



BIKAJI FOODS INTERNATIONAL LIMITED

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Ref: BFIL/SEC/2023-24/155

Date: February 09, 2024

To,
Dept of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai 400 001 (Maharashtra)
Scrip Code: 543653

The Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (East),
Mumbai 400 051 (Maharashtra)
Trading Symbol: BIKAJI

Subject: Transcript of Earnings Conference Call for the quarter and nine months ended on December 31, 2023

Dear Sir / Madam,

We hereby inform you that in continuation to our letter bearing Ref. No. BFIL/SEC/2023-24/145 dated January 27, 2024 and pursuant to the requirements of the Regulation 30 read with Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”), as amended from time to time, an Earnings Conference Call with the Investors and Analysts to discuss Un-Audited Standalone and Consolidated Financial Results for the quarter and nine months ended on December 31, 2023 was conducted on Monday, February 05, 2024. Please find enclosed herewith the transcript of the Earnings Conference Call.

In compliance with the Regulation 46 of the Listing Regulations, the transcript of the Earnings Conference Call will also be available on the website of the Company and the same can be accessed at www.bikaji.com.

You are kindly requested to take the same on record.

Thanking you

Yours faithfully,
For Bikaji Foods International Limited

Rahul Joshi
Head - Legal and Company Secretary
Membership No.: ACS 33135

Enclosure: As above



“Bikaji Foods International Limited
Q3 FY24 Earnings Conference Call”

February 05, 2024



MANAGEMENT: MR. RISHABH JAIN - CHIEF FINANCIAL OFFICER,
BIKAJI FOODS INTERNATIONAL LIMITED
MR. MANOJ VERMA – CHIEF OPERATING OFFICER,
BIKAJI FOODS INTERNATIONAL LIMITED

MODERATOR: MR. VIJAY GYANCHANDANI, S-ANCIAL TECHNOLOGIES
PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Bikaji Foods International Limited Q3 FY24 Earnings Conference Call. 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 this 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. Vijay Gyanchandani from S-Ancial Technologies. Thank you and over to you, sir.

Vijay Gyanchandani: Thank you. Welcome to Bikaji Foods International Q3 FY24 earnings conference call. From the management, we have Mr. Rishabh Jain, CFO, and Mr. Manoj Verma, CEO.

Now I request Mr. Rishabh Jain to take us through the key opening remarks. After that, we can open up the floor for Q&A session. Thank you and over to you, sir.

Rishabh Jain: Thank you very much. On behalf of Bikaji Foods, I’d like to thank all the investors. From the deck perspective, we are seeing a very strong quarter in our third quarter. From a revenue perspective, we grew at 23% overall and value growth of close to 30% volume growth.

The main key point is that in the Ethnic Snacks, which is a core category, we grew at a 22.18% volume growth. That's the first time in the last many years we've been growing at volume growth at such levels and seen such strong growth across all core markets and focus markets.

In the Sweets category, of course, it was a shift of quarters. Last year Diwali sales were higher in the second quarter and this year in the third quarter. So, sweets overall grew at much upward of close to 80% Y-o-Y over last year.

But overall, the volume growth was close to 30%. From EBITDA perspective, we grew at close to 36% and EBITDA was INR 75 crores. Compared to last quarter, in this quarter we've seen some dip in gross margin. The gross margin in this quarter was close to 31.5% versus last quarter where it was close to 32.9%. So, there were two to three reasons basically, which I want to highlight. One of course was as the third quarter normally is the end of key seasons and the starting of a new season of key crops, a few commodities like moth pulses, chana dal, and peanuts. So normally in November and December, new crop comes in from mid November to December and old crop is ending. So basically, we've seen some price rises in few raw materials like chana dal, which is a core commodity and during Diwali, some major usage in all key son papdi and namkeen.

So we've seen a rise in that commodity, which has impacted gross margin and overall. So in the third quarter, normally we see this type of price rise and in the fourth quarter, as the new crops come in, the price becomes stable. The overall yearly target of gross margin was close to 32% and we'll be on track with the yearly gross margin target.

From PAT perspective, it's close to INR 46 crores. PAT and overall at a YTD level, PAT was close to INR 147 crores till December quarter. So from 9 months number, we are close to 14% growth compared to last quarter and close to 17% volume growth, where ethnic snacks is growing at close to 19%.

