



Foods & Inns

Date: 26th August, 2024

To, BSE Limited The General Manager, Department of Corporate Services, P.J. Towers, Dalal Street, Mumbai – 400 001 Scrip Code: 507552	To, National Stock Exchange of India Limited Exchange Plaza, 5 th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Symbol: FOODSIN
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Dear Sir/ Madam,

Sub.: Transcript of the earnings discussion/conference call dated 14th August, 2024 to discuss the unaudited financial results for the quarter ended June 30, 2024

In compliance with regulation 30 read with Schedule III to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosing herewith the transcript of the conference call held on 14th August, 2024 to discuss the unaudited financial results of the Company for the quarter ended 30th June, 2024.

You are requested to take note of the same.

Thanking you,

Yours faithfully,

For **FOODS AND INNS LIMITED**



Ameya Masurkar
Company Secretary & Compliance Officer

Foods & Inns Ltd.

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Foods & Inns

**“Foods & Inns Limited Q1 FY 2025 Earnings
Conference Call”
August 14, 2024**



Foods & Inns



**MANAGEMENT: MR. MILAN DALAL – MANAGING DIRECTOR - FOODS &
INNS LIMITED
MR. MOLOY SAHA – CHIEF EXECUTIVE OFFICER - FOODS
& INNS LIMITED
MR. ANAND KRISHNAN – CHIEF FINANCIAL OFFICER -
FOODS & INNS LIMITED**



Foods & Inns

*Foods & Inns Limited
August 14, 2024*

Moderator: Ladies and gentlemen, good day and welcome to Foods & Inns Limited Q1 FY'25 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectation of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Milan Dalal, followed by Anand Krishnan from Foods and Inns Limited. Thank you, and over to you, sir.

Milan Dalal: Thank you, Shubhangi. Dear fellow Shareholders, future Shareholders and Analysts, good afternoon.

And at the outset, would just like to mention that, from my side, which is the open offer which concluded last week, had a kind of a subdued interest. Having said that, I was able to accumulate 5 lakh under 1%. And any which way, the open offer now stands closed. And I thought it was appropriate for me to just address on this call.

As I am currently out of the office, I would like Anand to take over, and take the call forward. I am very much there on the line, hoping that it does not drop at any stage. Thank you so much.

Anand Krishnan: Good afternoon, ladies, and gentlemen. This is Anand Krishnan – the CFO at Food & Inns Limited. Thank you for joining us, and I extend a very warm welcome to all the participants of our Q1 FY'25 Investor Conference Call.

Q1 FY'25 started with the same momentum of volume growth as in Q4 of FY'24 until the 15th of June, after which the exports got plagued with unavailability of containers and high freight costs, because of which a lot of export shipments got deferred. Also, around Rs. 11 crores of export shipments which were done after the 15th of May, which were in the nature of DDP and CFR shipments, which resulted in income recognition getting pushed to Q2 of FY'25 as the shipments had not reached the port of destination. This deferment based on income recognition standards was on the basis of the accounting standards for income recognition based on terms of trade as guided by the ICAI.



Processing of mangoes was lower by around 25% in FY'25 due to lower crop availability in South India. Totapuri raw material prices were almost double of what we procured in FY'24 and Alphonso was slightly cheaper than what we actually procured in FY'24. Lower production of tomato and guava products in FY'24 also contributed to lower sales in Q1 FY'25. With a good monsoon, we expect the crops like tomato, guava, papaya, and other vegetables to do well in FY'25. We have more than doubled our tomato processing capacity and expect to do well in tomato category in FY'25. With encouragement of repeat orders for tomato-based canned products in our brand name in the Hong Kong market, we are confident to grow our branded portfolio.

Our new pastry line is doing extremely well and enthused by the market and the response we are getting for the product, We are planning to expand the pastry line further by around two more lines in the immediate future. We continue to witness growth in the frozen vegetables and snacks category in the export markets with expansion of product categories and geographies.

With respect to the Kusum business, we witnessed a 24% growth Y-o-Y. Tetra Recart is one segment where we have not been able to get inroads into top brands for contract manufacturing for them. The product development along with product testing with brands as per their requirement is going on, which should help us garner traction in Tetra Recart in FY'25. With respect to what numbers, we can actually guide you with, for Tetra Recart, we would request you to give us time till the end of FY'25 to give you concrete numbers on the same.

