"Agro Tech Foods Limited
Q4 FY22 Financial Results Conference Call"

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MODERATOR: **MR. MEHUL DESAI - ANAND RATHI SHARE & STOCK BROKERS**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and year ended FY 22 Financial Results Conference Call of Agro Tech Foods Limited hosted by Anand Rathi Share and Stock Brokers. 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. I now hand the conference over to Mr. Mehul Desai from Anand Rathi Share and Stock Brokers. Thank you and over to you Sir.

Mehul Desai: Thanks, Rutuja. Good afternoon, everyone on behalf of Anand Rathi and I would like to welcome you all for Q4 FY22 conference call of Agro Tech foods. From the management side, we have Mr. Sachin Gopal, Managing Director of the company, and we have Mr. K P N Srinivas, the CFO of the company. We'll start the conference call with opening remarks from the management, and then we can open the session for Q&A, over to you, Sir.

Sachin Gopal: Okay. Thank you Mehul and good afternoon, everybody. So thank you for taking out the time out to be with us and we'll walk you through the quarterly results and full year results and then if there's any questions, happy to answer them, KPN and I are both here. All right. So I'm on our website, so on the ADFL business update, which is there in the quarterly reports or the presentations to analyst. On page two, right. So I'm going to start on page two. So yes, we have received the business update for quarter four. We'll move to page three. As you know, our mission and vision is to become the best performing, the most respected foods company in India. We started off as an edible oil company. We still have a significant share of edible oils, but I think we all believe that we are making significant progress towards this vision of the kind of company that we want be, which is certainly a great foods company in India.

Moving to page three, the performance highlights the quarter four. We saw steady food growth in quarter four of about 12%. So we really with a year to date growth of 15%, as you all know, we have a 15 year CAGR of about 19%, so the 15% is maybe little below the 15 year CAGR of '19, but also -- we also know that we had a 40 odd percent growth in the prior year on account of COVID, so I think overall tracking well towards, our goal of becoming a significant size foods company in India. We saw some moderation in quarter four input cost inflation to about 11%. So for the full, I think it was in the region of about 15 odd percent, right. And so there is some moderation, we expected this, obviously, because the quarter four last year has seen a significant cost increase. What we didn't expect is that we would start -- we would start at '23 with the kind of inflation that we are seeing.

There's been very marginal impact on Ukraine war, because you know, mostly, these are all events which started in February, and in fact, we probably have benefited a little bit on the oil business because of the, you know, because of the inventory that we were carrying at that point in time. So, of course, pricing is moving up again, we are once again in the edible oil business already. And we have to manage other categories also accordingly. Year to date edible oil GM for last year and FY '22 was about INR 75 crore, so it did perform well versus FY '21, which is about INR 72 crore and this reinforces our position that the pricing realignment that we did in FY '21 has enabled us to stabilize the gross margin. Commodity businesses are such that -- or single commodity businesses where you just stayed in a single item. Whether it's honey or wheat flour or rice, or whatever are -- always have some degree of uncertainty associated with them, but we believe now that we are in a happy space. It's certainly in this INR 70 crore plus minus range now. And, while we may still have sort of worries about the overall edible oil category, how to function and things will play out, we are no longer worried about the fact that we are priced -- completely out priced versus the competition, which we were in terms of what we needed to do with our business, but that correction has been made. So I think we all sleep a lot better today on account of this category now and we are comfortable that, you know, that there's a certain amount of steady cash flow that we have generated from it.

Year to date Food GM was more than I thought living under INR 13 crore, really, there was a input cost inflation of about INR 31 crore right. INR 30.6 crore is the figure there, you could see that we generated through pricing about INR 7 crore, so we did take up pricing and we will talk more about that as we go category by category, and now volume net growth, we got up another almost INR 11 crore, right. So the next difference, this is you see of about INR 13 crore has a negative associated with inflation. Part of it is made up through pricing and partly through volume, right? The volume obviously includes everything. Volume makes so on and so forth. So, we expect to see inflation again in FY '23, but we don't expect to see that at -- certainly at this level. And because again, the bases are already reasonably higher for the year, particularly as they start in the early part of the year.

The franchising of crystal is all of you know was happened with effect of 1st November as planned. So while we saw it decline, therefore in the margin on the food business, the overall company GM decline was limited versus prior year was limited over 160 basis, right. Again we obviously shared a lot of very low margin business. We still get the benefit franchising fee that we charged on crystal, so that comes into our edible oils GM, but there's no top line associated with that. So that's why from a total perspective, it was limited to INR 160 crore, but we still have to work on the foods business to get it back to where it was. And that is something that we see as we go along. Year to data, SGNA largely flat to prior year, we had higher amount of CSR provisioning of about INR 2 crore, travel also started to come back. We had some incremental travel as we opened up more travel in the field, particularly, and to the factories and loyalty was also higher by about probably a crore or so, something like that. Correct. This is offset really by one time gain in insurance, as you would've seen, there are notes to the accounts which indicate that, we had made some provisions in the last year on account of tax or GST source of food, and also the actual value of what we recovered from the insurance company.

And obviously as you hear, as we informed you, I think we are on the middle of the year, we had renegotiated -- we had terminated our lease and started with the new lease. And that had also brought us some benefit. In total, these amount to a little over INR 4 crore or there about. And obviously, profit before tax, some profit after tax are up, versus last year for the quarter, because last year really was -- this was a quarter where all the input -- inflation, particularly in edible oil had started to take place. So there's a base effect coming into play in this one.

And year to date figures we are down about 20 odd percent in terms of the profitability, reflecting the impact of the earlier quarters as we progress to **(inaudible) 07:15**. Okay. I go now to page five. So really these are the six categories in which we play. We kind of updated these figures, the value of these categories, for each of the food categories, if you will. So you know, the ready to cook categories now up to about INR 18,000 crore as defined by us, right, which includes popcorn, pasta, noodle, soups and so forth. Then the ready to eat wester snacks are now about close to about $ 4 billion, about INR 28,500 crore, and on the spread business, also, the category has grown to about INR 3,400 crore, breakfast cereals also very similar at about INR 0.5 billion or INR 3,500 crore. Chocolate confectionary, the numbers have changed, actually, I think the last year's figure was INR 15,000. That's what we -- what we saw in the media. And, this year is a little lower, so they've just reset the figures -- we're using the lower figure, but ballpark is still in the region of INR 2 billion. We've not updated anything because we didn't get any new information.

So, please go to page six. Now, if you can join, six on 21, so on ready to cook now, snack we for very strong 14% volume work driven in FY '22, driven by RTC popcorn. The pricing is also reflected in higher value growth. So as we mentioned in our investor release, the financial highlights really there is -- the value of ready to cook has grown faster than the volume. The volume is also strong at 14%, and the 300 basis points difference is in account of some pricing on ready to cook popcorn. A lot of pricing on sweet corn, where we increase the price by almost 40%. We've made a mention of that in the presentation and, pasta and noodles that actually come at a higher net sales per ton as compared to the rest of the portfolio. The rollout of these Mini Meal Kits, which is pasta and noodle is underway, there was some disruption caused by the third wave of COVID-19 in January that had impact -- it had impact on Mini Meal Kits, it has some impact on breakfast cereals, probably some impact RTE snacks as well. But, overall, we rely a lot on demonstrations, right on people meeting, getting tile with consumers and during -- naturally during the during the January month, there were a lot of local authorities and others who say, Hey, wait a minute. You know, we really don't want to see you interacting in interacting in this manner and we media also need to be responsible about it. So that was fair.