Our EBITDA is growing at close to 52% and we have touched EBITDA of close to INR 229 crores, crossed last year's EBITDA number in this quarter. Our PAT is close to INR 147 crores. From key snapshot point of view, we delivered highest volume growth, as spoken about, close to 29.5% volume growth. From brand perspective, so we have renewed our Amitabh Bachchan contract for next two years in mid-October, also shot close to 12 new ad films, which has started in TV and radio.

From family pack perspective, of course, this quarter 3 is big on sweets and gifting, it comes in family packs. The overall family pack contribution is close to 59.1%. From distribution perspective, so distribution is a core and that's where we are focusing on as of now. So as of now, we have touched close to 2.3 lakh outlets directly and added close to 23,000 outlets. And in next two years, our target is to be at least close to 3.5 lakh outlet. That's the target we are taking on.

From export perspective, as we have started our subsidiary in USA in last quarter. We also expanded direct distributor footprint in UAE. This quarter, our frozen capacity is started, frozen plant commercial production is started in November and in next two quarters, there will be a lot of new R&Ds, new product development in this quarter. In next two quarters, we will be close with all the capabilities and we have hired good talent in R&D in our frozen capacity. In the next two quarters, we are majorly focusing on fixing a few products in the frozen segment. From ROE, ROCE perspective, so our ROE is 20% and ROCE 27%.

Currently, we are at overall utilization level, we are close to 47%- 48% in different category. But we have a target to use take this capacity to 75%- 80% in the coming years. And once we use this, our ROE and ROCE will increase at a reasonably good level.

In this quarter, our Hanuman Foods, which is a 100% subsidiary, has got merged. We got approvals from NCLT and got merged. This will bring in a lot of efficiency in duplication of work and this will improve our overall efficiency.

From reward recognition perspective, Bikaji has been awarded 'Supply Chain Leader Award' in F&B category from ISCM. We are into six key product category, one is Bhujia. We are core in Bhujia. Namkeen, Packet Sweets, Papad, Western Snacks and other snacks. Other snacks include lot of other different category be it gifting, maida items, cookies, frozen segment, so that's a key category we are in.

From key capacity perspective, so basically we have close to 2.88 lakh metric ton capacity. Our overall utilization is between 46% to 48%. That's where it started last year with 40%, 42%, taken it to 47%, 48%. So in last 2.5- 3 years, our major investments in capex have been done. Of course, this was mainly due to PLI. We got good PLI benefit from Government of India close to INR 261 crores rupees subsidy we have got. And we will get it over the next six years. And that's how we will increase the capacity in a core market, be it Assam, Rajasthan and Bihar and in focus market, all key focus market, be it UP or in southern part of India.

Frozen plant came into commercial production. Raipur plant will come in March 2024, so this will cover central part of India. So largely, this capacity will suffice for the next 2-3 years of

growth. We have increased capacity majorly in Namkeen and Western Snacks category. Namkeen is showing good amount of growth in our overall ethnic snacks category. Over to Manoj ji.

Manoj Verma:

Yes, thanks, Rishabh. Talking in terms of distribution and when I say distribution it is about direct reach. So in December end we touched or reached a direct coverage of 2.31 lakh outlets directly. And the target for us, what we have, which was 2.5 lakh by end of this financial year, the team is well on track to deliver those numbers.

Also to strengthen our distribution, what we did was we opened few new CFA's in last quarter, quarter two, that is the two CFA's which came up in UP. This was in Ghaziabad and also in Varanasi. Now what we are doing is we are also coming up now with CFA's at Raipur and Delhi. So these two new more CFA's will be coming up to help and support our direct service.

Talking on the marketing front, so quarter three was very busy quarter for us in terms of marketing activities and initiatives. We were heavily on air and they were likely so because that's a very high quarter for gifting and for sweets business. So there were a lot of campaigns which were there.

As Rishabh spoke about, we have already extended Amitabh Bachchan's contract as our brand ambassador for next two more years. We also have shot few more new films which are more category focused rather than being generic. We also sponsored the 'Pro Kabaddi League'. We are the co-sponsor there. We were there on KBC which is one of the most viewed channel if we look at. On NDTV we talk about those who were the marketing ATL spends what we did.

Not only ATL, we heavily invested behind our BTL marketing activities across both core and focus states. And these activities involved say bus printing, dealer boards, arcs in the store, in-store activation. We were also heavy on social media. So Instagram if we look at, so there's an upswing of 33.8% in our Instagram users. On the gift packs and sweets, there was a huge range of what we did in this quarter 3.