I have come to the end of my opening remarks. I would like to thank each one of you for your support and your invaluable presence on this call. Now, I request the moderator to open the forum for any questions or suggestions that you all may have. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain:

Sir, three questions. One, with regards to the recently closed open offer, what has been the response in the open offer? What kind of shares have been tendered? Maybe you may not give the exact number, but some range of what kind of numbers are there.

Secondly sir, yes, you have alluded in your presentation as well as your initial remarks about the volume growth in terms of the pulp business. But even if I exclude the export problems, even on the domestic front the growth is hardly 5%, sir. So, because we were guiding for almost around 20% volume growth for quarter one, and in fact as late as the plant visit also, we were talking about the same. So, anything to understand, even in domestic we are facing some issues.

Lastly, with regards to the tomato category. You mentioned about the repeat orders on tomato products and also within our brand name in Hong Kong. So, what kind of potential do you see in



this? Because last call you had mentioned about one of the orders, large orders which you could not do because of lack of capacity. So, these are my three questions, sir.

Milan Dalal:

Hi. Rahul, I will take the first question, regarding the response of open offer. While I did mention in my opening remarks, but it's a public knowledge and I have no hesitation in confirming with you that I got 500,212 shares to be precise. Anand, you may kindly answer the rest, please.

Anand Krishnan:

Yes. So, he got around 5 lakh shares, which was good enough for him to actually cross the 25% threshold, which was actually required for him to make any further creeping acquisitions. So, that answers question number one of yours.

Second, with respect to the volume growth, yes, we actually had a lot of problems with respect to the income recognition standards as well as unavailability of containers in Q1. So, income recognition standards actually say that if it's a DDP shipment or a CFR shipment, unless the vessel actually reaches the port of the customer, you cannot, I mean, recognize the income in your P&L statement. So, that gets deferred to around the Q2 of this year, that's to the tune of around Rs. 11-odd crores.

Also, what actually happened is that all the orders that we actually had with respect to the export in hand, because of the unavailability of containers and the high freight cost, a lot of these export shipments got deferred. These call-offs are not in our hands, but basically as per what our customers need. Domestic market, I will leave it to my CEO to actually answer and give you an idea as to how exactly the domestic market is shaping up.

Moloy Saha:

Hi, Rahul jig. Moloy here. You are right, in the domestic market we had a plan. I mean, we were targeted to have around 20% growth. But eventually, we have landed around 5%, 6% growth in the domestic market. The reason behind that, in the month of, I mean, from June second week onwards, whatever target volume have been given to us by the brands where we supply the major volume, we can see a downfall in the volume.

One of the reasons is that one of the big brands who consume a huge volume from us, a couple of their facility docketing line, there is some breakdown. And due to that, they have to shut down the facility for six to seven days. Because what we understand, some critical equipment that is required for this line, they had to import, and that took time. So, we lost around seven, eight days' time. And in the peak season, during summer, seven or eight days is a big thing.

Because as you know, as we earlier also communicated, between January to June Indian beverage industry for the juice category, they consume more than 65% of their volume. So, that has affected us. Even though if we are able to supply that seven, eight days, which we have lost it, I believe we could have been able to achieve around between 12% to 16% somewhere, as per



our calculation. And one another is, I think, you may assume that these are not exclusively we are giving, it's not like that. Another thing is that one of the local brands, tomato, though we got the orders in hand, and everything has been done, they also deferred the dispatch in July instead of June. So, these all affected basically our volume growth in the domestic market. But subsequently in early July we were able to match up.

Anand Krishnan:

So, Rahul, with respect to your third question on the tomato orders in hand, so what we had actually told you, just for revision sake and for the clarity of everyone on the call, we had mentioned that we did not have capacity and when you had actually come to our plant we had also shown you the capacity that we have actually built up. We have now more than doubled our tomato processing capabilities.

Last year we had a Rs. 150 crore order which we could have possibly taken. We could not take that order, because we did not have the capacity. That capacity will be commissioned in October this year and the tomato season for this particular year starts only after October. So, we will now be placed with capacity to actually take up the order if it comes our way, that is where we stand. I hope I have answered your question satisfactorily.

Rahul Jain:

Just a clarification. So, basically with the tomato part you are saying that today the kind of enquiries which you have or the discussions which are there in Hong Kong, you can end up getting a large sized Rs. 150 crores kind of an order?