So going forward, we will continue to focus on volume growth. We need to -- we need to be very single minded. We now got into about INR 400 crore foods turnover. We now need to see how do we get to a INR 1000 crore of food turnover, right. So we will be very focused on that that will certainly help to offset the impact of commodity pressure on gross margin. And then we'll also speak on pricing as we have done last year. So that in total, you know, the P&L is looking good. And we will certainly seek pricing on premium offerings. We roll out differentiate pasta and noodles support by retail demos, which we are very good at. We are amongst the best companies in the country, I would say on retail demos, that's how we built the popcorn business. And there's very positive acceptance of this.

Then, if you can just go to page seven, which is ready to eat snacks, you can see here we closed the year with about a 12% volume growth and a 20% value growth. So the value in this case is higher than volume, both because we've taken some pricing, we've done some grammar reductions in some of the packs, but also a lot of the growth will be driven by ready to eat popcorn, which has a higher revenue per ton, so that's why the value is going faster than the volume. A significant rebound, I would say barring the third wave, some weeks, with the reduced set of COVID-19, growth led the RTE popcorn together with broad scale pricing, this is really driven value. We believe that as we started the year, where we were in terms of gross margin, this category has largely been addressed on this one. So we were quite aggressive on this. We took a lot of reduction, we took pricing, whatever we had to, and even packaging footprint changed, wherever we saw there was some opportunities that the packaging is a little larger than we can manage it. We reduced it, even though the footprint is smaller, right. So, I think that all of that helped.

The potato chip model, which is the extreme right hand pack is under development. And, we continue to work and learn in this category. It's going to be a longish learning path, but I think we don't want to over invest either resources or energy behind it, but it's a large category and we will master this category going forward as well, on time as we do with many others.

For our margin underway, work is underway through work on value added offerings with excluded time, so by end of this quarter, next quarter, we actually -- we would have already infused the extruded pan product and protein snacks. Both of these will give us better margin profile, less compact -- more compact products in terms of, you know, revenue of cubic foot of the trucks that we ship out the products in, will be significant, better. And therefore, you know, they will help to improve over overall profitability. And this is the last point on the slide, which is, these new higher margin offers will help us to deliver the right combination of FTL FTL is terminal acronym that we use for full track loads, where be ship full loads from the plant to the distributor, with distance from the plant, right? So fundamentally the greater the distance, the richer the mix that you need in the truck, the shorter the distance, the more you can compromise on the richness of margin of products in the truck.

It's not an easy thing to master, because at the end of the day, you know, we cannot -- it's not a great idea in any business to incentivize sales people or margins. Sales folks have to be, you know, working on top lines and revenue, but you still have to balance it. Right. And, it's a fine art, but they're getting it right. No problems.

All right. So with your consent, we shall move to page eight now on spreads and dips. So this is really the one category, which has underperformed during the year. And, we mentioned this to you at the top of quarter one itself, even though as we as told you earlier, the numbers then were looking good, we certainly lost share in this category. But we decided to take the actions and, I would say, we have still ended the year with plus one but we've ended it with a lot of the new price now flowing through the trade, as we mentioned to your last time also, in modern trade and eCommerce, it's pretty much all the new pricing of both of the 924 and the 462 gram pack. And I would say, I probably in this quarter felt the HFS and the traditional trade will also start to show growth. So we will certainly be reviewing this again with you at the end of quarter one, but at this point in time, we should certainly start to see very good volume growth, double digit volume growth, we would expect to see in the quarter. And, value will take a little -- value will take a little more time to come into solid space because of the pricing actions that we've taken, that will probably happen during the back half of the year.

But that should put us in very, very good shape. We've seen a lot of competitive activity and that's normal. Year before last, as you know the ad business grew by about 40%. So a lot of people, when you see businesses growing like that, you know, they say, okay, let's also get into the act. And there's lots of peanut butter suppliers who are manufacturers in Gujarat. And so lots of brands have entered, but gradually as we stick to our position, we offer great products, good value, and moderate level of advertising. The off brands is going to start slowing down. In fact, the process has already started in south India. So initially the retailers are attempted to keep all brands if you go into the market, but gradually the retailer also sees that his turns are not coming and, at the end of the day, retailer is interested in turns, right? Not only in percentage margin. So we've seen this happening and it'll happen and it's happening nicely.

For context, at one point in time on instant popcorn, we had 32 competitors, they were 32 brands in the market, right. But we just, you know, you keep doing all the right things and over time, a lot of these guys fade away. So some will stay obviously, but mostly, all the marginal players will go away. A high protein variant development is underway, we expect the launch in quarter two of the current year. Chocolate spread ended the year with a 24% volume growth, steady build up with the category. So this is a category that we build up. We are not -- what do you call it, where we are not putting any advertising at this point in time behind the category.

I'm sure at some point in time, it'll get, it will reach a point where it will merit and get the benefit of advertising support. But right now we are just doing trial generation and trying. As we've done for several of our businesses. Work is underway to stabilize the supply chain of the hummus offering. This is doing well in some stores where -- people there is awareness of hummus so on and so forth. So know that that's a challenge and, you know, that's a part of settling in new processes -- is a large venue, we cover about, close to 450,000 stores, about 440,000 stores. And in that to get the right store, to get it right, the right product, take it back from the stores where it isn't moving that takes a little bit of time where it is a smaller category, but we are getting it right. And also salsa, which will be launching, will be scheduled for quarter FY 23.

Okay. If you could give a page nine please. On breakfast cereal, so you can see here, we ended there with about 31% volume growth and 20% value growth. Here, the value growth is less than the volume growth because you see that pack on the extreme right hand side, which is Popz shells, right. That has a lower revenue per ton, right? So in this year, because we had launched it in the early part of the year, the revenue, value growth is less than the volume growth, but that will get corrected as it comes into our base. And I would say during FY '23, you should see a much closer relationship between both volume and value because this sort of, come into our base and move the more -- slightly more expensive Popz center filled product which this extruded product we will grow it together.

The quarterly phasing is a little odd in this particular case. If you look at it, you know, it seems to show decline. But that's not the case. That's not the way the actual volumes have played out. And the reason here, and that's why we made that mention in the financial highlight, is that quarter one or last year was very bad during the -- during the first phase of COVID right. Quarter 1 FY '21. So I would say, don't read too much into it. You can assume that, kind of the full year figures are representative in aggregate for the year, rather than delving into quarter on quarter details. There isn't --, we started putting an increased focus on larger packs. So kind of, our initials of we are not a breakfast here company, right. But it takes time and you need to build credibility.

