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1st February, 2025

BSE Limited Floor 25, P J Towers, Dalal Street, Mumbai – 400 001	**National Stock Exchange of India Limited** Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051
Scrip Code: 543458	**Scrip Code: AWL**

Dear Sir/ Madam,

Sub: Transcript of Earnings Call of Q3FY25 of Adani Wilmar Limited ("the Company')

This is in continuation to our earlier letter dated January 27, 2025 regarding audio recording of Q3FY25 earnings call held on January 27, 2025. Please find attached transcript of the Earnings Call.

You are requested to take the same on your record.

Thanking You
Yours Faithfully,
For, Adani Wilmar Limited

Darshil Mayank Lakhia
Digitally signed by Darshil Mayank Lakhia
Date: 2025.02.01 11:15:10 +05'30'

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Company Secretary
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"Adani Wilmar Limited

Q3 FY '25 Earnings Conference Call"

January 27, 2025

MANAGEMENT:	**MR. ANGSHU MALLICK – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – ADANI WILMAR LIMITED** **MR. SHRIKANT KANHERE – DEPUTY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER – ADANI WILMAR LIMITED** **MR. SAUMIN SHETH – CHIEF OPERATING OFFICER – ADANI WILMAR LIMITED**
MODERATOR:	**MR. MANOJ MENON – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Adani Wilmar Q3 FY '25 Results 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 conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you, and over to you, sir.

Manoj Menon: Hi, everyone. It's wonderful. Good morning, good afternoon, good evening, depending on the part of the world you are joining this call from. Representing ICICI Securities, it's our absolute pleasure once again to post the results conference call of the company. This time it's Q3 FY '25. The company is represented today by Angshu Mallick, Chief Executive Officer and Managing Director; Mr. Shrikant Kanhere, Deputy CEO and CFO; Mr. Saumin Sheth, Chief Operating Officer; and the team.

Over to the management for the opening remarks, post which, we'll open the floor for Q&A. Thank you, and over to you, sir.

Management: Thank you, Manoj, and very warm welcome and good afternoon to everyone who has joined this call. As a ritual, what we will do is we'll take you through a brief presentation on the performance of the company for the quarter 3. The presentation is separately uploaded on the exchange, so you can also take your copies separately and go through the presentation. For the time being, we will take you through the presentation.

We saw one of the best quarter since inception of the company, posting consolidated revenue for the quarter at INR16,859 crores, with an underlying volume growth of 5%, EBITDA of INR792 crores and resultant PAT of INR411 crores. This translates into 31% year-on-year growth in revenue, 57% EBITDA growth and more than 105% growth in PAT as compared to the same quarter last year.

On the 9 months ended 31st December '24, revenue at INR45,488 crores, EBITDA of INR2,033 crores and PAT of INR1,035 crores grew by 20% and 161% in terms of revenue and EBITDA. Whereas on the PAT, it is complete turnaround from a loss of INR9 crores to the profit of INR1,035 crores as compared to the same period last year.

We are also been able to demonstrate improvement in quarter metrics in the case of gross margins and EBITDA over the past quarters, primarily led by edible oil business, as the food business continues to remain in investment phase and more or less an EBITDA neutral given that it is still at a growth stage.

Stand-alone numbers are no different from consolidated ones, with revenue for the quarter at INR16,491 crores, EBITDA at INR782 crores and PAT at INR409 crores remains the best performance for the company since inception. Similarly, for the 9 months ended 31st December '24, we delivered revenue of INR44,235 crores, with an EBITDA of INR2,022 crores, PAT of INR1,059 crores, translating into growth similar to consolidated numbers.

Per ton metrics on gross margin and EBITDA also remained similar to the trend, we witnessed at the consolidated numbers. Normalized gross margins and EBITDA for the past five quarters are consistently improving. Q1 and Q2 of the last year, as we said earlier also, was an aberration due to hedge disalignment that edible industry witnessed last year. Barring these two quarters and, in particular, last five quarters margin structure have shown consistent improvement.

Quarterly trend on per ton metrics for the gross margins and EBITDA are more or less range bound, except Q1 and Q2 of last year. EBITDA margins have -- EBITDA margins about 3,500 level in any quarter are suggestive of a commodity cycle gain that company had been able to crystalize. EBITDA per tons of 4,956 for this quarter is also suggestive of the same fact. This quarter, we saw gains on account of favourable positions and bit of inventory gains.