Not only did we stay at domestic marketing, we did spend on our overseas marketing expenses as well. So to name a few, we sponsored 'Badshah's' Live program which was in London and Bikaji was the sponsor there. We got a very good huge response there. The kind of response is what we got.

Other than that, in the other part of the globe, we did on-ground activation by even sponsoring and sampling opportunities during the festival season. I would want to harp on once again that this is also part of one of our PLI incentive what we have bagged. This is about getting INR 23 crores back as incentive from government on a committed investment of INR 46 crores on media in the overseas market.

Talking on the business performance, so while this will be repetitive, I'll quickly run you through again. So quarter 3, we talk about overall volume growth, 29.5% YoY. Revenue growth, if we look at, is 22.9% YoY quarter 3. Ethnic snacks is 15.4% revenue growth. Packet sweets has witnessed a whooping growth of 82.8%. Western Snacks is 9.9% and papad has grown at 8.8%.

Quickly giving you an overview on YTD achievement. So YTD volume growth is 16.7%. Revenue growth is 14%, Ethnic snacks has grown at 13.6%, Packet sweets at 18.7%, Western Snacks has delivered a 12.4% growth and papad at a 2.1% value growth. Product mix, if you look at now, Q3FY24 versus Q3FY23, the only change, major change what comes up is sweets contribution in this Q3FY24 is 18%, wherein it was 12% in Q3FY23. This is again, the reflection of a delayed Diwali this year, so therefore quarter three was heavy on sweets.

Risk, more or less, the share of business across categories stays the same. If we look at now on a YTD basis, the share of business by category, it's mirroring and well on track. So snacks is at 68.3%, whereas last year it was 68.6%. Sweets this year is 14.8% on a YTD basis, last year it was 14.2%. Western snacks is 8.1% this year, and it was 8.2% last year. Talking on papad, last year it was 5.9%, wherein this year it is at 5.3%. And the rest others is 3.5% this year, last year it was 3%. So more or less the same. Briefly taking you through the performance of our markets, which is core, focus and others. So core markets in quarter three has delivered a revenue growth of 11.5%. Focus market delivered a growth of 42.1%. And the other market has delivered a growth of 68%. Exports grew at 82.2%. So I would want to bring to the notice of audience that the focus in other markets looks very high on a quarter basis growth, this again is because of heavy sweets and gifting, wherein the contribution of gifting and sweets is very high in the focus in other markets. So it will be more relevant to look at on a YTD basis.

So on a YTD basis, core markets is at 10.5% value growth, focus market at 22.7% growth, and others markets are at 24.1% growth. On a YTD basis, exports has delivered a growth of 28.6%. Our contribution from core and other markets that we look at, so Q3FY24, core markets contribute to 67.5%, wherein in Q3FY23 it was 74.4%. Our focus market contributes to 15% in Q3FY24, whereas it was 12.9% in Q3FY23. Other markets contribute 13.9%, wherein Q3FY23 it was 10.2%. Exports at 3.6%, wherein last year it was at 2.4% YoY. On a YTD basis, if we look at focus markets, they are at 70.6% contribution, against 73% of last year. Focus market is at 14.7% against 13.7% last year. Other markets is at 10.9% versus 10% last year. And exports is at 3.7% against 3.3% last year.

Quickly giving you a glimpse on East, West, North, South zone wise deliveries. So in Q3FY24, East market has grown at 12.4%, North at 21.1%, South at 73.7%, and West at 52.8%. Again, this is a reflection of heavy gifting and sweets contribution in Southern and Western markets, most of them falls in our other focus markets.

Looking at our YTD performance by zone, so East is at 8.8%, North at 15.1%, South at 39.3%, and West is at 16.3% growth. Looking at the mix of family packs and impulse packs, so in Q3FY24 family pack has contributed to 61.7%, vis-a-vis 58.6% last year. This is more of quarter three phenomena.

It's more relevant to look at on a YTD basis, family pack contributes to 59.1%, which last year YTD was 58.4%.

Rishabh Jain:

So from overall financial perspective, revenue is around close to INR 624 crores, growing at 22.9%, and 9MFY24 is close to INR 1,715 crores. So from EBITDA perspective, so overall EBITDA was 12%, this was basically because of two reasons. So one, of course, gross margin,

so compared to overall, then we see last year it has improved, but last quarter it has decreased close to 1.4% due to non-favourable prices of key pulses, like chana dal and other key spices.