So, initially our focus was on cereal snacks because, we are a snack company and we have good credibility in snacks, both with the customer and with the trade. And now that we've got some of that benefit, we are gradually expanding into breakfast cereals. So if you go into the trade today, you'll start to see some of our bigger packs of chocolates. Obviously, that's where a large part of the profit pool is, but that's also those large packs of chocolates are also that more driven ANP, right? Because if the market leaders spends a lot of money on media, then those large pack of -- they get disproportionate advantage in the large packs. But once you start building up the smaller packs, consumers know your business, they will buy the large packs as well. So that is why we waited for about a year or two and now we are coming in with large attacks.

Steady quarter growth with the strong exit rates. We talked about it a little earlier. We're also scheduling a national launch of oats for quarter two, however, in the foods business and I want to make this point only value added oats will be recorded in food revenues. And, I want to just provide some context to you on why we are thinking about this, the way we are thinking, you see, as we export our cost structure on granola, right? And later we'll have a muesli as well. We realize that we were not able to get scale in something like procurement of oats, right? Because these are smaller businesses. Our model is based on moderate AMP and moderate AMP means you build it steadily. But one of the consequences of building is stead that initially your volumes are subscale and therefore you don't get the procurement benefit that you would like to get.

So let's say if we were a company which is spending lots of money on advertising, right, then our volume will be high, it's not a good business model. It's not a 15% to 20% EBITDA model, right? But you get scale because you are now at a -- you are being able to go to the vendor and say, okay, I'm going to buy so many trucks a month and I'm going to buy so many trucks a month for the next 12 months. You don't have that capability. So that's when we started working on Oats to see how we can scale up our total procurement of oats. And, sure enough, if we go to the vendor and say so many trucks a month, so many, you know, for 12 months in a year, you get a much better rate. We start to see the benefit in margins. But we don't want to -- we don't want to record those parts of the business, like, as I am giving an example in oats, under foods, we actually don't belong in foods because they don't have the promise of the 30% gross margin that we need to have minimum in the foods business, right? At the end of the day, these are more premium staples, right? And our view is we will make 15% to 20%, gross margin in a manner, in another manner of speaking, although it is not the only length to which you should look at it, when we pay GST on these products, the government ask for 5% GST on plain oats and it asks for 12% GST on value added value oats, value added oats could be savory, sweet, whatever you want to talk about. Right. So what we discussed with the management team, we also don't want to have this misreporting because we don't want to put something in our food portfolio. Revenue that is not, does not have the margin promise that a real process foods business should have.

So we concluded as a management team, that it was best for us to record the sale of plain oats, kind of where we put premium whole oats. So there's nothing right now, but we just want to alert you that going forward. As we, progress in the FY '23 and '24, we'll start to record whatever sale we have of non-value oats which is the 5% GST type of product, under what we call premium staples. So premium oil will get replaced, not now, but starting first quarter, end of first quarter of this year when we report. We'll show you premium staples. And in that it'll have oats, it'll have premium oils and whatever other products, and we keep telling you exactly, you know, what is going on. And, initially also give you an idea of the magnitude so that you have a broad idea on what is happening on the current business, right?

Then over time, it will become stabilized as the category because we will exit mass oils or mass stables all together at some point in time. And that will be nice because it sets us up well for the future. Tomorrow, let's say we want to do mini meal kits with rice. Now we rice, you know, small amount of rice, we're not really going to get the rice that we want. So we may say, okay, you know, can we get into the premium end of it. You know, it could be what, whatever, right? So these are the pieces that we will look at. And -- but we need to be very transparent about it in our food business, our process food business, we are only going to put items which have the margin protection that we believe we can, somebody else may believe differently, but in our case, this is our belief. Okay. So we are, I would say, on track for a profitable business in FY 23 we will come the growth.

Chocolates very, very, very nice, really a very strong end to FY '22 revenue is about four times of FY '21, excellent acceptance also of our peanut duo product. That's really good. And, you know, we have a lot of competitive advantage in this because they're sourcing a lot of peanuts to make peanut butter. So this is also being made in Jagadia plant. So literally we are buying hundreds of tons of peanut for peanut butter, these get processed, then they get granulated and then they move and just, temporary packaging. They can move from one phase of the product to the other, and then it goes into peanut duo chocolates. So the gross contribution of this, which is the next sales, in packaging deals, good way above our foods average and, so we are very, very, very delighted with this.

The removal of the tray, which was costing a lot of money about 60, 70 paisa, as I told you earlier, has been completed in the coconut Duo bar to improve margin and peanut Duo is so underway, further improvement margin will happen through the doubling of capacity in semester one. And then again, in semester two FY 23 and we briefed our Board, the Board of Directors on the, you know, excellent response to Duo. So yesterday the board has approved another two lines, Duo, which will place the orders in the coming months for more for FY '24. So that'll give you an idea of our expectations of, what we expect from this category. Certainly, in a INR 1000 crore food business. I think our gut and estimate is about INR 250 crore can definitely come from chocolate. So we are already motoring well, we've got two and two -- three lines on order right now, including the one. And then if we add in the two that we just got Board approval for, yesterday so then that will take us to six lines with revenue I would say about in the region of about INR 120 crore give or take a bit, right. It all depends on how good we become at mastering the machines, different items have different may will end up with different capacities, right. But more or less, I think in that ballpark. So, we are going ahead with that and that, I am sure will give you an idea of how good we feel about it and well, where we think this business can be in 3-4 years. All right. So it'll be a key growth level for us in FY '23 and we'll be working on expanding distribution.

Edible oil, we pretty much close to a hundred index. It's a 1% growth, right? So that's, you can argue, it's just flat for impacting purposes. Value is a lot higher, but that's irrelevant on optical because it's basically driven by pricing. So, we really, I think, can just say that it's a flat business. We also get very worried when value goes up very high because, you know, one day commodity prices will come down and suddenly we have a huge exposure in terms of pricing, because there's not much you can do when price comes shooting down. Right. And, so that's also a worry from a top line perspective, but, in the past we've compensated it with mass oil, but that's something that, we are gradually exiting altogether. So we will have to see, and that is also one of the reasons for trying to broaden the definition of premium staples so that we can have some stability in that. And we are not completely exposed.

So premium oil, which is Sundrop Heart and Super Lite delivered a year to date hundred plus index. However, we still want to see more channel consistency, right? So I think it's flat and that's good. A multiyear decline has been really arrested over the last two years. And after we think the pricing is good, we'd like to see it more consistent, on channels, and, which is a little bit difficult to read right now, but let's see how it goes. Going forward, we will also intend to modify the definition, going forward means next year in FY '23 to premium staple. So this is a category where we believe we can make 15% to 20% GM. We are not going to invest any company capital on these categories, right? It's like we buy pasta today.

We don't, -- there's no investment in pasta. We have an investment in the sauces that we put with the pasta or with noodle, the sauce that we put the noodle, but there will be no investment that we will make per se, in premium staple, as we've done with oils, we hardly have any investment in the oil business. We leverage 3P manufacturing, and that works for us. And what we will do, it'll enable us to accommodate the increasing need for non-oil staple as we build a foods business to be a huge foods company. It's good to have some base in premium staples. Also, this will broaden our for there, right? Without diluting the margin in the food business and better manage the revenue impact of pricing swims in edible oils. Mass volumes reflect the franchising of crystal with effect from November and overall reduction of mass oils in line of strategy.