On segment basis, edible oil, food and FMCG registered healthy volume growth, up 4% and 23% for the quarter, and 11% and 32% for the 9 months ended 31st December '24. Industry essential segment degrew on volumes by 3% and 9% for the quarter and 9 months period, respectively. Degrowth in industry essential segment is primarily due to lower edible oil business, which is more of a parity-driven business. Major constituent of industry essential business, oleochemical, continues to grow volume in double digit and with a healthy margins.

On margin front, edible oil registered segment profit of INR571 crores and INR1,342 crores for the quarter and the 9 months ended, which is one of the best for the segment. Industry essentials delivered a profit of INR82 crores and INR165 crores for the quarter and 9 months, primarily driven by oloe and castor business. Food and FMCG delivered a segment loss of INR46 crores and INR23 crores for the quarter and 9 months ended 31st December '24. This is primarily on account of loss in the rice inventory due to downward correction in the market. Any positive correction in the market from here will improve this number.

Other than rice, all other food business, such as wheat flour, besan, pulses, soya nuggets and soap business remained a bit positive. Overall food and FMCG business more or less remained EBITDA neutral for the quarter and the 9 months ended December '24. The EBITDA performance on all business segments for last 4 years shows a consistent improvement. In edible oil, EBITDA has increased from INR1,532 in FY '22 to INR2,375 crores in the last 12 months.

In our mature business of edible oil, we are generating a return on capital employed of close to 22% on the back of high turn of fixed assets. Food business, which comprises several product categories, is currently in an investment phase and we target to have 20% to 25% of the same in this segment as well. Our soya nuggets and besan has already reached decent ROCE level. On overall basis, the company is delivering an ROCE of close to 13% on trailing 12-month basis.

This is how the ROCE and the capital employed fares as far as the last 3-year trend is concerned, edible oil with 22% and industry essentials at 10% giving last 12-month ROCE of 13%. We are consistently investing in Food business. The fixed asset investment in the Food has gone up from INR482 crores in March '22 to INR1,328 crores as far as December '24 is concerned.

And similarly, the net working capital in the food business has also gone up from INR393 crores in March '22 to INR1,461 crores in December '24. And this is also reflective of the fact that the food business is close to INR6,000 crores plus when we look at a trailing 12-month of data.

On a market context, overall market sentiments in edible oil remain bullish during the quarter. Prices of all major three oils; soya, sun and palm remain elevated as compared to the last quarter. Industry witnessed some downward correction in the prices in the later part of December, but still prices remained higher as compared to the past quarters, primarily due to high duty imposed by the government in the month of September '24.

Throughout the quarter, palm remained costlier than sun and soya, which is a complete departure from earlier trends. We have sun and soya always used to command a premium over palm oil. This is quite concerning as palm remains one of the highest consumer oil in India, and therefore, any such trend will have a risk of inflation and trajectory on the food items, including the demand for the edible oil.

In both edible oils and wheat flour industry has been showing subdued growth in low single digit for last five quarters. In wheat flour, rural had been growing in strong double digits due to consumer shift in packaged wheat flour. Whereas in edible oil for the quarter 3, the industry grew by 5%, whereas rural grew by 8%. So overall, what we see is not a very encouraging demand from an industry perspective, whether in the case of edible oil as well as wheat flour.

The company has been able to register a handsome growth on the revenue and margins for the quarter as well as the 9 months ended December '24. One of the highlight of course in this entire performance in the alternate channel comprising of MFS, e-comm and q-comm that is growing faster than the general trade and now contributes, a sizable business with a trailing 12 months revenue in excess of INR3,000 crores. Similarly, HoReCa channel, which we started a couple of years back, continues to grow for us and is now contributing close to INR600 crores of business basis 12 months.

In edible oil business, in spite of high prices, we could register a single-digit volume growth led by soya, sun and mustard oil. This volume growth would have been in single-digit had the palm -- could have been high single-digit had palm prices remained below the soya and sun. We witnessed cutting consumption by consumer due to high pricing. As a result, consumer pack industry grew only by 5% as per the Nielsen source. Our regionalization strategy in edible oil continues as we launched region-specific SKUs to cater to the local demand.

In the food and FMCG business, we delivered yet another quarter of a sizable volume growth of 23%. The growth came on the back of all the food products showing sizably. On margins, the segment suffered loss due to inventory valuation loss in rice. We continue to consolidate our market share in most of the food categories.