Anand Krishnan:

No, no, you are confusing two things. So, Hong Kong is a very small market for us, it is the brands that we are trying to sell in Hong Kong, basically it is the Greentop brand that we are trying to sell in Hong Kong. With respect to the large Rs. 150 crores order, we actually had an order for tomato processing in the B2B space last year, which we could not take up because of the lack of capabilities. So, Hong Kong and these are two different things. So, please do not confuse both of them.

Moderator:

Thank you. The next question is from the line of Shyam Garg, an Individual Investor. Please go ahead.

Shyam Garg:

My first question is with respect to what is the value of the container that was dispatched post 15th of May and have not reached destination?

Anand Krishnan:

So, the value of that container is around Rs. 11-odd crores. I think we have given that number in the Investor Presentation as well. 10 point something, Rs. 10.7 crores or Rs. 10.8 crores to be precise.

Milan Dalal:

There are two things. One is that the shipment which we could make it, but we could not recognize due to the compliance standard and accounting standard, that is Rs. 10.76 crores. But



since 15th of June onwards, we are having a serious issue in India on the shipment, because most of the vessels are skipping India and going to China because of much, much lucrative freight rate.

I will give a small example. From China to U.S., the freight rate is between \$15,000 to \$20,000 for one 20-foot container, whereas from India it is \$5,000 to \$6,000. So, most of the vessels are skipping and going to China due to the Christmas demand in U.S. So, apart from the Rs. 10.76 crores, which we were able to make the shipment, but could not recognize. We have also lost another Rs. 10 crores, Rs. 12 crores of shipments. If the vessels were available, we could have done the shipment. So, that's another, which is not mentioned in the note, but this is another, I mean, cost which has affected lower volumes this quarter.

Anand Krishnan: Another thing which I would like to add is, because of the high freight cost, there was a lot of deferment of the call-up that actually happened from our export customers. So, whenever we actually had FOB prices that we were actually giving to them, they deferred these shipments saying that it does not make sense to take the cost of the raw material and the shipment and put it into their brand. So, that's where we actually stand. Having said that, it's no excuse, it's a problem that each and every person in the export industry has faced. If you have invested in other companies and if those companies are exporting, I am sure you would get very similar commentary from them too.

Moloy Saha: Moloy here, the good part is that the other implication is that post-September things are going to be normalized which the shipping company has communicated to us. And if that is so, I think from Q3 onwards we will be able to clear our backlogs. As of today, we may have a backlog around 30 to 40 container shipment we are able to manage. Hopefully, by October onwards we will be able to manage.

Shyam Garg: And sir, with respect to the blended realization, what would be the blended realization for this quarter?

Anand Krishnan: All the numbers that put up in the financials and the investor notes that we have given, so I am sure you can actually get all these numbers there. So, the average realization for this quarter was around Rs. 88 kg. All put together, the export and domestic put together. But I am sure you will not get much of a sense with respect to this, because our product mix keeps on changing. It depends upon what product mix was called off. So, this quarter we did not do sales of tomato or sales of guava as such. So, it's not a like-to-like that you would actually get. But having said that, Rs. 88 per kg was the blended realization.

Shyam Garg: Sir, we can consider that the high-value goods are in demand right now, or we are seeing any traction of lower-value goods.



Anand Krishnan: Shyam, if you have actually followed our company for the last few years, so what actually happens in Q1 and part of Q2 is basically the previous year's inventory gets shipped in these particular quarters. So, last year there was a low raw material price inventory that we actually had. The blended price of realization per kg in Q1 of FY'24 would have been Rs. 105 kg as compared to Q1 of FY'25, being at Rs. 88 kg. Our business model is a complete pass on with respect to the raw material prices. So, I hope you understand what I am trying to convince here.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial Services PMS. Please go ahead.

Amish Kanani: Sir, a couple of questions from my side. Sir, there was some press report about banana export opportunity from India to Russia because of some diplomacy. And I was reading some reports where there was a mention that we might be interested in such an opportunity. So, if you can give us some sense of whether that's progressing? And otherwise, whether any other new lines which can come up, because of these trade disputes which keeps on happening from one country to another?

