# "Adani Wilmar Limited Q4 FY24 Earnings Conference Call"

**May 02, 2024**


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**MODERATOR:** **MR. KARAN BHUWANIA – ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to the Adani Wilmar Q4 FY'24 Earnings Conference Call hosted by ICICI Securities.

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 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. Karan Bhuwania from ICICI Securities. Thank you, and over to you, sir.

**Karan Bhuwania:** Thank you. Good afternoon, everyone. It's our pleasure at ICICI to host Q4 FY'24 Result Conference Call of Adani Wilmar. From the management, we have Mr. Angshu Mallick – Chief Executive Officer and Managing Director; Mr. Shrikant Kanhere – Chief Financial Officer and Mr. Saumin Sheth – Chief Operating Officer.

Now, I hand over the call to Mr. Shrikant Kanhere for "Opening Remarks" and then we can open for the Q&A. Thank you. Over to you, sir.

**Shrikant Kanhere:** Thank you, Karan, and very good afternoon to everyone who have joined this call for the Q4 FY'24 of Adani Wilmar. We will talk about the performance in the Q4 for your Company and then we will open the floor for questions and answers.

The quick highlights for the FY'24, the Company crossed a volume of 6 million metric ton mark in which food and FMCG crossed 1 million metric ton, which is a remarkable feat for any Company to achieve. This 1 million ton translates into a revenue close to INR 5,000 crore for the FY'24, this nearly doubled in two years of time.

The HoReCa segment which, or a channel rather I would say, which we started an year back is now INR 400 Crore. Kohinoor brand crossed INR 350 Crore of business, which we acquired only in May '22.

Edible oil branded sales grew at a faster clip at a 15% year-on-year in FY'24. This is something very exciting to us because the edible oil branded segment in an industry growing at single digit, and we have been also clocking single digit growth for the last couple of years. This time it is 15% for us.

Food and FMCG domestic volumes grew in a range of 40% plus for the Financial Year '24. We have been seeing a very good turnaround on the alternate channel, which contributed close to INR 2,700 Crore of business. Branded export, which Company has got huge focus, where we export edible oil as well as the food products to more than 30 countries across the globe, grew by 72% in FY'24.

Distribution remain a focus for us as we move forward. Our all efforts to improve the distribution is resulting into the numbers. Now we reach close to 7.2 lakh direct outlets with close to 2.1 million overall reach. Rural, the go-to-market strategy for rural market also remains focus for the Company. Now we are covering close to 30,000+ towns. We do have a target of covering close to 50,000 towns by the end of next year.

On the supply chain side, we do understand the ESG commitment of the Company and therefore are trying to shift as much as cargo through alternate channels, which is multi-modal dispatch through a rail. So, 25% of our volumes got dispatched through rail without adding any carbon footprint in the environment. Further, 7.6% of cargo is dispatched through CNG vehicles.

A quick snapshot on the results. For Quarter 4 FY'24, sales volume grew by 4%. This 4% is overall. However, when we look at segment wise, the edible oil grew in double-digit, whereas food also grew by double digit. Industry essentially degrew and that's why we are seeing this 4% growth for FY'24.

The gross profit grew by 10% on a standalone basis and the PAT, of course, grew by 60% as compared to the same quarter last year. On consolidated numbers also, more or less numbers read same. The volumes grew by 3% and PAT grew by 67% versus the same quarter last year.

When we look at the full year summary, overall sales volume grew at 11% and gross profit and then the EBITDA is down by 29%. I think the reason for the same we all know, its underperformance that we saw in Q1 and Q2 because of the high price inventory coupled with the market crash and disalignment of hedges that we saw in H1 and that has impacted right from the gross profit to the PAT. The PAT degrew by 54% against 607 crore to 278 crore on standalone basis.

On a consolidated basis:

The volumes grew by 10% and PAT decreased by 75%, similar reasons. But in this consolidated, we also have one more reason to act, which is Bangladesh, where we had some struggle last year, given the fact that Bangladesh as a country witnessed couple of not so good economic events, including the currency crisis, and the government trying to control the prices.