ESG continues to be integral part of our entire ecosystem. Our flagship CSR program, Fortune SuPoshan, that aims to curb malnutrition and anemia among the children, adults and girls, and women in reproductive age, has won prestigious Indian CSR Award 2024 in the category of Best Rural Children's Healthcare Initiative of the Year 2024. AWL's Mundra and Hazira plant received gold metal, silver medal, respectively, at the 10th Edition of India Green Manufacturing Challenge organized International Research Institute for Manufacturing. Our Vidisha factory, which manufactures soya nuggets and soya value-added products earned a safety award for a global -- at the Global Safety Summit 2024.

On edible oil, I think we have been steadily contributing to the volume growth quarter after quarter, which is reflective on the stand-alone EBITDA, which is we are delivering in this segment. The capacity utilization in this segment continues to be reasonably well placed, which is suggestive of the fact that any future growth can be accommodated easily.

On the market share, we had a flattish market share. We actually dropped by 20 basis point on overall market share from 18.3% to 18.1%. But the encouraging part of this entire story on market share is that Fortune market share actually has gained. Similarly, we have gained market share in particularly in the case of soya bean and sunflower.

As far as the food is concerned, again, we have enough capacities in place. The utilization of capacities at 53%. Whereas, market story for wheat flour looks good. We have gained market share, gone up from 5.3% to 5.8% now. Basmati rice market share has come down from 7.4% to 6.1%. And clearly, there are work in progress, particularly in branded Basmati rice, which company is working on. And we have put in place a lot of interventions in this particular business. And as we go forward in a couple of quarters, we should be able to see improvement in market share as far as the Basmati rice is concerned.

On distribution front, we continue to work on growing it and now have a direct coverage of more than 8 lakh outlets and total reach of more than 2.1 million outlets. In terms of rural distribution expansion, we now reach more than 40,000 towns and have -- which have got a population of less than 100,000. And rural saliency in our business remains at a close to 30% of our overall business.

Alternate channel continues to -- continues to be a good story for the company. This channel grew healthy 16% during the quarter in which e-com and quick-com grew by 41% and 81%, which is very encouraging for us. We are working closely with all the e-com players to see that this growth and market share is sustained in future because as we go forward, this is the channel which is going to cater to most of the demand coming in from the consumers who are demanding packaged staple food. One of our IPO project at Gohana, Haryana, which is going to be one of the biggest integrated food facility for the company is more or less completed.

This is an aerial view of the facility, which shows how big this facility is. We have commenced the production at rice to rice and mustard oil facility and have achieved first commercial dispatch from this factory in January '25. This integrated facility is expected to be fully operational by end of first quarter of next financial year. The integrated facility houses production lines of paddy to rice, rice to rice, wheat flour, refined wheat flour, rice bran oil, mustard oil and cotton seed oil.

This will be built with an overall capital outlay of close to INR1,300 crores, which is majorly funded through an IPO funding. We continue to do a lot of marketing campaigns, whether it is on social media or BTL activities or TV activities, and these are some of the glimpses of our engagement with the consumer on various mediums through which we connect to the consumers. So the key takeaways, finally, this is the final slide from my side.

One of the best quarter, of course, for the company since inception. We have been delivering consistent performance for last several quarters and have delivered best ever operating EBITDA of INR2,390 crores on trailing 12-month basis. Food and FMCG revenue of INR6,000 plus in the last 12 months. And therefore, our target of reaching to INR10,000 crores by end of FY '27 seems to be very much achievable.

We have big lever for growth by increasing our distribution. And we remain very bullish on emerging channels like e-commerce, branded exports and HoReCa to fuel the kind of growth that company is looking at for coming years. And on ESG, as I said, ESG remains integral part of our culture. We participate in CDP and DJSI ratings during the year and are fully committed for a continuous improvement in the scores.

This concludes my presentation, and we can now open the floor for the questions, and we would be happy to answer the questions. Over to you.

Moderator: The first question comes from the line of Abneesh Roy from Nuvama.

Abneesh Roy: Congrats on the profits. My first question is on the food business. So you have called out strong growth in soya nuggets apart from your other food segment. There, we have seen incremental competition also from Marico Saffola, and they also claim to be doing well. Could you talk about the competitive intensity here, pricing pressure, etcetera? And if you could also talk about Sattu because that clearly seems to be a focus area by customers in terms of more protein specific product. So long term, how do you see the organized market share within Sattu because it's largely unorganized currently?