Anand Krishnan: Amish, I mean, I had personally been to Russia, to develop markets in the month of December of 2023, wherein we got in touch with a few of the largest baby food manufacturers there who actually process more fruits and vegetables than what we at Foods & Inns do in India, only for the baby food segment, as well as a few of the large traders there. But the issue there is basically with respect to banana pulping, a lot of business used to come through from Ecuador, because of the proximity and I mean the transport cost being very low.

So, India could never match what the Ecuador was doing. But you are very right in actually saying that because of the political tensions between Russia and Ecuador, there are now opportunities for the Indian companies. We have evaluated, we have given offers to the traders, but nothing has materialized with respect to what we can actually sell to them with respect to banana puree, because the cost for them seems to be very high. That's number one.

Second, with respect to the baby food that we actually mentioned about, baby food actually needs a lot of non-acidified banana purees as such. So, with the current capacity expansion that we have actually done, which is for the tomato processing plant, we can actually do non-acidified bananas if we can contract manufacturer with the local area farmers out there. So, we do not have non-acidified as of today, but probably that's something that we could actually see in the future days to come.

Amish Kanani: Yes, sure. And sir second, you mentioned that rain being good, we will have good availability of rain products, and vegetables, and this thing, fruits. The question is, is our demand, are our sales and revenue dependent on the availability of these things? Or it's more a function of the end user



demand, in the sense that our clients are passing on order, and they in turn having demand are now increasing their market share?

Moloy Saha:

Obviously, the demand will be based on the end user. So, if you see our entire portfolio, on the juice category we are largely dependent on Indian business. So, if there's a good summer, business grows, and that's the expense we have. On the frozen category, that's something I would like to highlight, that across the world we are seeing a huge surge in demand for frozen categories, especially post-COVID, we would like to enter. But for business development and I mean the start of business, there's a huge time requirement. Because any big brands, whether at the private level or at the supermarket, they need a minimum six to eight months' time, they have their own process to evaluate, and then a lot of evaluation process, testing methods, credibility of the company. So, these all take a minimum eight months' time.

So, we are all in the midway to associate with the big brands, either in U.S., or in UK, or in Europe. And we hope that in the coming days we will be able to materialize a few contracts, which will give you a big opportunity in frozen category in international market. We are also working in Gulf countries with some big supermarkets, so that's also under process. So, these are two segments.

Now, one segment is a spray dried powder segment. I would like to highlight that this is a seasoning business. Last one year, or one-and-a-half year, I have seen that this business is pretty flat. It's not, I mean, growing the way we have seen it. There is just not very significant growth in this sector. But yes, it's also growing in this category. So, these are all portfolios from our side. If I miss any other portfolios, these are the major three.

Anand Krishnan:

No, Tetra Recart is something that, I made comments in the opening remarks that I actually made. So, I mean, we as a company, whatever we had in mind, we have not yet achieved, or have not got as good a response as what we actually expected when we set up the capacity. But having said that, a lot of brands have actually tested whatever products that they wanted to manufacture, it's being kept with them for research, basically, to see how the product reacts after six-months' time or a one-year time and things like that. So, it's going slightly slow with respect to the estimates that we had. But I think by FY'25 end, that's March of '25, we should give you numbers of sizable data as to how we are actually moving forward on that business.

Amish Kanani:

Thanks, sir. And sir one clarification on this open offer. Was it triggered by some regulatory, this thing, requirement, or it was a voluntary offer from the promoters?

Moloy Saha:

It's voluntary.

Anand Krishnan:

So, it was a voluntary offer. So, what actually happened is that Mr. Milan Dalal requested Mr. Ray Simkins to come onboard as a promoter, because he brings a lot on the table with respect to



his other businesses all around the world. So, once the erstwhile partners actually depromoterized themselves, Mr. Milan Dalal requested Mr. Ray Simkins to come on board and help us with respect to the B2C that we could actually do globally. So, that got him onboard, and it triggered the open offer. And the whole idea was that Mr. Milan Dalal and Ray Simkins together, once they crossed the 25% threshold, we could actually do any creeping acquisitions at any point of time during the year up to 5% as such.

Amish Kanani: And sir this expansion of tomato, is it a PLI thing or it's a normal expansion?

Anand Krishnan: So, we have actually done it outside the PLI, because whatever we had committed under the PLI, we had already overshot that. So, the expansion of tomato is outside PLI.

