, absolutely.

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

- Mr. Kuldeep Gangwar:** Three, four bits. Like, advertisement spending in food business and overall. Second, like what is the distribution reach now and what you're targeting in coming years? And third on the capex part, like what should be the expectation in coming years for the coming capex?
- Mr. Sanjeev Asthana:** So I think you mentioned about advertisement. I think advertisement or run rate typically should be between INR 200 crores to INR 300 crores per annum in terms of -- because certain new categories, etcetera, will require that push. So what was the second question you had on the capex?
- Mr. Kuldeep Gangwar:** Capex, as well as distribution which current year and...
- Mr. Sanjeev Asthana:** Yes, distribution. So, as I mentioned that typically our distribution is about in terms of 1 million retail outlets that we reach directly. We reach -- and I'm talking for the all the business because going business-by-business can be there. But like, for example, I mentioned 800,000 outlets that we have in biscuits. So, each -- so it's a different for our different businesses. So, we have -- we reached 1 million outlets directly. We have additional reach for about the secondary reach which does not get accounted for a direct distribution, should be about additional 1 million. And we are growing that but in anywhere between 10% to 15% almost annually.
- So in terms of overall growth rate, I think by the end of five years, we are expecting typically that direct retail outreach should be closer to 2 million. And indirectly, we should be adding another maybe 0.5 million. So we should be in retail points of nearly 3 million-plus stores in the country.
- Mr. Kuldeep Gangwar:** And what about capex, in coming years?
- Mr. Sanjeev Asthana:** Capex, typically, so capex, I'm splitting between two distinct areas. One is what we're going to be spending on the oil palm going forward and which most of the capex will start to build up from year after. I think this year, we have some, but most of it will be here after. We'll start sort of picking up on that. And otherwise, our capex run rate should be in the broad range of INR 150 crores to INR 200 crores. Part of that is going towards the maintenance of the plants. Some parts are towards the upgrading the capacity and the rest are totally Greenfield this one. But typically, INR 150 crores to INR 200 crores is our capex range.
- Mr. Kuldeep Gangwar:** And within the food business, what is the mix of in-house manufacturing and outsourcing?
- Mr. Sanjeev Asthana:** Most of our manufacturing is in-house. I would say that I don't want to -- I can give you that number separately. But I would say, it would be close to 90%-plus would be in-house.
- Mr. Kuldeep Gangwar:** Lastly, nutraceutical overall FY '23 revenue expectation and FY '24, what would be the expectation for full year basis?
- Mr. Sanjeev Asthana:** If you look at the overall basis, we should be close to INR 600 crores in this year and on an overall basis.
- Mr. Kuldeep Gangwar:** And '24, it should be having 20%, 25% growth, right?

**Mr. Sanjeev Asthana:** Yes. So I mean, just -- I'm a little careful on that part would be because it's still a very distinct and different kind of category. And in terms of the overall basis as to what exactly will the base be -- I mean this continuation of the Q2, as I mentioned, and some changes this year. So for example, right now, as we speak to you today, we are at about INR 516 crores. And I'm a little careful in terms of projecting. But so typically, but next year, we should certainly be crossing -- certainly, it will be INR 600 crores-plus, it could be closer to INR 700 crores as well. So that's the objective with which we are moving forward. And as of now, as we speak, till YTD, until the third quarter is INR 515 crores.

**Mr. Kuldeep Gangwar:** Sir, lastly, like food business, when you're saying 15% CAGR, its overall food business combined, like, Nutrela, nutraceutical, biscuit and acquired food business from Patanjali? Is it correct understanding?

**Moderator:** Sure. Sir, this was the last question. I would now like to hand the conference over to the management for closing comments.

**Mr. Sanjeev Asthana:** Thank you. So broadly, as I mentioned in the call that we had a good performance in this quarter. The outlook will, it will continue to stabilize. I think coming out of a situation what we face, new business acquisitions, new product launches that we have done. So there's a lot that we took on our plate. All of that continues to go towards the stabilization. And I'm expecting that while a lot of things in terms of the anticipating and changing etc., may not exactly go in line with many a times our plans.

But broadly, I'm expecting that Q4 should be stable and should start giving us very good results as well. There are solid plans that we have in place. There's a good team that is backing it and working it. There's a good thinking within the promoters in terms of how do we take it forward. And over all, I think, we have the capacity that how this company is going to go forward and we'll start to build up. We should see a lot of uptick and growth in the coming quarters. So with that, I close my comments. And thank you so much to all the investors who have taken time out to participate in this call. I'm really appreciate your support and the time that you've taken.

**Moderator:** Thank you. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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**Disclaimer:** This transcript has been edited to remove any grammatical inaccuracies or inconsistencies of English language that might have occurred inadvertently while speaking so as to improve the overall readability.