On a profit performance quarterly:

I think we are slowly moving back to the normalized profit, which we used to deliver in FY'21, '22 and '23. Whatever we saw in Q1 and Q2 in terms of this alignment of hedges and commodity volatility is now behind us, and we are now delivering the EBITDA and gross profit, which is a standard run rate at which we were running.

Profitability recovered in H2 after the subdued profit in H1 '24, so gross profit for H2 at INR 3,122 crores against INR 3,038 crores of the same H2 of last year. EBITDA in H2 '24 is close to INR 863 crores, so that run rate of INR 900 crores EBITDA in half is somewhere we are close to that, as compared to INR 962 crores of EBITDA in H2 of last year.

This time we had a reclassification of derivative gains and losses, which is in accordance with the accounting practices suggested by our auditor. Earlier, these gains were forming part of the material consumed and from this time, we have adopted a reclassification wherein the derivative gains and losses are being regrouped or reclassified as other income or other expenses as the case may be.

So, therefore, we have given this normalized gross profit and normalized EBITDA number because at the end of the day, we must understand one thing that derivative gain or a mark-to-market gain and loss is a very integral part of our overall scheme of the things. And therefore, looking at it differently will not really give the right picture in terms of the profitability. And therefore, we have to look at a normalized EBITDA after giving effect of this reclassification.

And therefore, if you look at this, for the quarter, the EBITDA at INR 357 Crore against same Q4 of FY'23 of INR 359 Crore, more of a flattish EBITDA. And similarly, when we look at a normalized EBITDA for the full year, against INR 1,661 Crore of last year, we delivered INR 1,135 Crore for this year, of course, because of the H1 not so good, impacting the entire full year of the EBITDA. Similarly, when you look at the gross margins level also, against INR 6,000 Crore of gross margin which we delivered in FY‘23, we delivered a gross margin of INR 5,632 Crores.

On business update highlights:

Of course, volume grew by 3% and the revenue for the quarter now at INR 13,238 crores, H2 EBITDA of INR 861 crores. Demand remained strong during the quarter, which we saw, and we are hopeful that this demand should remain strong as we enter into a new financial year.

We have improved the brand mix both in edible oil and the food, and we are also rationalizing high penetration, rationalization in high penetration markets, particularly the regional marketing campaigns, incorporating all the local nuances and cultural aspects.

We are also launching market specific campaigns to win the customer in those markets, like we launched “Kai Manam” campaign in South promoting entire range of Fortune products, including the wheat flour.

In edible oil, particularly, we recorded 11% year-on-year growth, with a revenue of INR 10,195 crores. We also saw a very strong growth in sunflower and mustard oil. Mustard being a domestic oil, also gives us some kind of benefit in terms of volatility, because it is less volatile. We gained market share in mustard by a good 180 bps, and now we have 15% market share.

The domestic branded sales volume will get a faster clip at 13%, while overall oil grew at 11%, but branded segment grew at 13%, leading to the market share gain of 60 bps. Branded product, overall, delivered a very strong contribution to the profits in FY'24.

When we look at the food and FMCG, it grew by 23% year-on-year, for the Financial Year '24. Export restriction has been a drag for the food. In FY'24, the domestic volume grew in the range of 40%, and that is very encouraging for us because most of the branded products are getting sold in domestic market for us.

Big business has been sharing the South India and we have a very specific focus for this market. It is a very remunerative market, and we are continuing with various campaigns to see that we keep growing in this market with our distribution reach as well as the marketing campaign. We do understand the fact that leveraging edible oil distribution is something which is very important for the food segment to grow which we are continuously doing.

The key metrics on edible oil, if you look at for the full year, edible oil grew at 10%, whereas the branded segment grew at 15%. When we look at quarter, full-year quarter, edible oil grew at 13%, whereas branded segment grew at 12%. So, branded growing at double digits against the industry growth of single digit, less than 7%, is a very encouraging story, and that is reflecting also in our market share.