And also our ad cost, basically when you see EBITDA, our ad cost has increased. So normally our overall year budget of ad cost is close to 2%, but in quarter three, we have spent close to 3% ad spend. So normally our 70%-72% ad spend is in second and third quarter, which is more of festive season, compared to first and fourth quarter.

So that's how our overall ad spend near Diwali season is on a very higher side. All the campaign, with KBC and everything is invested during Diwali season. So basically, that's how we are planning in ad spend. So overall, from year perspective, our target is to be above 13% EBITDA, and overall above 32% gross margin. And we are on track on this.

So these are few key raw material impact, their key raw material, be it edible oil, be it moth pulses. These are few raw material which has impacted us. From PLI perspective, we are largely on track. Our overall, we are committed close to INR 451 crores of investment. And we are on track until December. We have largely completed our investment target. And filing work is going on.

So this year, hopefully we will take all three year PLI income of FY22, '23 and '24. Once we complete overall PLI target of investment. Number two, that target was the key thing was sales. Because we have to grow a minimum 10% of sales growth. We are on track for this. And we are way ahead of sales target what we are committed to the Government of India.

So that's how, from PLI perspective, we are on track from investment perspective. Raipur capacity is to be built in, which we are on track. And by March 1st week, we'll do commercial production. We are targeting the same before 15th of March. From financial performance perspective, that's overall.

And we are happy to answer all your queries and take questions, Yes.

Moderator:

Thank you very much. We'll now begin the question-and-answer session. The first question is from the line of Abneesh Roy, from Nuvama Institutional Equities. Please go ahead.

Abneesh Roy:

Yes, congrats on a good set of numbers. My first question is on 9-months, given quarterly numbers will be volatile based on the festivals. So if I see your 9-month region-wise performance, Eastern India is much slower than the rest of the three regions, growing at 9% versus the rest of the region growing at 15% to 39%. Even in Q3, Eastern region is the slowest. So my question is, is this because of El Nino impacting Eastern region more, or is it because of some market share loss in Eastern India? Could you elaborate if category-wise, Eastern India is facing any issue in terms of Western snacks, sweets, or ethnic snacks, from a 9-month perspective?

Q3, please leave, because in festival, everything will do well. So that will mask any issue. So on nine months, if you could elaborate on category-wise in Eastern India, what is the issue? What is the situation?

Manoj Verma: Yes, Abneesh, thanks. Thanks for the question. So first of all, I would once again want to clarify on South and West markets. So they're heavily, the role of gifting and sweets is very high on that stuff. And it has worked extremely well. Talking about East, not too specific to your question. So two impacts. One is if you look at, there was some, Bihar, we felt a little bit of a slowdown there. And that's what is resulting. And I think you will see in the coming up quarter, those corrections coming up in place. So that's the reason why that has come down. Whereas if we look at the North-East parts of the country, we are well on track in terms of, across categories, growth are in line. But yes, Bihar is a very, very large market for us. So any change, any shift, brings these numbers down.

Abneesh Roy: So one follow up on Bihar, your large size is the issue or because of the monsoon in Bihar being more this time, that is the issue? Or there is a competitive scenario change in Bihar?

Manoj Verma: No, I think you've already picked the answer to that question. Yes. If you look at this, there was early and delayed monsoons. If you look at, all the vectors or parameters, what it speaks about, the GDP slowdown, and also the monsoon. And in fact, which has brought down the rural consumption. So there was, what we see, based on our market visits, feedback, and the data, what we get. There is also some dullness in the categories, which seems to be now picking up. As we know, in the last two, three weeks is what we've started seeing the recovery, and things are falling back.

Abneesh Roy: My second question is on family packs. You seem to have done well, in 9 months YoY, there is an increase. So I wanted to understand what is driving this, because this should be a better gross margin business versus your impulse packs? Second related question is in terms of e-commerce plus modern trade. A lot of other FMCG companies, obviously they are in different other FMCG segments. Their modern trade plus e-commerce, including quick commerce, is now 20% to 30% of their revenue. For you, what is the number and what was it say two years back?

Manoj Verma: So one is that, if you talk about our kind of a business, 20% to 30% is most unlikely kind of a number, because this is more of a distributive product. No, it's actually business per se, if you talk about is about 60% to 70% is INR 5 and INR 10 pack, and which is not on e-com. So e-com normally sees the large or multiple pack. So that's one. And I'm talking about our contribution. So it's about 8% business, which comes from modern trade and e-com put together. And if we look at on a YTD basis, just the e-com business is about 2%.