And overall, I think we've seen a strong loss margin performance with total oil GM ahead of prior year. You could argue, you know, give or take a bit it's within a range of that INR 70 crore plus minus. All right, going to page 12, then competitive update, not a lot to report here. I think, as you can see here, Frito Lay actually came back in the snacks category, and again, started spending a lot of money. They come back very badly last year, and, it is a still the dominant brand at about INR 95 crore spend. Act II spent are marginal low, but not much low to help support the overall P&L. But we have made a lot of good progress last year. If you look at the FT '21 month, we almost doubled our media money from FY '20 almost, and came back to the kind levels that we were in FY '17, you know, when we got very value squeezed on, you know, overall declining volumes of premium oil, and, you know, we moderated it a little bit, but we not a lot, not a lot. And we don't intend to either, as we go forward into the future.

If you could just please go to page 14, these are the competitive trends on spreads. So you can see here, Kisan really spending a lot of money. Unilever invested almost INR 50 crore this year, in FY 22 coming on top of another INR 20 crore of FY '21. Our assessment is that probably spent for another six months. So there's a lot of money to spend on businesses, probably in the region of about 12 per year. And you know, but they'll certainly give it time to see how it goes but let's see, let's see how it goes. We've also moderated our spending and not a lot. And I think our model is working fine. And, along with the actions that we've taken in terms of pricing, and the operating leverage that we believe we are going to get in the coming months, we should be in very, very good shape.

Breakfast cereal, competitive spend, we are not spending anything. You can see here that, Nestle has actually stopped spending, for the last year. So we don't know what that indicates in terms of their intention behind the category, right. And Kellogs started sending behind the center filled category, which is good for us because, you know, it expands the knowledge of the center filled category. And we have a very, very good product, I would say way better than any other product in the category. And, as you know, as you saw Tata had bought Soulful, so they've invested some amount of money behind it. But, I would say a tough one. I mean, you know, it's not a -- these are not businesses which are built in a day in foods, as you saw Unilever has been spending INR 50 crore in a year, they're the largest FMCG company in the country, but yet not, you know, if you look at the presence on the ground, it's not really that significant or commensurate with that kind of spend.

So let's, let's see, let's see how it goes. Size has advantages. It also has its disadvantages. So we'll see. Okay. On chocolate, I think Mondelez is really the dominant spender in the category. Nestle spends dramatically lower. I'm sure they must have also come under some amount of profit pressure like everybody else. But Mondelez certainly in the panels position, right? So next is on page 17 edible oil, you can see here Sundrop heart we really hasn't been spending, but even our competitor, Saffola spent have come down. I'm sure there must be, you know, some, some of this would be required to also support some of the new launches in the other category, but really the dominant spenders are now Fortune, it's some lot spending, right? These two are large, right. From a situation where if you go back to FY '12, right, just, just have a look, right? This is that's 10 years ago. Its 10 years ago. We had spent INR 8.8 crore Safolla had spent INR 12.1 crore and these brands that we are tracking today have spent a total of, there were two brands, only INR 21 crore, and then all the others, we must see all the regional prayers was about INR 72 crore total INR 93 crore and cut to 10 years later. Sometimes it's good to see the picture after 10 years, the total spending on these track bands is about INR 182 crore, but, you know, account for almost INR 115 crore of that right. So the dominant share of spending is not coming from mass oils and I'm sure going forward, it will only continue. It will only continue because edible oil is the category, which is built around scale, right.

And, low margin and, you know, concentrate on getting scale. So this is certainly going to be the picture going forward. All right. So moving competitive spend, slide 18 out of 21, you can see here basically, lower investments by both Nestle and ITC. You can see some amount of reduction on Sunfeast. You can also see some amount of reduction on Nestle, and then Marico, pretty much pulling back in the second half, right. You can see spending in quarter one, quarter two, and then pulling back. I'm not sure again what that is an indication of, but, you know, we'll see how it goes. Okay. And pasta, no real competition. I think no real investment. It's only Keya. And I would say our assessment as management is probably more of the players here are -- were sending all their money behind noodles initially on the threats of noodles then probably are managing margin better. So there has been some, you know, pasta definitely has not been a category of support.

And Soups. I would say the Knorr remains, sorry, that slide 20 or 21 Knorr remains the dominant spender. And they continued to invest behind the category. And probably have a very strong, solid growth this year. We have obviously yet to bring in our soups at this point in time, but we'll be doing that soon and, you can expect to see that in FY '23.

All right. So FY '22 summary in way forward, I think continuous strong work in foods, that's slide 21, with volume revenue growth of about 15% over FY '21 oil GM holds up at INR 75 crore So that's good news for all of us. Holds up well versus prior. So largely I think we've been successful with the price correction. That doesn't mean that it's on a strong upward trajectory, we should just say, okay, it's in the ballpark of INR 70 crore and plus minus, you know, that's the kind of range that we expect as management. Exit from mass oil has been accelerated with franchising of crystal. The impact of commodity inflation on the total is mitigated, but, you know, we still need to address the food stock and exiting FY '22, with strong volume momentum improved gross margins and profitability in quarter four versus prior year. So that's it. Anything else we need to brief? Okay. So Shini says, okay, good to go. And, ma'am, we are happy to take questions, right?

Moderator: Thank you very much. We will now being the question and answer session. The first question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Hi, sir. On peanut butter, you said that there is, there are some new entrants which are causing pressure. Can you be give the names of, let's say two or three of those new entrants, which are, sort of materially large enough, to cause the pressure on your sales?

Sachin Gopal: Sure. Percy any other questions?

Percy Panthaki: In terms of other questions, I wanted to understand the logic of, concentrating on this staples business like oats and all that we are existing oils or reducing our proportion of oils because it's commoditized, low margin, et cetera, and here premium staples also similar margins to your oil portfolio. So why do we want to be there? Why not just concentrate on the value added foods?

Sachin Gopal: Okay. Yes. And what else? Anything else?

Percy Panthaki: That's it.