If you look at the market share going up from 18.4% to 19% giving us strong number one player in the country. Segment wise, EBITDA, food contributed EBITDA of close to 1,146 crore against 1,393 of last year. The reasons we know why the EBITDA contribution from edible oil is lower than last year.

On capacity utilization, we are quite well placed, 60% capacity utilization. So, we still have good amount of headroom available for any kind of growth that we may see in coming years.

Similarly, for the food and FMCG, overall business grew by 17%, whereas domestic business grew by 43% and similarly, when we look at a quarter, overall business grew by 11%, whereas the domestic business grew by 33%.

A very good story on the segment EBITDA. We are consistently improving the volumes also and improving the margin profile also of the food and that is what we are saying since beginning that food once reach a respectable level should start contributing to the overall profitability of the Company. For the Financial Year '24, food contributed an EBITDA of 170 crore on a turnover of 5,000 crores close to 3.5% of EBITDA, which is quite encouraging for us.

Atta, which is one of the focus area for us, growing steadily with the market share going up from 5% to 5.6. Basmati rice overall including Kohinoor and Fortune, we are a flattish as far as the market share is concerned, but we do have plans to see that how this market share crosses double digit and we become a strong number three player in the country.

When we look at a distribution because this is a very important aspect of our business, because without distribution you can't enjoy a pan India presence of your brand, and this is very important parameter for business to look at.

Now we have close to 2.1 million outlet reach in which 7,20,000 is a direct reach. This direct reach is actually 2.4x when we compare it with the March '20 number.

Similarly, the rural town coverage as I said in the earlier slide that it remains for focus area for us. We are steadily growing on the rural town. Right now, we are covering close to 30,000 towns, but we do have plans to take this to 50,000 towns. The rural saliency remains at 30%, 31% for us. It is improving. In fact, till last year, it was 30%. This year, it is actually 31% in terms of our overall scheme of things.

Alternate channel is something which we have realized that this is the channel which is growing much faster than the general trade, and this is also a most remunerative channel for any brand Company. In our case, this channel has contributed now for revenue close to 2,700 crore plus of revenue. In this whole alternate channel piece, e-commerce is growing faster than the modern trade. The overall growth of alternate channel is 29%, whereas the e-commerce has grown by 42%.

Similarly, on HoReCa, which is a new channel which we have created close to a year back, now it is 3x contributing a good 400 crore of business. on a branded export, which is again a focus area, we have more than doubled the sales which are growing by 72% and now close to 200 crore of turnover contributed by this channel, 30 plus countries, where we are exporting all the products on the brand name Fortune, whether it is an edible oil or whether it is a food product.

As I said in the earlier slide, the alternate channel remains a focus area because this channel is growing very fast and also a remunerating channel. We are seeing our market share is very, very good in this channel, while, for example, in edible oil our market share, overall market share is 19%. But when we look at a soybean and mustard, particularly, in sunflower, on alternate channel, our share is anywhere between 15% to 80%. So, there are, for example, in soybean oil, depending upon market-to-market, share might be in the range of anywhere between 40 to 80, for mustard 30 to 70, for atta 10 to 20, this is building up very fast and for the Besan it is 20%. So, this is something which we will keep growing as we move to the next financial year.

On marketing, I will quickly pass on this because these are more of a social media connects with companies. The Company understands a very importance of digital marketing which is growing very fast nowadays, and it allows the Company to connect with the customer directly and it has got a better penetration than any other channel. So, the Company continues to do lot of digital marketing campaigns on social media just to see that we get a focused concentration on the customer.

Besides digital marketing, we also did above-the-line ATL activities for Fortune and our King's brand. Fortune, we recently launched on TVC to reinforce the premium of the Kohinoor brand and authenticity of the taste which Kohinoor brings in.

On ESG, this is the last part of my presentation. On ESG, the Company is very much committed to ESG, and we understand the criticality of this. We are doing a lot of energy and water conservation efforts in various of our plants which is resulting into efficiency in steam, power and water. As I said earlier, 25% of our dispatches are on a multimodal, which is allowing us to earn the real green points. In FY'23, we had 22,000 green points. In 2024, we earned close to 28,000 green points.