Moderator: Thank you. The next question is from the line of Raaj from Arjav Partners. Please go ahead.

Raaj: Sir, in the earlier call we have guided for around Rs. 2,000 crores of sales in the next two to three years. So, are we sticking to that guidance?

Anand Krishnan: I think you are accelerating the sales to a number more than what we actually said on that call. So, the question which was put up to us was that with respect to the existing capacities that we have invested in, what was the revenue potential which is there in the business? And we had guided to around Rs. 1,600 crores to Rs. 1,800 crores of sales. The only caveat there is the raw material prices, because whatever we are trying to give you as numbers is based on an assumption of the raw material prices. Our business is a pass-through with respect to material prices. Most of our business is pass-through. So, that's where we are. But our vision is to obviously first double from where we are. So, Rs. 1,700 crores to Rs. 1,800 crores is easily achievable in the next couple of years is what we think.

Raaj: So, we can expect Rs. 1,800 crores is around FY'28, FY'29 or so, anything around that?

Anand Krishnan: We have already given you the detail, you are asking me the same thing again.

Raaj: And sir, any update about the pectin project?

Anand Krishnan: Sorry, which project?

Raaj: Pectin project, have the sales started?

Moloy Saha: Yes, in our pectin project, our main raw material is dried peel. So, during mango season, we have already dried whatever peel wastage was there. Now it will be converted into pectin. So, I think around fourth week, 26th of August or maybe 22nd or 23rd of August, the process will start to produce pectin. But I mean we have already done trial runs, everything is okay. So, now we are



coordinating with the customers wherever we had earlier submitted the sample and they are approved to make it a commercial contract.

But you need to keep one thing in mind. All these things require time. The reason is that before anybody issues a PO, there is an audit procedure to be followed which is necessary for any big brands to use our product. So, all, I mean, generally we have seen from experience that any audit by the brand will take a minimum of six months' time. So, before we are able to realize or started revenue generation, I think it will be early 2025, sometimes we will be able to do that, revenue generation started. But audit and everything, we are completing now. Thank you.

Raaj: Understood. And sir in quarter two, quarter three and quarter four of FY'25, are we expecting any major order from the Tetra Recart facility?

Moloy Saha: As Anand told, that yes, we are in many trials, many requests, I mean, many testing processes --

Anand Krishnan: Samples.

Moloy Saha: Development of the product, recipes, and all. And we are hoping that something will come very soon. So, we may not be able to tell you whether it's early '25 or Q3 of this year, but we are hoping that in FY'25 we will be able to have some revenue generation from that.

Anand Krishnan: So, Raaj, as I actually told a couple of times in this call, the samples that with the brands that we have actually manufactured for, so they are actually testing the product as to how the taste is after six months, after nine months, after 12 months. So, they want to be shelf-life proofed based on which they want to place the order. So, they have not got any orders as yet, but I mean we are hoping that we will get something before FY'25, that's March of '25. So, that's where we stand.

Raaj: And sir, how much in the CapEx are we planning to incur in FY'25?

Anand Krishnan: In FY'25, there is nothing much that we are actually doing. So, there is only one business that we are doing extremely well in, which is the pastry line, which is only one machine that we had actually imported recently. We are just planning to add a couple of those lines, because that's a business that we see a lot of potential in, and there are not many competitors in India or globally. So, that's something that we are trying to expand. That should not be more than Rs. 3 crores or Rs. 4 crores, I think.

Raaj: And, sir, regarding the debt, in FY'24 you had around Rs. 469 crores of debt. So, in FY'25, would you like to put any commentary on it?

Anand Krishnan: So, the endeavor is to actually reduce the debt, but it also depends upon whether we increase the business or not. So, this year, as we explained, the raw material prices for Totapuri has gone up. So, Totapuri being a large part of our sales, obviously, I mean, the inventory blockage for that



will be there. But having said that, we have actually produced less, 25% less with respect to mango this particular season because of unavailability of good quality of processing variety mangoes. So, to that extent, the working capital requirement will come down, which will automatically reduce the debt.

Moderator: Thank you. The next question is from the line of Akshata Telisara from Aionios Alpha Investment Management. Please go ahead.

Akshata Telisara: Could you talk a little bit on the order book that you've received so far from your customers? And also, if the processing is less by 25%, then what would impact the volume growth for the next year, right, which is, I mean, the 15 months that you talk about, the 15 months on top of this?