Sachin Gopal: That's it. Okay. Thanks. So Percy see, in terms of peanut butter, the oldest players in the market are really FunFood who were obviously there before us, because they were the, which was then owned by the Bells at they sold to Dr. Oatkar. And, who are, who are working on a third party model, right. I think buying from -- I'm not sure zoom, but maybe Bajaj at that point in fact. And the -- and then subsequently of course, you know, after the Bells sold out when we got back later with Veeba, so these are the two, I would say, older players, as far as the market is concerned. And, in terms of the recent, the more recent competitive presence that we've seen, there's -- I would say I was split into three, three parts. One is people who come into the high protein area. Right, right. Which is basically for the same thing fitness enthusiasts, where we say, okay, this is a high protein variant, or it's natural peanut butter, or natural almond butter, whatever you want to call it. Right. Whichever variants you're selling. So that is one component. These guys have -- don't have a broad distribution reach, right. In many cases, for example, in small towns, we've seen the brand Myfitness would be bought from Amazon itself. Right. And so this, this is one element, which is something that we are addressing is our high protein period. The second element is somebody like Kissan right. Who's a reputed brand, strong CPG player? And you know, who has our kind of profile and approach to marketing the product as a table spread. And, so that is the second component of the competitive landscape. And the third part is, there are people like, Kissan this person used to be the -- actually, they used to distribute Pringles in the old days for PNG before PNG sold it to Kellogs. And so they had a distribution in some of the top, largest supermarket, and obviously there's a lot of capacity available for peanut butter, right. Because peanut butter has been manufactured and exported from the Gujarat for year. So these guys they have come in, they buy from those folks and they, distributed. So these are the three types of competitive landscapes that we are seeing, the new ones. And, what is therefore done is we have an answer for each one of them, and we have to address each one of them individually. So we have to address the protein seeker separately, which we are in the process of doing, and we will have a product for them. And, you know, tailor made, as far as the protein seekers are concerned, which will probably get you know, started manufacturing sometime in June. As far as the table spread is concerned. We -- as far as Kissan is concerned, our observation and we don't by Nielsen as you know, but our observation is honestly, the distribution is very limited, right. And, I was, in fact, just last week, I was in a modern trade store in Tirupathy and, I had gone to visit a plant in Chittor. And, we just stopped over to store. It was a new supermarket and walked in and we were doing the categories and, I think there were two bottles of Kissan peanut butter, the one KG pack, the large one, and there were about 20 bottles of Sundrop peanut butter. So that was overwhelming. Right. So, and that is what we are seeing now, as we have done our price correction the volume growth in modern trade is significant and also actually in the Southern parts of the country already. So, as far as they are concerned, we've taken the price action. But what we are now going to do is also accelerate our trial generation. See we have a great product in peanut butter. It's really a fantastic product. If you try our product, you will never have any other product again. And, so we are going to be working. So we are working on some portion control packs so on and so forth. And those we share with you later as we go through the year, but already the actions that we are taking are more than sufficient to take care of the competition in this middle space.

And as far as the large place is concerned, which is anybody, you know, there are lots of brands who go buy in Gujarat market and sell. We have introduced a variant and about of 350 gram pack at about 120, and we are using that to compete with these. Okay. So basically different strategies for different segments of the market, right? The approval of the pudding will be in the eating right? The moment you see our volumes coming along at about 15%, 20%, then you'll know that the modifications and strategies that we have undertaken are correct. This has happened before with us. It happened to us from peanut better four years ago, we got it back. It happened, even in popcorn, as I said, there were a lot of brands at one state, so we will address it. And we are in very strong shape. Really our greatest competitive advantage is our own plant, right? That's a huge comparative advantage. Anybody who says they can build business on third party, we don't agree with it at all. It cannot be a profitable business. It's not a sustainable business and it's not an innovative business. And we, because, you know, for us is very simple. We say, okay, you know what, at this price, we're going to make so much money. By the way, But at this lower price, we're going to get so much extra volume. And we get so much extra volume. We get so much operating leverage our cost per kilo in the plant comes down. So we are able to recover all that money, which you can never do with a 3P approach. Right. So you're always over placed. So I hope that answers your question there.

And no, we don't want to become a premium staples company. Definitely not. Okay. But there are, it's a practical issue, which is, if you are buying oats, where do we put it? Right. We don't want to stuff our portfolio. We don't want to stuff our portfolio with low margin products that do not have any hope of making a 30% gross margin ever. Right. So I'm taking the plain oats as an example. We can take it and we can tell you it's the food we have other companies who are doing that. Right. But we don't believe it’s the right way to report for our business. Okay. So we are choosing to say, it'll be under premium staples. Okay. So let me clarify. We could say, okay, we have value added oats and plain oats, 12% GST, 5% GST. And we could tell you and that, you know, breakfast cereals now is growing at X percentage. But to us, we will be lying to us, right? Because this is not a category with a promise of 30% at the same time, unless in these categories, you have a broader presence, right. You don't get this scale. All right. So, it is not that this is going to be, let's say premium -- we are putting focus on premium staples. Not at all. There is no focus on premium staples. It is simply a function of administrative recording of how these products are going to be recorded in our reporting to ourselves and to you and to the street. And also helping us to get more scale. So I repeat, as a management team, we don't want to put products with this 5% GST under processed foods, because we will be lying to ourselves that they have the promise of being a great foods business. They're not okay. Right,

Percy Panthaki: Right Sir. Thank you very

Sachin Gopal: Thank you very much Thank you for asking that question. It was very important and maybe I may not have answered it fully and done full justice to your question, but as it plays out, you will see and as you know, we are very, we are very true to our cause and whatever we say. All right, mam we can go to the next question.

Moderator: Thank you. The next question is from the line of Vishal Gutka from PhillipCapital. Please go ahead.

Vishal Gutka: Yes, sir, just wanted to know things on the gross margin front, the margins moved up maybe due to the base factor because now no more, we are selling less of what we call mass edible oils. Sir, any other reason apart from this that gross margins have moved up and going forward, what is the outlook on gross margin front? And secondly, on the food business side, historically we have grown at 19% CAGR over a period of last 15, 20 years. Now, how do we foresee growth in the coming year at FY '23, because you're learning a very big scale up in the chocolate business? So what are the plans and CapEx plan for FY 23?