Solar or renewable energy or green energy, whichever name you may call it is also something which we are working very closely. As of the close of March '24, we have close to 8, 9 megawatts of installed capacity of solar against our overall requirement of close to 70 megawatts at a Company level. So, we are a little more than 10% of electricity is now being on renewable. We are working that how can we take this 9-10% of renewable energy to 100%. This is something which we are working internally, and we will be coming back on our plans.

Rainwater harvesting, we are continuing with many plants. Tree plantation remains, so at all the plant locations we are trying to identify the places where we do tree plantation. And of course, sustainable procurement remains a focus area with 90% of the palm oil now is traceable till mill and we are also extending this sustainable sourcing to our domestic sourcing as well.

On logistics, I will not spend much time. I have already spoken about how the dispatches are happening, which are able to give us an ESG benefit. This is just a certificate from railways that since 1st of April 22, how much of rail green points which we have earned by dispatching our cargo through rail.

So, this is all from my side. The presentation ends here, and now I would certainly ask the operator to open the floor for questions and answers, and we would be happy to take the questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from the time of Abneesh Roy from the Department of Atomic Energy. Please go ahead.

**Abneesh Roy:** So, two, three questions. First is the foods and FMCG, this quarter volume growth of 9% and value growth of 16%. Are you happy with this? And if you could give more color on how rice has done? Because there you have done that acquisition. How has that scaled up? Because clearly this is having much more potential, but 9% growth of volume is lower than your even edible oil volume growth where you are already very strong number one.

**Angshu Mallick:** Yes, see 9% of volume growth is an overall volume growth in food and FMCG. But when you look at the domestic business, we have seen 39% growth. In exports, we got impacted because of the non-Basmati rice, that is the white rice that we had exported Q4 last year. That was around 50,000 tons, which was practically nothing this quarter because it is banned, both broken and white rice. So, there we got impacted.

Otherwise, the domestic business, where we have more concentration, we have done 39%. Going forward, this impact will not come because the impact has already been felt this year. Next year onwards, the export volumes are standardized. So, that should not be a problem.

And going by your statement that food and FMCG should grow faster than oil, surely, we agree. Oil will grow at around 10%, but food and FMCG quarter-on-quarter, we have been growing at 30%.

On Kohinoor, when we bought this brand, the highest that McCormick had done earlier was 38,000 tons. And we have done 50,000 tons. We have crossed that limit in the second year itself. May '22 we took over and we took 6-8 months to understand the structure and all that. And after that, '23-'24 this year, we have done more than that. So, we have crossed what McCormick did at the highest level. And going forward, you are right, Kohinoor should do better. And we are confident about the brand strength.

**Abneesh Roy:** One or two follow up. So, one, in Q1, the white rice and broken rice exports won't be an issue?

**Shrikant Kanhere:** White rice, we are not going to do because you are not supposed to do. The G2G business has now started. So, possibly some business is happening where we are supposed to buy and sell to the cooperatives, NCEL or Kribhco and they are exporting. So, we have started getting some business on that and this quarter possibly we will do some business. But that will not be counted as an export because we are not an exporter. We will only be domestic procurement and selling to the Kribhco or NCEL.

**Abneesh Roy:** To understand correctly, even in Q1, the foods and FMCG could get some impact because of the white rice, broken rice exports, right?

**Shrikant Kanhere:** No, no, no, because last year, only one quarter we might have Q1 because the ban came in August. So, April, May, June, whatever little bit of rice that we had exported, that might get impacted. To mitigate the G2G business, what we are doing, we will bring that volume, but instead of export, it will now become domestic.

**Abneesh Roy:** Right. Now related question on Kohinoor, you mentioned you have gone beyond the earlier owner's performance from 38,000 tons to 50,000. I understand your own presence is also there in this segment. So, on a combined basis, what's happening? Is there any kind of cannibalization because your own brand is also there? So, combined market share, if you could comment where is it now and where do you see in three years?