Anand Krishnan: So, one, production is less. What was the first part of the question, sorry? We could not hear you clearly in the first part.

Akshata Telisara: I was asking what's the order book so far than you generally get it in the first quarter, right? So, what has that been so far? And the second one is, if the processing is less by 25%, then the next 15 months wouldn't be that much of volume growth, right?

Anand Krishnan: Right. So, I will just take the second part first and then probably my CEO will give you the idea on the order book part of it. So, generally, most of our procurement is based on the orders that we receive, but this time we could produce lesser than orders that we actually received is basically because of the quality of mangoes which are actually available in the market in the processing variety.

So, in Totapuri, there was a challenge because of which the prices went up, and because of which, we had a lot of inventory which we carried through from the previous year. Our sales volume per se in FY'25 should be very similar to what, in mango I am saying, it should be very similar to what we actually did in FY'24. But where we are confident is with respect to the tomato, guava actually punching their weight above what we actually did in the previous year. Because of a good monsoon this year we are expecting tomatoes to be good and since we have also more than doubled our capacity in tomato, I think that should help us push through.

And with respect to the next year, obviously, the 15-month contract that we generally talk about, so in that we would obviously have to produce something closer to the season and give them rather than actually carrying any inventory of this season into the next year. So, we have actually produced whatever we were capable of with respect to the raw materials which we were able to source.



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August 14, 2024*

- Moloy Saha:** Order group position is more similar to like last year. And export, there will be little growth. And domestic also there is a growth. But order book may not reflect the sales of that particular year, because as you know, being a seasonal industry, we produce in three months' time of any particular product, and that's why the net 15-months' time. So, there will be a spillover of the sales. So, last year --
- Akshata Telisara:** No, I agree to that, but just on a Y-o-Y comparison also, just wanted to check if the order book --
- Moloy Saha:** Yes, it will be higher than last year, definitely.
- Anand Krishnan:** Sales volume will be higher, basically because we carried higher inventories of last year into this year. And I mean, we are expecting to sell what we produced this year as well. So, round about the same, but the target is to actually hope that we have faster call offs which can actually result into growth.
- Moderator:** Thank you. The next follow-up question is from the line of Raaj from Arjav Partners. Please go ahead.
- Raaj:** How much is the order book?
- Moloy Saha:** Order book process is on because season is just over now. So, order book, generally, for the mango season is likely to be over by end September or mid-October. So, as of now, I do not have the ready figure available, but almost 80% of the order already confirmed and booked, and another 20%, 25% order what is targeted during the season is under negotiation.
- Anand Krishnan:** So, Raaj, just to clarify this, in the beginning of the season we get indicative orders as to how much quantities that each and every brand will procure. So, based on this year, basically, the raw material prices have gone up, right? So, based on that the order confirmation for the rate actually happens in this period, that's August and sort of period wherein the rate gets confirmed. So, this year we are in a position to allocate what we want to which brands that we want, because we have limited inventory at our end as such. So, we might not be able to do all the orders that we actually get, but what we have in hand is what we will sell.
- Raaj:** Are we expecting a growth in our order book compared to FY'24 order book?
- Moloy Saha:** Yes.
- See, the order book being higher might not necessarily help me have higher sales this time as sales booking depends on pace of call offs. It might, I mean, with respect to the sales volume we have already told you that it might be slightly similar or slight growth as compared to what we did last year with respect to mango. What will contribute to the growth is tomato and guava, which we do not have a great season last year, which might actually help us this year.



Raaj:

I could not get your point, there was some disturbance coming through.

Anand Krishnan:

Okay, I will just repeat. I am saying that with respect to the order book growth, even if I actually get excess orders, I might not be able to fulfill all those orders this year, because we have been able to produce only limited quantities. Right? So, the order book is not necessarily the indicator of sales is what my CEO was trying to tell you, that our capability to supply this year is less based on the raw materials that we procured. So, having said that, where we expect growth to come in is on tomato and guava, which had a poor season last year because of failure of crops. So, this year with the good monsoon, we are expecting that the tomato and guava production will be higher, which should actually help us with respect to the growth in volumes.

Moderator:

Thank you. The next question is from the line of Rohit from Progressive Shares. Please go ahead.