Sachin Gopal: Thank you. All asking good questions. So yes, you're absolutely right on the margin, there is definitely a base factor because crystal, you know, we have exited the crystal business at a profit level, if you're looking at margin, you also have to factor in that there is one time gain of about 2 odd crore. So you'll see that in the notes of the advertisement. I'm not sure what number, number five is there, so there, the auditors have, you know, they qualified it. I think the amount is so INR 2 crore, right? So that is also helping. So from an operating profit perspective, I will suggest you remove that. You should remove that two, because that two is a one time, right. For us also, we have to work through for this year for FY '23 our SGNA was lower last year by 4 crore. Right. And okay. In the CSR part, we actually put more money because we had some, carry forward to handle. But still, you know, we need to be careful and, you know, cognizant of that, and that is why we need to have a very, very tight control and cost in FY '23. Okay. So that is one part. Going forward, outlook, we certainly will be working towards sensibly, improving our margin through pricing and volume growth. In terms of outlook on growth, sorry, your question was on the CAGR also no, and in fact, I was thinking last time, you know, Shirish had asked this question. Very good question. You know, Sachin, why don't you look at 30% 35% growth, right? Fair question. Why you happy with 20% to 25? I mean, and I told him, look, you know what you know, you have to pace yourself, et cetera, et cetera. But later I was thinking about it, the capacity terms, actually, we are doing our expansion to cover the 35% growth as a company, it's very difficult for us to know exactly where the growth will come from. I wish we were that intelligent that we knew we can define each part of the growth it's virtually impossible to do so. Okay. So as a company, we are expanding capacities for a 30, 35, but I think the momentum, the time that it takes to build categories like breakfast, cereal, chocolate, it takes time to build distribution. That's why distribution is such a strong move, right? It's such a strong move, right? Own manufacturing and distribution. The combination of that is a very strong move. And the reason is that it takes so many years to build up, right? If you look at, let's take peanut better as example, you can see the country's largest consumer good company, the country's largest consumer good company has spent INR 70 crore and if you go through the number, we spent INR 30 crore in the last six, seven years, right? They are not only the largest. They have the widest distribution network, right? The wider distribution network, right. Several million stores, right. Compared to ourselves less than half million store. Right. And yet advertise is holding there. We are not happy with our performance because we haven't got a 15% 20%, but it's not that our peanut butter business crumbled under the weight of a giant. It didn't actually, right. So the point is, that's why these businesses are so attractive. The most that you build up are so powerful. Consumers don't come to you in a day. They don't leave you in a day, right? You may have a little up and down here and there, but these more are phenomenal. So going forward, we believe that, you know, our, whatever, the 19% CAGR is fully doable, 20% to 25% is what we internally will, are going to target ourselves for. 30% - 35% is what we will do by way of planning for capacity. And after that next year, you know how well we are able to execute and manage all the headwinds of commodity inflation and many other things, right? Change in the workspace, changes in people's in the overall environment. Let's see how it goes. Okay. Certainly. And, FY '23 our CapEx is going to be higher than last year. Last year, if you remember, we had got an approval for a budget of about $4 million. So that's about 30 crore, this year's going to be higher. It's going to be more in the region of $ 6 million or more like INR 45 crore and we are going to be, most of this investment is going to go behind chocolates, right? Most of this investment is going to go behind chocolate. These -- the lines that we have already ordered and the lines that we just got approval for yesterday, that should take us up to about INR 120 crore of turnover. And then we'll be looking during the later part of there to see how it goes, you know, we have a very step by step approach. We don't do go and say, okay, we're spending INR 500 crore, but which should take us to that INR 250 odd crore level, which means, which will be consistent with the thousand odd crore which should be our next goal as a company for, for the food business. Okay. Thanks.

Vishal Gutka: Just last question for my side, the share of eCommerce. What is the share as of now, because most of the launches you have been doing across category, seem to be more targeting the urban areas? So what is the share of ecommerce as of now, and what are we doing to increase that share further?

Sachin Gopal: So Vishal hear is the deal.

Vishal Gutka: Sorry for Not asking the question consequently.

Sachin Gopal: Okay. I will try and answer it at the end of the question. We are not hiding anything from you. Don't worry. Okay. Yes. Ma'am go ahead.

Moderator: Thank you. The next question is from the line of Aditya Bagul from Tata Mutual Fund. Please go ahead.

Aditya Bagul: Hi. Good afternoon gentlemen. I hope I'm audible.

Sachin Gopal: Yes, you are. Please go ahead.

Aditya Bagul: Just a couple of questions from my end. Firstly, in terms of peanut butter, right? I mean, would it be fair to say that the category size is about 200 to 250 odd crore would be helpful if you can help us understand what is the category growth rate only within the smaller sub segment of peanut butter. That's question number one, question number two is within our overall distribution, would it be fair that, ready to eat snacks and peanut butter probably, has the highest number of touch points? So to say. My question is, how long do you think you would take for some of the other of products in our ambit to sort of catch up to the level of, ready to eat and peanut butter? So that's question number two. Question number three is, would it be possible for you to rank some of the sub segments that we've discussed today in the scale of the ascending order of their profitability, either on a cross margin or on EBITDA margin either way.

Sachin Gopal: Okay. Okay. Yes. Yes. Okay. Yes. Yes. Thanks. So your first question is the, what's it called the category size of, peanut butter, right? That is in that region of about as per monitor it's in that region of about 300 to 400 crore. Okay. Right. So, you can, you can assume that, you know, that's a assume ballpark, and that is at consumer price. Okay. The growth rate of this well, that's a slightly more tough question. So, the cumulative as well as -- I'm quoting from the 2020 report of Euro monitor, the cumulative CAGR that they had quoted for 2014 to 2020 was 28% for net. They quotes a figure of about INR 412 crore at the total -- at the consumer price level. Okay. So I would say that's a reasonable ballpark, but if you go back to either, I think it was last call or the call before that, I had mentioned that the growth of the category was actually very low, last year, meaning right in the last year in 2021, despite all the advertising money that had been spent. So if you go back to that presentation, you will find the exact number there. Okay. So that'll give you that answers first question, right. As far as the -- if you will, the distribution data, no, we'll give you a reasonable perspective on the distribution. So our largest strategy is distributed product is not RTE, okay. Our largest, distributed product is actually are ready to cook popcorn business, which is available in over a quarter of a million stores, right? As per our last reading. And, obviously, our internal data is actually just it's in the region of about 270,000 stores, all of our coverage, is about 440,000 stores. So that is our largest one. The new categories actually are doing exceptionally well. In fact, chocolates is doing -- its a rockstar. And, somebody else, the board meeting, they were asking me to say, both chocolates and breakfast cereals are a little under 80,000 stores today. Okay. So they're actually not that much different from, you know, the other categories that you talked about peanut butter, Ready to eat snacks on so forth, probably ready to eat popcorn is larger, but a lot of wholesale. But they were asking, you know, how come chocolate is grown so much faster than breakfast cereal? And, my answer to the board was, you know, that Duo the coconut center filled product is meeting an unmet consumer need. Consumers don't have a product like that. At least they don't have it at that type of price point. I mean, how many consumers really know Bounty? You know, it'll be X, maybe in the number of people on this call, because mostly they're all more privileged sitting around in meetings like this, but otherwise if you go, how many people know, there are many, many customers today cash and carry customers, There are volume is more than Bounty, right already, right? So, we -- so, they say, how come it's grown so fast? And, you know, it's an unmet need, the moment you have an unmet consumer need either of a product at a price point or a product per se, the distribution just sky rockets. It's the easiest product for us to sell, honestly, right? And breakfast cereal. We have a great product. We are better than either Kellogg or Nestle at least we believe, right. And you are free to challenge that and try out the product, but it's not that they're not available. They're available at that price point. Kellogg is available at price point of 10, maybe slightly more expensive, but it's available at the cash register. So it takes a little more time and a little more trial generation. Okay. The other dimension obviously is that, you know, if something is used at home, it's going to have a slower buildup. If something is ready to eat, you know, like the chocolate or even a bag snack, you know, the distribution buildup is faster. Okay. So no, there won't be you. I can say with lot of confidence, that chocolate will probably be very soon, assuming we have enough capacity and we're able to ramp that up less it'll be the next, most, this widely distributed product it'll have to overtake RTE popcorn, I don't have a good number because of the wholesale piece.