**Shrikant Kanhere:** See, combined market share has dropped by around 0.2%. It was 7.9%. It has come down to 7.7%. The major impact has come not in Kohinoor, but in fortune now that was because one or two festive seasons we had pushed a good quantity through the modern trade. That business did not happen, and hence that quantity was not available during this year, but going forward we have plans to enlarge our retail base. The retail base of rice today is around 65-70,000, which we want to take to at least 1,25,000, and we are confident that retail base will give us lot of benefit.

Second is that our Gohana unit, which is from the IPO investment we did, will be ready. Hopefully, the rice part should be ready by November as the season starts. Once that starts, we will get lot of advantage of having in-house capacity, better, more efficient milling and better cost optimization. So, all that will add value to us going forward in the next Basmati season.

**Abneesh Roy:** My second and last question is on the hedging losses, which has plagued lot of your quarters in the last around one year. Q3 was a positive aberration, but Q4 again there is hedging losses. So, two questions here. One is, why it is again recurring because what I understand is now last six months at least the commodities have been in fairly range bound. It has been in a tight band. Given that scenario in some of your key raw material, why should there be hedging loss? Second is FY'25, what can be different in terms of hedging loss? Because this has been really taking down your profitability in a significant manner.

**Shrikant Kanhere:** So, Abneesh while on a hedging losses, what I would like to comment is that, I don't think we should look at hedging loss only as a standalone because the second leg of the hedging loss always sits in a gain at the side of either in inventory or the sales which we have in that. So, we have to look at overall.

Having said that, this quarter, we have not suffered any loss due to the commodity volatility. In fact, we do have some bit of gain sitting in the inventory and some bit of mark-to-market gain sitting in the contracts, which will get settled only when these deliveries happen in next quarter. So, those, to that extent, in fact, the gains sitting in the inventory and contacts have been carried forward to the next quarter. And therefore, this quarter looks a little bit subdued.

And therefore, I always say, when you look at our numbers, quarter may not be really right judge, because what happens is, sometime one leg of your hedging gets delivered in one quarter, the other leg gets delivered in the next quarter. And therefore, when you look at the elongated time period, maybe half or maybe at a full year, you get a better picture of the things. And therefore, I can confirm this quarter has got no impact on hedging losses per se. I think, and whatever happened to us in terms of hedging losses, in terms of disalignment of hedges or inventory, high price inventory happened only in Q1 and Q2.

**Abneesh Roy:** That's fine. But on a full-year basis, what is your expectation on margins, both EBITDA margin and profit margins? I am asking on both because I understand some reclassification has happened. Ultimately, on a full-year basis, you need to target that margins which were happening earlier before all this commodity, sharp inflation and then sharp deflation. Now we are in normal times. I hope so. Taking a normal scenario kind of assumption, where do you see your EBITDA and PAT margins for FY'25, given it's a full year number?

**Shrikant Kanhere:** Yes, so, Abneesh, good question. I think Q1, Q2, Q3 and Q4 has shown that we have now gone back to our original run rate on EBITDA as well as the PAT which we were delivering in FY'22 and FY'23. One is this.

Second, the prices have been stabilized and we don't see much of volatility coming up in near future. And whenever prices are stabilized, the brand makes better money.

Number three, food and FMCG proportion in the overall scheme of the things is improving. Today, it is at 17% of volume. Two years back, it was 12-13%. And next year maybe, we are hopeful that it should touch 30% of our volume. And food, as we saw in the presentation also has started giving a good EBITDA.

So, I would not quote a number per se, but I can certainly confirm that we are on track to deliver the kind of EBITDA and the kind of net margins which we had shown in FY'22 and FY'23, which should happen in FY'25, in line with the volume growth.

**Moderator:** Thank you. The next question is from Aniket Kulkarni from BMSPL Capital. Please go ahead.

**Aniket Kulkarni:** So, my question is specific to mustard oil production. So, can you tell me what are the current spreads and what are the demands of the factors that are currently in the spread and how do we see the spread improving from here on?

**Shrikant Kanhere:** See, mustard oil production is estimated at, this year the crop is very good and the harvest is going on. We see a very good crop and the crop is estimated at 112 lakh tons. 12 million means 120 lakh tons. That is almost around 10% higher than last year. That is one.