Rohit Ohri:

A couple of questions. The first one on tomato, which Anand is also talking about. Looking at doubling the capacity, so are you exploring some new geographies apart from Hong Kong? Is that assumption, correct?

Moloy Saha:

I think Anand has explained that in Hong Kong what we are targeting that is to establish our own brand. That will not be a huge volume, because initially it will be low volume, later on it will progressively grow. But what is our target is B2B business. As you know in India, ketchup is a huge business, whether it's Kissan or any other brand, big brand, who we are supplying to all of them. So, that business is growing in a sizable.

Earlier, India used to import from China, a major producer of tomato. Now post-COVID, there is an almost negligible import from China, so that's why India got the opportunity. So, we are trying to take advantage of that gap and that's why we are establishing our capacity. So, major growth will come from the India B2B business.

Anand Krishnan:

Rohit, I mean just to add on to what our CEO just said. So, obviously, going to newer geographies is one of our strategies. India will actually consume a lot, but obviously having different geographies available is a part of the strategy.

Having said that, as I have already told on the call, Russia is one of the markets that we are actually exploring. Sri Lanka is another market that we are exploring. The UK is another market that we are actually exploring for tomatoes. In FY'23, we even sold to Spain. Spain is actually supposed to be the world's largest or the best producer of tomato pulp, but we were the company which were actually selling to a few companies in Spain. So, geography-wise, we do continue to expand and that will be a part of our strategy.



Rohit Ohri: That's quite encouraging, Anand, that we are trying to break into a geography which is the largest producer of tomatoes. The quality that is procured maybe in the local area of Nashik of tomatoes, is it matching that for the requirements, maybe trying to offset the ones which are coming from China or maybe the ones which we are trying to supply to Spain?

Anand Krishnan: Right. So, with respect to this question, I think I have answered this in the previous call as well, wherein the lycopene value and the color value of tomatoes in India is actually poorer because of which the export markets do not consume that in large numbers. So, India is the largest producer of tomatoes, but less than 1% actually gets processed. Wherein MOFPI is actually taking a lot of steps to actually say as to how the lycopene value can be improved with respect to a lot of, farmer support and farmer education with respect to what seeds needs to be sowed and what price it can be actually given to the processors. So, these are baby steps which have been actually taken by MOFPI, but it will take some time for India to be competitive worldwide with respect to the color value and the lycopene value.

Moloy Saha: I would like to highlight one more point. You have a very valid point, and I appreciate it. And that is the major issue in India today. If India has to grow business, tomato in export market, these are the challenges that must be overcome. So, what we are doing, we have tied up with a couple of seed companies who are importing seeds under India guideline, and then they are trying to develop what this international market is looking for. And two varieties in tomato which we are tying up with them and is giving successful results. So, I think in another couple of months we will be in a much better position to give you the answer that these two varieties, how we are performing on productivity as well as improvement on the quality.

And if we are able to get success in these two varieties, we are going to have a contract farming. We have already lined up with the farmers to grow these particular varieties. So, we are very hopeful that we will be able to break these quality issues, not in a large scale, but at least significantly you can be able to make it.

Rohit Ohri: Okay. Anand, you did mention that we were working towards some pastry line. Do you wish to share that if there are some new products or something new that you are doing over there, would you like to share with the audience?

Anand Krishnan: Rohit, so the pastry line is actually the outer covering which goes in a samosa or a spring roll or even a confectionary item like a baklava that we eat. So, that's a product in itself. And I mean, you would understand as to what could be the demand for samosas or the rather spring rolls all over the world, right? So, there are not many competitors in this space, which is actually there globally. There are two brands which do well, one is Switz, and another is TG, what's call it?

Moloy Saha: TG. TYJ, that is from --



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Anand Krishnan: TYJ.

Moloy Saha: That is from Singapore. Earlier India user to import. I mean, till five years ago, we only used to import this particular pastry, which is required for the snacks item like spring roll or samosa or any other product. So, as Anand told, there's one India company which is now producing. But we see there's a good demand in the international market as well as in India. And I must share with you that our first such line was installed in March, and it is giving successful results.

I think a couple of days ago we have already exported the first container to UK following there's a lot of orders are there. So, with the success of this, we have already ordered two more lines, which is likely to be installed in the month of October or November and followed by five more lines. So, we are targeting to expand business in this category, and this is a good EBITDA margin business as well as good potential worldwide.