Angshu Mallick: On soya nuggets, let me tell you that after COVID, we have seen higher sales of plant protein or veg protein. Now soya nuggets have 52% protein and doctors have recommended that for -- particularly for the vegetarian people. Plus I have seen that non-vegetarian people also once in a week, they have accepted nuggets as integral part of the food.

Now we have understood this business and in terms of technology, we first went ahead with putting Wenger technology. So all our plants are Wenger plant from U.S. They are the world's best manufacturers of such products, and we have that in Vidisha and Haldia and now we have started Nagpur. So we are possibly the only people to have three locations of nugget. And as you know, these are light products. So cost of freight is very, very important, and we have that logistic advantage because we have soya bean plant in Nagpur with Vidisha. And Haldia also, we have our own packing station. So that helps us.

Logistically, we are better off. There is competition, but then that's okay. Everybody is trying to enlarge the market, and we see great opportunity. So very good to have healthy competition. No problem on that. Pricing front, we have -- this is a very stable product and doesn't need too much of pricing, except once in a while, you give some consumer scheme or trade promotion scheme. But by and large, it's a steady market. Sales, 60%, 65% sale comes from March to October and 30%, 35% comes in the winter. That is how it is very clearly demarcated.

On Sattu, let me tell you, Sattu is a product which normally goes during -- in Eastern India and Eastern UP onwards, Bihar, Jharkhand. So there, we have Sattu. We have our plant -- we supply from Delhi now. But going forward, we can surely make in Haldia also. We have a plant in Haldia. So Sattu is one product which also is seasonal a bit. In the summer, it does very well. Winter, it reduces. So we are pushing it along with our base line products.

Abneesh Roy: So from a competition perspective in soya chunks from Saffola, you're not seeing anything disruptive. Right?

Angshu Mallick: See, first of all, they don't have their own manufacturing base. They are getting it produced at some other factories. We see advantage for us that we have our own setup. We have ability to expand, if required, and that is what we have done. So we are the largest soya nugget producers now in India at 6,000 tons per month. So we have enough capacity to provide to the market.

Abneesh Roy: Sir. That's very useful. My second question is on the branded rice weak performance. So you mentioned inventory losses there and supply chain issues. So if you could address here because post the acquisition of the number 3 brand there, it has been a bit challenging post that. So here, could you have done something different to prevent the inventory losses? Or that's part of the business, nothing much could have been done?

But from a structural perspective, my question is, how do you start getting back the market share? Because generally M&As in India, FMCG, I have seen, a lot of them ultimately turned out to be very challenging. So if you could talk about your Basmati market share, the journey in the next 2 to 3 years, how do you see that?

Angshu Mallick: See, in Basmati rice, unlike the big players, we did not have our own plant. We had only one plant in Ferozepur, Punjab at -- in Haryana, which is the main area for Basmati, we used to work under the toll arrangement. Now these toll arrangements have a limitation to the processing capabilities as well as capacities. Now we have been waiting for our Gohana plant. And because we were doing in the tolling, obviously, there was a lot of stocks to be moved from one place to another to consolidate dispatches.

But now that Gohana plant has just started operations. The most important part is that in Gohana, we have almost 600 tons paddy per day and 500 tons of rice per day capacity, which is very big enough for us to use it. And we have very large storage capacities there. So it will be useful for us to have a consolidated production base as well as dispatch base.

Once that happens, the logistic issues, the fill rate and the challenges of yield or quality, all that gets to a large extent, settled and then we can concentrate in building the brand and distribution. And you will agree with me that e-commerce, modern trade alternate channel is 50% of the branded basmati rice consumption. So unless you are good in fill rate, unless you are good in supply chain for these products, the alternate channel doesn't do well.

Now that with Gohana coming up, our supply chain will become much more stronger, and we are confident that we'll get back the share. I'm sure in next 2 quarters or 3 quarters, you will find that our basmati shares have gone up.

Abneesh Roy: Sir, last quick question. That's my last question. On the palm oil, what will be your understanding in terms of pricing because it went up sharply by almost 30% and from top, it has corrected 10%, 15%. So what will be your understanding of pricing? No one can call it out. I understand it's a commodity. But what will be your understanding? And on the 20% duty which government had put, is there any expectation that in the near term, this could get corrected? Any discussions on that?