Two is that the government also has a lot of, I would say, strategy of increasing the mustard oil production because it is part of the Atmanirbhar Oilseed mission that the PMO has driven to make country self-sufficient. So, mustard oil will be a focused oil for the government and we as the largest player in mustard, we understand this how we can also increase our volumes and also the margins.

Let me tell you mustard oil gives us very good and stable margin as Fortune Kachi Ghani Mustard Oil. Number one mustard oil. We have an overall 15% market share, and this market is very fragmented because there are so many brands and so many small manufacturers. So, 2%, 3%, 4%, these are the type of things you have and in that we have 15%. Margins are very good, and we have started expanding in milling capacity.

This year amongst the IPO project, one 600 ton crushing per day has been commissioned. So, that is now ready for operation in this season. In Gohana, we are coming up with another 600 ton plant, which will be ready by, say, another one month or so, and at least we can do crushing there. So, 1,200 ton of crushing should give you an additional around 35% of Kachi Ghani. So, that is the type of oil that we will get, pure Kachi Ghani oil and which will add to our volume.

Now mustard oil we have been growing at around 19-20% per annum and that is a very healthy growth rate. It is more than refined oil. So, consumers are looking at mustard oil and that has happened after the COVID. We are seeing that consumers have remained more loyal with unrefined oil or what you call as a cold fresh oil because Kolu is a cold-pressed oil. Looking forward, we have made good profits in mustard and we will continue to do that because of the brand strength.

**Aniket Kulkarni:** So, you are saying that the production will be substantial this year. So, will it have any effect on your pricing or does it matter in terms of pricing your products? I mean, if the supply is low, do you charge higher pricing or is it maintained, and you take a hit on your numbers?

**Shrikant Kanhere:** See, higher production is good. The markets remain stable and when it remains stable, the brands get a lot of strength because volatility in prices brings a lot of fluctuation in MRP. So, for us, the lower prices give us higher margins and we would always like higher production because that is better for the country as well as for the brand.

**Aniket Kulkarni:** And just one last question. Is the current production which happen sufficient for the demand or is it higher or lesser or is the demand in line with the supply or how is that balanced in the market?

**Shrikant Kanhere:** No, it is I think very good production going on. Earlier, three years back, it was only 80 lakh tons and from there it has gone to 120 lakh tons. A lot of area where in Rajasthan, we have seen people have shifted from, farmers have shifted from wheat to oil seed because last year they got good money in mustard oil seed. So, that is good in one way. It is encouraging, Haryana and Punjab has also started producing more mustard because it gives them a good margin.

**Moderator:** Thank you. The next question is from Harit Kapoor from Investec. Please go ahead.

**Harit Kapoor:** Just had two or three question on the food and FMCG business. The first one was on the export side. So, how long more do we expect that there will be this impact? And when does the export restriction impact come into the base? Would that be from Q3 onwards?

**Shrikant Kanhere:** See, first is that last year, August, the ban was there on white rice and 20% duty on Parmal rice was put in August. So, till August things were normal. So, I think for us Q3 onwards, our export of rice will show much better performance. That is one. But in spite of that, our basmati rice exports will grow this year because we have built good inventory and April to September we look forward to a good business season for basmati rice.

Other than that, our branded basmati rice has increased from, say, we were doing roughly around 7,000 tons. This year we expect to do at least 15,000 tons or 20,000 tons. So, branded basmati, particularly Fortune brand and Jubilee brand, we are exporting to more than 30 countries, and there we are getting consistent growth.

**Harit Kapoor:** And the second thing was on the branded food side. You just mentioned about rice. You did mention in the presentation that you have seen 30% plus kind of Y-o-Y growth for the past 10 quarters. Just wanted to get your sense about what that number is branded as a percentage of the overall food and FMCG business today? And how do you see that kind of moving forward? I know you don't kind of track it that way, but just a sense of where that number, what the number is?