Anand Krishnan: So, we have two advantages in this pastry line, one is basically that we ourselves manufacture a lot of frozen samosas and frozen spring rolls. So, it goes into an in-house convention wherein the pricing is much lower for us now from what we used to actually acquire from a Switz or TYJ as such. Second is that we have actually opened doors to various customers globally wherein we are now able to supply them for their requirements as such. So, it's a great business to be in is what we think.

Rohit Ohri: Anand, is it possible to put a number to this small venture business that you are kind of trying to explore?

Moloy Saha: I believe that if we are able to put these 10 lines, this can generate more than 100 per business.

Rohit Ohri: We did see, in the pulping business, this year around or this quarter around that the prices of Totapuri were slightly higher and almost double. So, my question is that, when you we compare Alphonso versus Totapuri, what sort of delta is there or what sort of difference is there in the realization of the two?

Anand Krishnan: Realization is what he is asking.

Moloy Saha: Realization is I will tell you, if Totapuri will be getting 1x then Alphonso will be getting 2.5x.

Rohit Ohri: Sorry, sir. It was not audible. Can you please repeat?

Moloy Saha: If realization per metric tonne for Totapuri is 1x, then realization per metric tonne for Alphonso will be 2.5x. This depends on the raw material price.



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Anand Krishnan: But having said that, our portfolio actually has a lot more of Totapuri than Alphonso, because worldwide Totapuri is what actually runs well, because people do not know what great mango is. It's just for the name of mango that they buy mango and that's what actually sells globally.

Rohit Ohri: Sir, the lower crop that came through from South India, do you think that the realizations for overall profitability for the year should be slightly better as compared to the last year?

Anand Krishnan: So, the realization not always actually helps me with respect to better profitability. It's the volume of the entire company, I mean, operational leverage that comes actually helps me with respect to profitability, because it's always the gross profit per kg, right? But having said that, there are some efficiencies that we would actually have basically, because of the farmer relations that we have, wherein if the industry has procured at 1x, we might have procured at say x-1, and the pricing advantage would actually come to us. So, that would yield us a better profitability.

Rohit Ohri: That makes sense. Anand, is it possible to share that what sort of total deferment happened in terms of tomato as well as in terms of the Alphonso mango in first half?

Anand Krishnan: I did not understand your question, as in deferment in terms of tomato?

Rohit Ohri: Yes, the orders that were deferred or may be spilled over to the current quarter.

Moloy Saha: We have not picked the order. What Anand communicated, that last year we had the opportunity to take our order up to Rs. 150 crores, but we did not have the capacity. So, he's trying to say that since we have extended the capacity, we will be able to grab the order which was last year possible. So, that's what he is trying to say.

Anand Krishnan: So, this is with respect to the B2B business. So, for the clarity of everyone, as in I think a lot of people are confused on the Hong Kong business and the B2B business. So, Hong Kong business is the brand business, which is a very small part of the portfolio that we have. But the B2B business in tomato processing is where we have more than doubled our capacity. So, last year we had a possibility of taking that order of around Rs. 150-odd crores, which we could not take up because of the lack of capacity. But when you visited the plant, I am sure you've seen that capacity and that's something that will be also helping us to, I mean, take orders in case it comes our way this year.

Rohit Ohri: And the question was more towards the Rs. 11 crores or Rs. 10.5 crores that we were talking about. In addition to that, is there any more business that has been deferred? That is what I was trying to ask.

Moloy Saha: Sorry, sales. That would be roughly around, I believe, it will be roughly around I have calculated Rs. 9.8 crores or Rs. 10 crores roughly, which is deferment, we could not do it.



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Anand Krishnan: Approximately Rs. 25 crores. All put together, as in, all put together including the Rs. 11 crores would have been around Rs. 25 crores.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Anand Krishnan for closing comments. Please go ahead.

Anand Krishnan: Thank you so much, Shivangi. I want to express my gratitude to all our investors and shareholders for their continued support. Your trust in our company is invaluable and we take it seriously. We have already laid a strong foundation for sustainability and are confident in our ability to grow with sustainability at the core of all our practices. Should you need any further clarifications or would like to know more about the company, please feel free to write to us. Thank you once again. Bye.

Milan Dalal: Thank you.

Moderator: Thank you. On behalf of Foods & Inns Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.