Saumin Sheth: Saumin here. See on the pricing, it has become a very political product, both for Indonesia and Malaysia. The biodiesel program is important and the food demand. Yes. So as you rightly mentioned, the prices actually were higher by 15% to 20% compared to the other soft oil -- now market is correcting, the spread is reducing and this biodiesel program of Indonesia, whether it is B40 or eventually, it will only remain to B35, B40, prices will also fluctuate in line with the policies.

On the duty, it's anybody's guess, government after a long wait increased the duty to support the Indian farmers. Unfortunately, today also these are trading way below the MSP. So I mean, you can call it 50-50, whether they can reduce the duty or not. Their priority probably is the farmers and the consumers.

Moderator: The next question comes from the line of Harit Kapoor from Investec.

Harit Kapoor: Just a few questions on...

Moderator: Sorry to interrupt, sir. May I request you to use your handset, sir? Your audio is slightly muffled.

Harit Kapoor: Yes, is this better?

Moderator: Yes, sir. Please go ahead.

Harit Kapoor: Yes. So just a few questions on the numbers. I just wanted to -- if you could just quantify the employee cost impact on account of the ESOP for the quarter? And just a sense of how this works, is it a one-time in this quarter? And what is the future impact on the employee expense, if you could just give some sense on that?

Angshu Mallick: Yes. So I can understand from where you're coming from because the employee cost has gone up quite substantially in this quarter. But this impact is not exactly on the ESOP because ESOP we declared only in the month of December. So the real impact of ESOP may start coming in from the next year, not from this year. So right now, the employee cost, which you see, which has gone up as compared to the last year and of course, on the 9-month basis also is basically because of the onetime incentive provision that we have made, given the fact that company this year is going to be going to declare one of the best results.

And therefore, our policy provides for additional incentive, which has been provided on a proportionate basis for this 9 months. So that's the reason why the employee cost has gone up. And this is, of course, only a onetime and then for the modelling, I don't think you can consider it for the next year and next quarters.

Harit Kapoor: Got it. Got it. And secondly, even on the other expenses, if you look at sequential numbers are quite high. I understand that there's INR70-odd crores MTM there on the derivative side. But even adjusting for that, it looks slightly on the higher side. So I just wanted to get your sense, is it more to do with Gohana operationalization? Or what would explain that kind of sharp 30-plus percent growth?

Angshu Mallick: No, it's not basically anything to do with the Gohana operationalization because Gohana, as I said, we just dispatch commercial cargo from the complex. I think the entire complex will get commissioned only in the next quarter -- sorry, first quarter of the next financial year. So this other expenses hike is, again, it's kind of onetime where the hike is due to one is, of course, derivative impact and the ERD impact.

And both these impacts actually somehow get recovered from the -- either from the revenue or either sitting in the inventory gain. So there's a nullifying impact of this spend which you are seeing more. Besides that, there is onetime some marketing provisions have been taken. So if you normalize those, these expenses have actually gone up in tandem with the volume growth.

Harit Kapoor: Okay. Understood. And sir, how do I look at the inventory gain, which sits out of your -- in your gross profit, either for the full -- for the 9 months or for the quarter? What do you think would be a more normalized level? And the second point is with the prices having corrected a little bit in Jan, do we expect some of these inventory-led gains slightly to reverse, not reverse, but a little bit of a reduction there in quarter 4? How do I kind of read this and build it out?

Angshu Mallick: Yes, I would not call it an inventory gain, rather, I would say this quarter numbers do have onetime impact of the commodity cycle, rather, I would say. When I say commodity cycle gain, it includes both inventory as well as better positions which have turned positive for us. And therefore, numbers for this quarter are more or less consistent with what we have been declaring for last couple of quarters, except of this one-off inventory -- one-off commodity cycle gain.

So, our normalized EBITDA, as we are saying earlier also, is anywhere in the range of INR3,500 crores to INR3,600 crores. Anything above that is suggestive of the fact that we have witnessed a commodity cycle gain in that particular quarter or period, which may be 6 months or 9 months.

Harit Kapoor: Very clear. Very clear. And just on the direct reach side, if you look at -- if I just look at a period of time or a quarter where you've seen the highest kind of move from quarter-to-quarter in direct reach, I think Q3 or December quarter is one of the -- addition is almost 50,000, which is a pretty substantial number. Just wanted to get your thoughts on what is the kind of 3-year, 2-year, 3-year target here? We're already at 8.2 lakh outlets. How do we think about a 2-year, 3-year kind of target on direct reach expansion?