**Shrikant Kanhere:** In food and FMCG, more than 80% is branded. It is packed. Now, when I say packed, it can be 25 kilo bags also, Fortune bags which goes to our hotels, which also goes to our out-of-home consumption plus in-home consumption. So, these are all packed and branded. So, more than 80%.

**Harit Kapoor:** And the last thing was on the profitability. So, if you look at profitability of the food and FMCG segment, you have seen it continuously improve compared to last year to this year also. EBIT margin trends are moving up. I understand you had mentioned in the past that it's also a function of scale. It's a function of premiumization that you are going to slowly and steadily drive new innovations, etc. But I just wanted to get your sense about what is that trajectory? Is there a two, three-year trajectory in mind in terms of where we are looking to see this scale up from an EBIT or EBITDA margin perspective for the food and FMCG business?

**Shrikant Kanhere:** See, on food business, of course, as we demonstrated that it is growing not only in the volume, but also in the terms of margins. For us, we do have a plan that it should start delivering a very respectable EBITDA margins, which can be compared to the competition. And therefore, we have said this earlier also, that food has got a more prospects of delivering better gross margin and EBITDA margins as compared to the edible oil.

Edible oil margins can be ranged between 3.5% to 4%, but food can give double than this, and therefore we are moving on this trajectory. And I think we have no reasons to believe that in next two years of time, by the time when we will cross the volume of more than 1.5 million tons in food, we should have that pricing power in hand, which can give us a better margin than the edible oil.

**Moderator:** Thank you. Next question is from Karan Bhuwania from ICICI Securities. Please go ahead.

**Karan Bhuwania:** Firstly, I just wanted to ask your outlook on the edible oil segment now that prices have stabilized, what kind of volume growth that you are expecting next year or more in terms of the medium term? And I think last quarter you had mentioned that there was some inventory buildup in terms of imports of edible oil which could have some impact on you as well. If you could provide some update on that as well.

**Shrikant Kanhere:** On the prices front, surely the edible oil prices are much more stable and it has come off till February, we were seeing continuously coming down but then after February we saw little uptrend, but still nevertheless it is still much better than what it was last year, number one.

Number two, as far as growth is concerned, we are banking more on the rural growth because we are looking at, India's per capita consumption is 17.5 kilo, but when you look at neighboring countries, they are all at 18-19. China is at 27-28 kilo per head. So, going forward, India, average Indian should consume more edible oil. That will happen and with prices coming down, we have seen this year, branded edible oil grow at 15%.

Now, next year, we hope to have at least a double-digit figure somewhere in the range of 9-10%. If that happens, that should be good because our volumes are quite large. We did around 2.7 million ton in packed oil. So, another 10% more growth should be a good growth. That is one.

Two, we are banking in rural market because in rural, there are many states which still consume less than average India, whether it is Bihar, UP, Orissa, parts of Bengal, parts of Rajasthan, Parts of Madha Pradesh where we have seen that consumption, per capita consumption much lower. And we see a good opportunity to improve our sales there. So, that is why the rural focus will be more.

And on inventory, unlike last year, we have learnt certain things, and we have done corrective measures. We have changed our, tweaked our risk management policy to ensure that we remain tight on inventory and we have ensured that we are just in time managing, and hence we will not be saddled with any great inventory. This is a normal inventory that we need to run day to-day operation.

**Karan Bhuwania:** Also, if you could just highlight that now that the branded segmenting is growing faster than the unbranded segmenting within edible oils, what kind of profit improvement we can see in that segment because of branded growing faster? And lastly, my question will be on, if you could explain what has happened in the industry essentials segment which has led to such a steep decline in volume. What specifically has happened?

**Shrikant Kanhere:** On industry essentials, I will say that there are three components. One is oleochemical. Another is castor and third is the oil mill. Now oleochemical business have been doing very well and we have been growing over 20% year-on-year and which we hope to continue. So, there is no problem there.

Castor oil, you know, we are world's largest exporter and processors and plants are running at almost 95%. So, we are up at the thing unless we add more capacities, but we are adding capacities and derivatives, which is value-added products and not the base, making just castor oil, but we want to get into derivatives and specialty castor products. There we are investing. So, in castor business, we will grow at 5% or so.