Abneesh Roy: And what's driving family packs being higher YoY? Is that conscious strategy or because it will be better gross margin, right?

Manoj Verma: No. So when we speak about family pack, so what happens is, while we know these numbers are there. But if you look at, two of our categories are only in family pack, and which contributes to about 20% of our overall business. So this is papad, wherein, it's all family pack. And also the second category is sweets. And knowing others, if we talk about, which is about, frozen or gifting and all that stuff.

So they only have family pack. As I said, gifting sweets did very well. Papad is at 8.8% growth. So this has helped these numbers grow. But going forward, eventually you will see this number will be around 55%, 56% only, because our distribution would be riding on the small pack only.

- Abneesh Roy:** And that could dilute margins?
- Manoj Verma:** See, we covered it. So it's a mix match of that stuff. So now if something dilutes, so something gives back to us as well.
- Abneesh Roy:** Okay. Understood. Thanks a lot. That's all from my side.
- Moderator:** Thank you. Next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.
- Gaurav Jogani:** Thank you for the opportunity, sir. So my first question is with regards to the margin guidance that you have given 13%. I'm assuming that is X of PLI, the 13% margin guidance?
- Rishabh Jain:** Of course, yes, because till now also we are at 13.3% YTD EBITDA. So it cannot be including PLI. So PLI, income has not been recorded yet. It will be recorded in fourth quarter.
- Gaurav Jogani:** Yes. So I mean, the full year guidance is 13%. So that is 13% and the PLI would be over and above that?
- Rishabh Jain:** Yes.
- Gaurav Jogani:** And how about the guidance for the next FY25 per se, given that now most of the benefits from the RM is in base, and we have also taken some (inaudible) that were given to the clients. So what possible margins can we expect in FY25? At least...
- Rishabh Jain:** From next year's perspective, FY25, our major focus will be on volume push. Our target is to be at least a volume of close to 16% to 18% volume. So that's what we are targeting from volume growth perspective.
- From EBITDA perspective, of course, we want to grow EBITDA because as and when we utilize our capacity, it will bring a lot of efficiency across each line cost level. So, of course, we want to grow gross margin EBITDA every year, year-on-year.
- Gaurav Jogani:** So any guidance that you would like to share in terms of the gross EBITDA margins for next year?
- Rishabh Jain:** So basically, from EBITDA level, of course, we want to be at least 0.5% above compared to last year, FY25. That's what we are targeting.
- Gaurav Jogani:** EBITDA margins?
- Rishabh Jain:** Yes.

Gaurav Jogani:

Okay. And so the next question is with regards to the growth, both in the Papad and Western snacks. So Western snacks, while we're increasing the capacity, I think the growth there is only 10% odd number. So any specific reason for that one?

And also in the core market, the growth, has been only 12% odd. So, anything on that front, how are you looking at longer term? Though there will be short term, you know, effect because of the Diwali festival coming in, but on a longer term growth numbers on this?

Manoj Verma:

Yes. So I'll take this question one. I think there are two set of questions. So I'll start with the latter one first. So core markets, if you look at notes, so what we spoke about, that Bihar is one of our core market, and hugely rural dominance. And now if we see, how the country or how the geography is performed.

So within now the across country, if you look at, so there has been a slowdown in rural, and which has been witnessed, which has resulted our Bihar market the category slow down. And that's the one of the reason that no, why is that our performance is little subdued in core markets. That's one.

Second is also, let me tell you, papad is very strong, in this Bihar market. And papad got also slightly impacted, because we, one of our USP is the handmade papad. And because of, prolonged monsoons, production of papad was a major, major issue, because you don't get time to dry it up and all that stuff.

And so therefore, we could not meet the demand, what it was in the market. And that has resulted, even more badly, the Bihar market. Going forward, what we see is we see complete recovery of Bihar market, because a lot of work, which has gone behind, and is a very important market for us.

We shall bounce back there. Now to your first question on the Western snacks. So Western snacks, if you look at, so quarter three, no more of festivity, more of focus on, on rest of the stuff. Western snacks, you know, get slightly defocused, but within Western snacks, if we slice it into 2 parts, one is the chips. Second is the other extruded part. So we've done pretty well on the chips part. It is on the extruded part, wherein the performance has not been as good. And the reason for this has been that we are in the process of some rebranding, some rejuvenating the product.