Angshu Mallick: We have taken a target to exit FY '27 at 1 million direct coverage.

Harit Kapoor: Got it. Got it.

Angshu Mallick: So we have that much distance to travel. And some of the quarters, it is fast. Some of the quarters, it will be too slow. Say Q1, we will find it is a little slower because of the summer time and heat and all that. But then winter time, generally, the work timings are much bigger and the people travel more, people work more, so we get more outlets on it.

Harit Kapoor: Got it. Got it, sir. And from a portfolio level on the edible oil side, if you could just give us a sense of what has done well, what has been weak? I mean mix between, say, palm, soya, the key oils for you, where have you seen strength in growth, where have you seen a little bit of weakness? Branded versus unbranded, a little bit more color on that in this quarter, given that the price fluctuation has been quite material.

Angshu Mallick: Okay. To sum up the edible oil business, you see in-home and out-of-home consumption. So look at in-home consumption, it is, by and large, driven by two main oil, that is sunflower oil and soybean oil and the domestic oil is mustard. These three oil forms actually the core of the household consumption. Every house will have one refined oil and one unrefined oil or taste oil. So mustard is normally consumed in East, North and part of Central India and groundnut will be in a little bit of Western India and Southern India.

Now cotton seed oil is also a good oil, 1 million ton, 1.5 million tons, but consumer packs are in the 0.5 ton. That is in the western part of India that is Gujarat, a little bit of Maharashtra and a little bit of Madhya Pradesh. These oils form the main core household consumption. Now when you go to out-of-home consumption, palm is a big out-of-home consumption because normally the restaurants and dhabas and all that, they prefer palm.

Baking industry, frying industry and snack food industries prefer palm because that gives them a better shelf life and neutral taste. So palm price is going up, obviously, they -- some of them shifted to rice bran oil, some of them shifted to cotton seed oil because these oils were as competitive as palm or cheaper than palm. But then once the palm becomes cheaper, they will always switch over to palm.

Out-of-home consumption is 30%, 35% and 65% is in-home consumption. So that is how it is actually divided. Since we have a basket of oil that is we have groundnut oil, we have cotton seed oil. So we have that advantage of seasonality, location advantage and price advantage that anything that is cheaper, we are always there. So we are there in rice blend oil also. So that is our advantage. So that is how the business of edible oil is.

Harit Kapoor: Okay. Okay. And on the last question, I will come back for what was on the food and FMCG side. So say, if I had to strip out the losses from the rice inventory, what do you think would have been more a normalized number for food and FMCG, if I had to hazard a guess?

Angshu Mallick: So the inventory loss right now sitting in this number which is, again, this time we have taken given the fact that market has corrected downward is close to INR50 crores. So if we normalize this, I think we have been consistently declaring the EBIT of food positive. So it would have been in that range more or less with what we have been showing the past couple of quarters.

Harit Kapoor: And last question was on rural. So it's a very interesting slide on industry growth trends, retail consumption, and rural volumes in the last the three quarters in edible oil actually have accelerated. And even wheat flour, you've seen a sharp increase. As you mentioned, this is all conversion led. What's your view on what's happening in rural markets? Is it slightly better incomes over the last three quarters, which are driving this conversion to an organized category growth? Just your own kind of hypothesis of what's happening here.

Angshu Mallick: Rural was almost stagnant between last year, say, December to this year, June, July. Only after good monsoons this here, we saw the route consumption pick up. And good consumption, good response we saw only after September. So September onwards until now also we are finding. Rural is -- to a lot extend, it is back in action. Urban stress continues, and we can see that urban consumption is stretched.

And second, inflation is hitting somewhere both the rural and the urban. In rural, it has not been to that extent, but in urban we can see that very, very clearly? So if you ask me, rural has started coming back in terms of demand and all that.

That food is doing well, and we see small pack demand is increasing 1 kilo, 2-kilo packs, 0.5 kilo besan. Nuggets also doing well in rural market. Sugar is doing well, 5 kilo, 1 kilo. So rural, overall, has started giving that indication of coming back to action. More will depend on how government intensifies the rural.

Moderator: The next question comes from the line of Latika Chopra with JPMorgan.

Latika Chopra: A couple of questions. Let me start with edible oil. You had a volume growth of 4%. You called out that the branded sales declined low single digits. And it seems the demand environment, as we explained, and the price differential, palm overtaking the other oils, sounded a bit cautious.