And I, we think as a management team, probably it can even cross ITC, but this will probably cross ITC at some point in time. Okay. And, ranking is order of profitability. See the legacy businesses are the most profitable, the older the business, the more control you have on the category. So clearly, you know, popcorn is our ready to cook products that are most profitable, the entire ready to each snacks portfolio is more challenging because, you know, that's why we say, it's not a strategic business for us, but it's very important because it’s the conveyer belt of the companies, you know, our whole company distribution system runs on top of RTE snacks. So it's, you know, that's the least profitable, right? And chocolate, breakfast cereals, and spreads. They kind of come in between. They all have inherently very good category margins. Very good. The chocolate has excellent category margin because you've created more, right? It's not that nobody can’t make a chocolate, but how do you create a supply chain? You know, which is the temperature controlled supply chain for chocolate, right? So, we are just having a chat in the morning at LT. And my manufacturing head, said he's you, but looking at the success of our chocolates, a lot of Indian manufacturers are saying, you know, we can also get into chocolate. As they can, maybe they can, but you know what it takes a company like ours to build a national footprint, to build all these cold rooms, to manage all these cold trucks. It's not easy. It's not as simple as saying I'll make in the one cheapest factory that I can in either Rajkot, Ahmedabad or Delhi and I'll ship all India it doesn't work like that.

Right. So, that's why Chocolates as the category is high margins. Yes. It's a very profitable category. Breakfast cereal did work. It requires retailing. It requires coverage. The wholesale game is not the game that you play there and spreads also to an extent, right. So we are -- there are players today who come in, who are saying, you know, take extra margins on so forth. It'll die down eventually. Okay. So I hope that answered your question. Thank you Aditya,

Aditya Bagul: Understood. Thank you so much, sir.

Sachin Gopal: Mam, should we take one last question because I guess I talked too much initially.

Mehul Desai: Yes. So we can take, maybe one or two, two more questions and then,

Aditya Bagul: Okay. You are the boss. We'll listen to you. Yes. Two questions,

Mehul Desai: Two, three people in the queue, so.

Sachin Gopal: Okay, so mam, two more questions or three, Mehul, how many?

Mehul Desai: Yes. Three.

Sachin Gopal: Okay. That’s it then three? Okay. Yes.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Hi, good afternoon. So, three questions. The first one is, you know, if you can, give some sense on the new product which were introduced in last three, four years, starting from chocolate to sweet corn to pasta, what will be the overall contribution in our current revenue mix and would this, products be growing at significantly higher growth rate than, you know, our company average of 19% 20%? If you can give some sense on that, all put together, I'm asking not individual. The second question is on chocolate. So I think if from what you're saying, six lines a INR 120 crore so each line around INR 20 crore number and we have currently one line. So, I mean are we currently at the revenue of INR 15 crore, INR 20 crore and next year we are expecting INR 50 crore or is that a right number to work with? On chocolate, you already mentioned distribution reach. So I think I had the question, but you answered it. And, you know, if I look at our peanut variant, I think the first time when we launched at a part of festive pack, there was actually a peanut butter inside. Now it's only crust peanuts, so have we kind of, product kind of, redesigned, if so is that any technical reason, market, feedback. If you can elaborate on that. And lastly, the question is on balance sheet, I think after a long I'm seeing a balance sheet expanding our inventories have gone up receivables have gone up, that is there on the balance sheet and we are, you know, negative cash flow. And, you know, also we are doing the largest CapEx for FY '23. So, you know, how do you see this balance sheet planning out? Are we planning to do more, take more debt for FY '23? If you can elaborate on that.

Sachin Gopal: Okay. Thank you. So, Yes. So on your first question on new products, yes. See these new products which were launch in the last couple of years, they'll be contributing to about, you know, all the new products to about chocolate. So it's about, I would say probably, you know, INR 4 crore maybe about, sub 10%, but in the reason of about 10%, Sinis looks figures are different, but he's more precise about it. I'm giving you from a slightly normal perspective. That's how the sales and I look at it, right. And, of course the growth rates are much more. You can look at the category as data in our financial highlights and necessarily you can see these products will grow, right? So absolutely. There's no question. That's the model that we have, right. We have a base growth of about 15%. And then we said, we expect the new businesses, sweet corn chocolate, breakfast cereals, chocolate spreads we expect them to add between 600 and 1000 basis points of growth. We said that earlier, and we believe that fully. Okay. In terms of chocolate, yes, we would be, we would be in the region of about, I would say running rate, during the, you know, just the would be in the region of INR 14 crore to INR 15 crore already right now. Right. That would be the running rate doesn't mean that they close that INR 14 crore but our running rate would be INR 14 crore INR 15 crore and, as far as FY 23 is concerned, let's see how it goes. Obviously, the number has to be large, right. In that, you know, you mentioned INR 40 crore to INR 50 crore, it has to be large. And, it all depends on how quickly we are able to get the capacities going set up these lines. Remember we have to learn all these categories. We have to learn the manufacturing, optimize it, get all that going. And so there's a learning curve involved, but I would say large part of the learning curve is behind us now. And, but still, you know, these pieces will be there, but yes, that's why it needs to be a significant proportion of our growth. Right. as far as you had mentioned peanut butter, what was the question? Sorry.

Dhwanil Desai: The question was Sachin that when we first launched, that festive pack around Diwali a couple of years back

Sachin Gopal: Yes, yes, yes.

Dhwanil Desai: There was a peanut butter actually inside right now it is crushed peanut.

Sachin Gopal: It is, yes, there is a story behind you. You have to meet me one day and, you know, I can, it's an interesting story there. Interesting story is that the chocolate line that we set up, I initially thought we would make peanut butter chocolate out of it. Right. We figured we were a peanut butter company and, you know, there is reasons, right. This is the largest selling candy in the us. So, you know, I said, okay, you know, I think we can do a peanut butter and chocolate makes so much sense. We were finally not able to make the peanut butter chocolate, on that line. And then we have another line, which we had bought on the side, the local line, and, you know, we are able to make it but obviously, you know, in the early days, many years ago, I missed the fact that it didn't have to be peanut butter. You could just take off peanuts from earlier in the production processing, like chocolate out of it. Right. If we had thought that maybe we would've launched the chocolate much earlier. Anyhow. So the difference Yes. And you're, right. It was there in that Diwali part that we have made and then we withdrew it. And the reason is that, you, you will get to do Wikipedia on this. Okay. So little education, but it'll be fun. Check out the difference between Pralines and Fruitloops. Okay. Pralines and Frootloops, Pralines have a hard center covered with the chocolate fruits, Fruits fulls have soft center covered with the chocolate. This is stuff even I didn't know. So I've only learned it over the last couple of years. Okay. Now Fruit fulls need to be handled differently. Okay. Fruit fulls you must have seen, these chocolates of, I think it is Lintt only, right.

Which are always in twist wraps. So, you know they need to be handled very gently. Right. so, whereas, the others which have a harder center, they can be handled differently. So we are currently in the business of Pralines the peanut product is a Fruit full and accordingly, that's what we've done. A lot of work on fruit full and we will be launching it this year.. It won't be a peanut butter right now, and then we will learn and we'll be back with it. Right. So yes, the product is there. We are not entirely happy with it. So we tested it for in the box. We weren't too happy with it. We need to crack it. So, but learn about pralines and truffles these are lovely subjects to learn from, and you'll enjoy reading about it. Okay. Go into Wikipedia so on and so forth.