So that's what has taken this hit. This quarter four, again you will see these numbers turning around on this.

Gaurav Jogani:

And so my last question is with regards to the frozen plant that has very recently come up. So what kind of benefits can we see with this plant coming up, both in terms of revenue growth and margins?

Manoj Verma:

See, it's just got commissioned in the last quarter and last month of last quarter. What is now undergoing is the lots of trials which are going, we have hired some best of the chefs, these culinary guys are there. So we are doing some lot of innovative stuff, which is more focused for the export market and eventually would come to a domestic market.

But this process to settle down would take at least a couple of quarters. For now, what we'll do is that we have been into frozen business exports and which we will start producing it. In terms of revenue, what we see is that in another two-three years time, this would be generating about INR 200 crores kind of a top line.

And in terms of margin, so margin would be in line with what we are getting. So this will not be a value of margin eroding kind of a category. In terms of high margins, certain products, going forward, I mean, too early to comment now, but yes, we'll also look at, focus on some premium product, which would help us add value in terms of our EBITDA margins.

Gaurav Jogani: So just one last bit on the margin bit we understand that there has been some inflationary impact on the gross margin bit over this quarter. So how do you see the margins ahead? Have you taken rollbacks, the gramage hike that we are giving, or have we taken any price cuts to adjust for this? How are we tackling the RM inflation in the chana and the other RMs?

Rishabh Jain: So basically you see, so basically across all key raw materials, so largely new crop had come in, in December and Jan. So largely new crop has come in, normally price is normally done in key crop time. So we are not taking any price increase, or any consumer pack reduce. So that's what we need to continue at least for next two, three months. That's what we are targeting on. And gross margin percentage, of course, our target for the full year of support, 32%. And we are on track on this. So we normally take, we normally focus on that. If it's, we don't have 32%, of course, we'll, we'll again take back our consumer pack, consumer promo offer, which we've given close to four, five months back. That's what, but we are on track on this, and we are taking tight control on a gross margin in EBITDA.

Gaurav Jogani: Okay, so thank you for answering my question. And that's all for me.

Rishabh Jain: Thank you.

Moderator: Thank you. Next question is from the line of Percy Panthaki, from India Infoline. Please go ahead.

Percy Panthaki: Hi, sir. Just one more question on your gross margin. Sequentially, it has gone down close to about 150 basis points. If I look at the information you have given on each commodity, and what is the impact to the revenue on a sequential basis, like some of them are 0.37 negative and 0.19 positive and so on. So if I add that up, that is coming only to approximately 40 bps negative, which is much lesser than the drop in your gross margin. So what explains the remaining drop in the gross margin?

Rishabh Jain: So basically, these are two, four, five commodities, but there are, then sharp increase in spices, which is impacted as overall. So RM and PM, overall impact was close to 0.9%. And that is 0.3, 0.4% was due to product mix due to some schemes, which were given in third quarter. So overall, the overall impact was close to 1.4%, but 0.9% was key due to RM and PM cost.

Percy Panthaki: Understood. Understood. And regarding your PLI benefit, once it starts, once you start recognizing it, approximately on a quarterly run rate or a yearly run rate basis, what is it going to be as a percentage of your revenue on an ongoing basis?