Now with the palm oil price index kind of moderating, how should one think about overall volume growth for edible oils? And also, how do you think about the profitability of volume growth sustaining at mid-high single-digit levels over the next couple of years, given your distribution initiatives?

Angshu Mallick: See the edible oil demand, so the industry always used to grow in a range of 5%, 6%. And so while palm remains one of the highest usage oil in India, and therefore, correction in palm oil downward, of course, will give some boost to the demand in quarters. Our expectation, to answer your question straight, the demand for the packaged edible oil should -- I mean, the industry should keep growing within the range of 6% to 7%. And our growth, of course, we feel that we should be able to grow at 8%, 9% kind of number. So that market share keeps consolidating from here.

Latika Chopra: All right. And the second thing was on realizations. This quarter, there was a massive increase because of the increase in palm oil prices. Do you -- just trying to think in terms of the pace at which you change prices depending on your raw material sources. Do you anticipate these firm levels to stay, at least in the current quarter, before probably coming in line with the market price in the next quarter? Just trying to think through what is the lag with which the pricing will follow in your numbers?

Angshu Mallick: See the palm prices have moderated in the last week of September, but it keeps fluctuating. So like today, the complex was again up because of some geopolitical factors, and then tomorrow, it may go down. But what our expectation is that the level which we have seen in the month of January will continue to play, at least for this quarter.

Having said that, it's very difficult to comment how it will fare in first quarter of this year. But at least for this quarter, the prices should remain at what level which we are looking at. So from a realization perspective, more or less, same as what we have seen in January.

Latika Chopra: All right. And can I check on profitability metrics, EBIT per metric ton because considering the pricing fluctuates, and I'm sure you want to maintain a certain threshold of profitability on a per unit basis.

This quarter, it is coming to about INR5,800-odd levels per metric. I'm just talking about edible oil. And on a 9-month basis, this number is roughly INR4,500. When you gave a number of INR3,500 to INR3,700, is this the number you were referencing to? I'm just a little confused, so I thought I'll just clarify. Is that the more nominal range of profit per metric ton for edible oil?

Angshu Mallick: No, no, no. So when I give you a range of 3,500, 3,600, this is blended at a company level, which includes all the business segments particularly. And therefore, edible oil, it could be certainly different than 3,500, 3,600.

Latika Chopra: And what would that range be, sir, for edible oil? Because even in this quarter, you had about 3,760?

Angshu Mallick: See, for edible oil, of course, it would be a little bit higher than because, as we said, Food remains EBITDA neutral for us and EBIT neutral for us. As well as with the industry essentials, it's more of a downstream of edible oil only.

So of course, the edible oil EBITDA would be a little more than 3,500. It would be in the range of 3,750 to 3,800, because that's how, when you look at a blended level, you get an EBITDA of 3,000 -- normalized EBITDA of 3,500 level at a company level.

Latika Chopra: So this is EBITDA you're talking about? I was referring to EBIT.

Angshu Mallick: Yes, it's on EBITDA.

Latika Chopra: Okay. EBITDA. Fair enough. The other question I had was on food and FMCG. Any broad thoughts on -- with this new capacity coming up, how should one think about your volume growth aspiration? And also, any flavour on medium-term margin outlook or aspirations that you have?

Angshu Mallick: See, we have said earlier that food and FMCG, we wish to continue at an average growth rate of 20% plus. Now looking at that goal, we need to add capacities which are surely world-class and can give best products at the most efficient processing cost. So we are investing and these are integrated plants where we have multiple products. So that helps us in buying, processing and supplying. That is one.

Two is that these capacities will surely add Gohana at its full stream when it runs full -- and even at we take 80%, 85% capacity, it should give us a volume of around 625,000 tons per annum, food and oil put together, where food will be made, oil will be around 200,000 tons.

So we expect Gohana to add help us in enhancing volume, reduce our cost as efficiencies will pour in with the integrated operations. Third is that because we will have integrated plant, our dispatch delivery all the cost to our distributors will become cheaper. And all those benefits will surely be seen in our performance.

Latika Chopra: Sure. And can I just check one thing. When you look at the pricing for your food and FMCG products and you benchmark it to whoever the competitor is in each of the categories, and I'm sure there will be variations on a state-wise basis, SKU-wise basis. Has the differential reduced over time as you've built in more efficiency?