All right. And last, as far as the balance sheet concern yet, the inventory levels have gone up because we've, you know, the most of, in historically over the last 5, 10 years our inventory levels go up by we buy corn. So we obviously bought reasonable amount of corn right no. And, but you know, again, you know, it's a trend, it goes up, it comes down and also in terms of receivables, it is really, we have one customer, who's our largest customer. Who's outstanding -- They're very safe. But you know, they do very depending on how their budgets are. And it often happens that at the end of the March, you know, they are a little, you know, they need to cut down on their payments. So this happens, there are years. That is very good. Last result was very -- was not so high. I mean, we got benefited the year before last, and then this year it's gone up again. So it's up and it's no big deal. There's nothing to read at, as far as the balance sheet is, as far as the CapEx spend is concerned, let's see. It's not that we never borrow. We do borrow, there are years that we borrow, we had an interest burden, our interest cost, I would say as much as INR 3 crore or INR 3.5 crore in some years in the last 10 years. Right. So it's not that we have, we just don't want to borrow too much money. Right. Because we don't believe the food business is, going, huh? Yes. Yes. Good. So it's, you know, it's like all far for the cost. There's nothing exception that we are now looking for the huge CapEx and we will need to borrow no. There's adequate money in internal cash to fund it in between. We may need money for working capital, so on and so forth, you know, to raise if, and obviously there's one other element here, which is in the sale is that if you will, the input prices of raw material and packing material and actually going up, right. So the values of oil and other packing materials is also gone up and at the same time, just bear in mind. We also divested about $5 million to $10 million business, right? Six months of, you know, the total business of crystal was whatever, INR 110 crore or INR 120 crore So we've exit about half of that. Right. So, but that was a business which is running on a very, very low working capital. Right. Just a couple of days of receivable. So that also has an impact when you look at these metrics. Okay. Right. Thank you. Thank you. I hope I answered all your questions well, and I get a 10 on 10 for it, and should we go to the next one second, last. Penultimate question.

Moderator: Thank you. The next question is from the line of Bimal Sampat through an individual investor, please go ahead.

Bimal Sampat: Yes. Good afternoon, sir.

Sachin Gopal: Good afternoon.

Bimal Sampat: Yes. Two questions. One is, can you throw more light on this plant meat, what we are planning to enter, because last call, you said that, lines have landed. And, I mean, which categories we'll be focusing on, and second is on nachos. You said we are working on nachos. So because, competition has launched, you know, nachos and salsa combos like that. So it's in that, what, thinking you are having about value added -- more value added products. So can you say something more on nachos?

Sachin Gopal: Okay. Thank you. Thank you. So I think, thank you for raising the question on plant meat. So basically, yes, the first part of the line I think, had come around the time of January. So when had our last call and, you know, the other parts are also coming through now, and I think maybe, the engineer has to come for installation. So probably over May and June, we'll have some visits because they're coming from overseas for the installation of this line. We will then start to make test products. We will be testing it out for several months. But I will be very hopeful that, we could be in the market with a commercial product in FY '23 made in India. Right. And, that'll be nice. That'll be very nice. Right. Because, a lot of people have talked about plant mean, but we actually haven't seen so much, you know, action and the other is I think our approach and plant meats is a very good approach. It'll enable us to give very affordable products to make it more mass, if you will. Right. And, so you can expect to see during this year, some commercial activities from our site, the trials will obviously take time. It takes time. But you can expect to see that in FY '23. And the categories that we'll be focusing on, we are not doing this impossible burger route or beyond meat and all that. We're not going down that route. What we'll be trying to do is see whether we can blend the plant meat that we're going to manufacture at our plant, with some of the balanced parts of our ready to cook portfolio. So how do we blend it in, how do we make a comprehensive offering, which has a protein, a vegetable, a carbohydrate, and we're going to try and work using that approach.

So, if somebody says, hey, wait a minute, they're going to launch a plant meat burger. That's not the approach that we are following. Okay. It'll be more blended into the kind of foods that we eat. But that doesn't mean necessarily butter chicken or something like that. Right. And, but it would be blended. We will look at ready to cook. We will also look at things like spreads, right. We will look at, can we add, you know, high protein spreads with chickens and so forth. There'll be a lot of options for us available as we progress. On Nachos. Sure. See the entire ready to portfolio for us is a conveyer belt. Okay. So we obviously are going to change, like, for example, ready to eat popcorn suddenly, from, you know, a situation where we were really struggling from a competitive standpoint, we have, you know, we have grown exponentially, right. And you know, what has happened? Well, there was a GST ruling with us, which worked in our favor that the rate was 18%. There were a couple of other things, right. So, you know, COVID happened. So some competitors kind of, you know, went to more lower level activity, Palm oil prices have gone up. So we, I think, are in good shape, but that doesn't mean that we are going to put disproportionate resources behind ready to eat popcorn, the ready to snacks is never going be an advertised category for us. We'll apply the same thing to naturals also to tortilla chips, again, there's a reasonable amount of players in tortilla chip. Some guys come, then they go, another comes and goes. Lot of capacity, actually, of tortilla chips, a lot of people have put up capacity. And of course the, I would say the three players in the fray are Doritos, Cornitos and us. So Doritos model is a little different. You saw the spending. You would've seen that if you haven't just, you know, go into the presentation, you will be able to look at it. And our is, we are going to spend, we'll give good value, but for us, it has to be the conveyor belt. So don't expect us to say, wow, you know, we're going to do 20,000 things on Nachos. We will optimize it. We will get growth in it. It'll meet the needs of our conveyor belt. And we'll keep working on the RTE snacks portfolio, to the extent that, you know, what, the question that Aditya raised about margin profile. It is the lowest. So our priority has to be, how do we keep doing this business while improving the profitability of this kind of thing? So our focus will be there. That's why we go into the presentation. We are talking about extruded pan. We're talking about protein snacks, how to sell better margin products in this category. Okay. Thank you. I hope I answered your questions and ma'am we go to the last person for the day.

Moderator: Thank you. The next question is from the line of Shivang Agarwal from Perfect Research. Please go ahead.

Shivang Agarwal: Good after sir. I have only one question. What would be the impact of oil export ban from Indonesia, Malaysia?

Sachin Gopal: Okay. So, you know, here's the deal we, people say what's going to happen. We're just talking for the morning and in the meeting, the leadership team, we're not going to get impacted in a hurry, right. First Hindustan Lever will get impacted because they buy so much Palm oil, right. So there's always going to be Palm oil for us. And we are not worried at all. Don't be worried, right. We are too small player for to have any material impact, right. The larger, that's the disadvantage of scale, right? Yes. If it's like popcorn kernel, that's a critical category. You have to hold lots of inventory. We, the large, we are the big boys in the space. Right. But in Palm oil, I mean the amount that we consume it's insignificant. So, yes, we don't lose any sleep over it. We will get Palm oil. Yes. All right. Yes.

Okay. Ma'am, thank you, Mehul. And thank you ma'am and everybody for taking your valuable time out for the meeting, I hope you were able to answer your questions, if we aren't, I apologize and we'll try and do a better job next time. Okay. So on behalf of Shini and me, thank you. You have a great afternoon and a great day cheer. Thank you.

Moderator: Thank you. On behalf of Anand Rathi Share and Stock Brokers, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.