What impacted our volumes were the oil meal export. Oil meal, we are big exporters of oil meal. That in the last quarter did not happen because mustard arrivals got delayed and there was rain. So, the oil meal was not available on time for exports, and we missed on that, and the prices also went up and globally consumers were not willing to buy at higher prices. So, the oil meal export, particularly rapeseed oil meal was impacted. I hope in Q1 this year, we will recover substantially.

So, on your first question, the oil mix between the overall oil basket, I think yes, of course, the branded portion will go up more because the loose is not the priority for us. Of course, brand remains priority for us and brand, if it keeps growing at 8-9% as Mr. Mallick said, which is in line with the industry growth, I think in the overall scheme of the thing, branded should improve.

**Karan Bhuwania:** Just wanted to understand what kind of profitability improvement because you mentioned that branded has much better profitability than the unbranded, right? So, what kind of profitability improvement can we expect with branded growing faster in terms of the gross profit per ton or EBITDA per ton?

**Angshu Mallick:** See, on edible oil, so for us the standard run rate for gross profit is anywhere between 11,500 to 12,000 per ton and the EBITDA margins of close to 3,500 metric tons per ton. So, this is what we feel that our brand should be able to deliver. Food, of course, is something which is growing, and which is still yet to come to its full potential of giving the margin, but that's how the margin profile should move in next financial year. Given that now the things have been settled, no volatility, none, no kind of the event which we had in Q1, Q2 are going to be there, so we are quite hopeful that we will have a good FY‘25.

**Karan Bhuwania:** Lastly, just one bookkeeping question. Why is there a significant decline in depreciation for this quarter? Any one-off there?

**Angshu Mallick:** No, there is no one-off as such. Basically, management keep doing the exercise of revisiting the useful life of the asset and what has happened is given the technological advances and the better technology coming in the play as far as the edible oil and the food business is concerned, a lot of plants which we have commissioned in last five years, we realize that they have got a better life than what we have estimated at the time of the commissioning. So, we have revisited the useful life of such assets which we had put in last couple of years, and that has actually resulted into a depreciation gain. Otherwise, there is no one-off as such.

**Karan Bhuwania:** Also, if you could speak about your Bangladesh joint venture, how is the economic environment and you expect some recovery going forward on that?

**Angshu Mallick:** See, Bangladesh, of course, was one of the reason why our profitability got dragged in FY'24. We had two issues in Bangladesh. One was the acute crunch of foreign exchange availability in the country. In spite of spending money, we were not able to get the money and given the fact that our business clearly depends on the dollarized borrowing because everything is imported in the country. So, we had to face a lot of issues on this and we had to spend a lot of cost which have impacted the profitability.

Second was, given the crisis in the country and a post COVID impact through which country was going through, the government in Bangladesh was actually trying to control the prices and we are not allowing the operators or business players to increase the prices in line with the international oil prices.

So, we got stuck on both the sides. One, prices, international prices were high, but we were not being able to increase our price in Bangladesh. Second, we also got a beating on the Fx that in spite of this, we had to spend a lot of money on getting Fx.

So, both this problem as we stand today, as we speak today are more or less got resolved. Bangladesh went into elections in January with a now fresh government coming in place. Most of the macros have been improving in Bangladesh. Availability of Fx is now there.

Prices have cooled down. Government has also allowed us some free hand on the pricing and the business is now giving a good numbers in Bangladesh at least which we saw in the month of March as well as month of April. So, FY'25, we do not see any drag on the profitability due to the Bangladesh operations.

**Moderator:** Thank you very much. That was the last question. I would now like to hand the conference back to the management team for closing comments.

**Shrikant Kanhere:** I would like to extend our sincere thanks to everyone who had joined the meeting, taking out their time to listen our story, listen our numbers. Do keep tracking our Company. In case of any issues, do keep in touch with our IR team and we would be happy to respond to your questions. Thank you very much.

**Angshu Mallick:** Thank you from our side and thank you for attending.

**Moderator:** Thank you very much. On behalf of ICICI Securities, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.