Angshu Mallick: Yes, I would say. You take an example of nuggets that is one of the earlier FMCG food products that we started. And we had only one national competitor, which you are aware of. Now obviously, when you compare with that competition, you keep the prices lower and you start seeing your main competitor and then work around. Slowly, that happened. But as we progressed, our products were surely better in terms of technology, and we knew that we can give a better product with better distribution. We were slowly getting into higher pricing. And today, we are surely priced equal or many places, we price it higher than the nearest competitor.

So that happens. Second, you take besan. Besan, you don't have a national player. So obviously, when you look at Delhi, you have a competitor, so you price it with that competitor or in Bengal, you have a competitor, you look for. But rest of the place where there is nobody to compete with, we go all out and we price better and because we are the leader there. So whether it is Bihar, Jharkhand, Eastern UP, all these markets, we are the leaders, and we price it basis the brand premium.

Latika Chopra: Sure. And last one on this, Mr. Mallick, was when you look at food and FMCG, how do you think about further additions to your portfolio? Would you want to do pulses at scale or not? Or you would like to focus on scaling up market shares and wheat, rice, besan and some of the other broader big category segments that you're already in?

Angshu Mallick: See, where you talk of pulses. We have -- we know that chana dal or chana is almost 50% of India's consumption, almost 10 million tons is the normal domestic production. So we have put three new plants, 240 metric tons per day in Nagpur, Neemuch and Kadi in Ahmedabad, outskirts of Ahmedabad. These are state-of-the-art chana processing plants. And with that, we will possibly become the largest chana processors in the country.

And we have matching based on with that 150 tons per day in each of the units. So today, we have four such units in the country. So dal becomes important for us because whatever dal is coming out, almost 5,000 tons we have extra for selling per month. So we will have to sell chana dal in brand or in consumer pack. So that way, we are progressing.

Rice, we are putting up such a large unit. Obviously, we are thinking of improving and increasing our base, both domestic and exports. Atta, we are putting big plants. And next year also, we plan to have bigger capex. So wheat flour, we want to be reasonably large player in this category. So in each of the categories that we are going, we want to be in the top 3 surely and maybe 1 and 2 position for each of these.

Latika Chopra: Understood. And I think I asked this earlier, but any margin aspirations in food and FMCG, EBIT margin aspiration or anything you would like to share over the medium term?

Angshu Mallick: No, I think this is what we have been saying for some time. I think food will remain in the investment or a growth stage, rather, I would say, till FY '28. And therefore, the EBITDA margins for the food ideally should only start growing after FY '28. But having said that, it's not that we would certainly not want this to grow. But yes, until and unless we get to the level of market share and the volume share that we are -- we have envisaged, I think this will remain an EBITDA neutral.

But as we go forward, for post FY '28, certainly, we have a market discovered benchmark available for rice and wheat flour and basin. I think we would certainly want to go to those levels. For example, in rice, we have -- we have market players who have been able to showcase a gross margins of close to 25%, EBITDA of 10%.

Similarly, in wheat flour, we have the biggest player in the country as per our estimate, making an EBITDA margins of close to 6% to 7%. But for us, it is a story of next 3 to 4 years to reach to that level.

Moderator: The next question is from the line of Ashok Shah from Eklavya Invesco Family Office.

Ashok Shah: Sir, do we have any thoughts to tie up with the farmers to grow palm tree in India as the Wilmar is a leader in Gulf?

Angshu Mallick: Yes, Mr. Ashok.

Saumin Sheth: No, as of now, we do not have any palm plantation in India.

Ashok Shah: So we majorly procure palm from our sister concern or the international where we grow the palm tree?

Angshu Mallick: We are procuring all the palm from Malaysia, Indonesia and other Southeast Asian countries, mainly from sister concern and also from other ABCD of these palm players.

Ashok Shah: And how much we consume palm oil to make nuggets and any other products?

Angshu Mallick: Nuggets, see, these are different raw materials, all together. Nuggets is actually non-GM soya beans and its derivative. And palm is mainly for the edible oil and the other value-added specialty fats.

Moderator: Ladies and gentlemen, that was the last question for today. I will now hand the conference over to the management for closing comments.

Angshu Mallick: Yes. So thank you very much, everyone, for joining the call, taking out time and listening to our story. Keep connected with us. And thank you again. We wish everyone a very good evening, and thank you.

Shrikant Kanhere: Thank you all for attending. Thank you.

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