- Rishabh Jain:** So basically, it's not on percentage of revenue, it's fixed revenue, which we'll get from government. So it's a INR 261 crores of subsidy, which we'll get till FY27. And till FY24, this year, we'll book close to INR 95 crores of PLI income.
- Percy Panthaki:** FY25 next year?
- Rishabh Jain:** So FY25 next year, it will be close to INR 47 crores -INR48 crores rupees.
- Percy Panthaki:** Okay. So that will translate to about 2% of sales, right?
- Rishabh Jain:** That's right.
- Percy Panthaki:** So basically, if you are saying that 13% is what you are clocking without any PLI benefit, and you don't see any drop in this 13% number next year, then with the PLI, your margin should be around that 15% mark. Is that understanding correct?
- Rishabh Jain:** So see, that's the target. That's the target we are taking on. But Yes, of course, all the key players, be it Haldiram, be it all key players, will get PLI income.
- So of course, something we need to pass on, but our target is to be at least at this level. Because from next year onward, once all the companies will be sure that they will get PLI, of course, this will be part of overall income. And this will be part of strategy to how they can improve more on business, more on volume growth. That's where all companies will focus on.
- Percy Panthaki:** Right. Coming to your focus states, can you give some data here in terms of in the focus states, what is the number of distributors and the number of outlets you reach today? And how does it compare versus a year or something some point of time ago?
- Rishabh Jain:** So basically, the focus market has done extremely well. So we have put a lot of our sales team into focus state. We have started CFAs at the focus market, new distributor appointments. A lot of work is going on. It's in the development phase. So of course, currently we are at a very low market share level. We are at number 4, number 5 there, maybe in the snacks category. We want to be at number 2 there, at least in all focus markets in the next three-four years, that's a target we are taking on. But it's too early to tell on, because we are very small in all the key focus markets.
- Percy Panthaki:** Right. No. I was just asking about if you can give some idea. How do we as analysts track your input metrics into these states? So the input metrics that I can think of is the number of distributors and the number of outlets. So if you can help us understand how they have improved over the next one year, that gives us more confidence in understanding that if the inputs are in place, then the outputs will also start coming through.
- Manoj Verma:** Yes. So let me take this question. So one is, more than distributor, what is critical is to see the touch point on that, that where are we reaching directly on that stuff? Now, CFAs what we have done, distributors, super stockists, sub distributors are the means to reach to these outlets, right?

Now, talking about our distribution in these states, if we look at, so we are covering over 80,000 outlets now in these focus states, which if we look back when we started our journey, we were even less than 35,000 kind of stuff. So we have over doubled our reach of outlets in these focus markets. And you will see that going forward, most of the growth outlet increase would come from the focus markets.

So that's the input metric, and which is what is resulting in the delivery, the numbers what we spoke about is the because through put in focus market would be the last mile. Because once we are established brand, that's when the game will be around throughput. Today, it's about reaching more stores and getting that output.

Percy Panthaki: So sir, this 80,000 is the direct coverage, right?

Manoj Verma: Yes, correct.

Percy Panthaki: It's the direct, right? Not the total would be higher than that.

Manoj Verma: Of course.

Percy Panthaki: Right. And any kind of targets you can share, let's say a couple of years down the line, this 80,000 will become what number?

Manoj Verma: So, see, this year we'll close our direct reach to 2.5 lakh outlets, right? At the overall level, if I speak about in two years from now, which is FY25 and by end of FY26. So March FY26, our direct reach would be around 4 lakh outlets. That's the number what we are looking at, right? And there if you look at this number, the 80,000 what I'm talking, is in this 4 lakh outlets, it will be about 1.6 lakh outlets. 1.5 lakh plus would be from focus states only.

Percy Panthaki: Okay. Very helpful. Thanks and all the best. That's all from me.

Moderator: Thank you. Next question is from Vikrant Kashyap from BOB Capital Markets. Please go ahead.

Vikrant Kashyap: Hi, good afternoon. Just a follow up question on Western Snacks. So you have guided for 11% revenue contribution from FY25, but if you see last two quarters, the growth has been sub 8%, 9%. And if you look at the run rate historically also, how would we consider that you will reach 11% by FY25? 9 months is again 8%.

Manoj Verma: See, one of course, if you look at the Western Snacks, the very small contribution to our business and now the focus or the key contributors has been the ethnic snacks. And then in last two quarters, if we particularly speak about is gifting and sweets. So yes, now Western Snacks took a slight backseat, but within Western, if we look at chips has done well, so which is at about 17%-18% volume growth, that's the number we are at.

It is snacks, which has done well, primarily in on account of that we are into rebranding phase. So that's where, some stock issues, some liquidation of old pack and all. So I think that's purely internal. What we have said, we will stay with it and you'll see in the coming quarter, this, the Western Snack story will get corrected.

- Vikrant Kashyap:** Okay. So you stand by your guidance numbers?
- Manoj Verma:** Yes, very right.
- Vikrant Kashyap:** Okay. So you have, so previously mentioned that you are focusing on improving contribution from high margin products that will again drive your gross margins, also EBITDA margins. So which are these products? And can you also share category wise or margin profile?
- Rishabh Jain:** So basically there are 5-6 products that are having gross margins from our, from Bikaji and where we are focusing on. We started our journey when it was close to 10%-11% of overall business shares. Currently it's reached, it is close to 13.2%, 13.3% overall, 13.5%. So overall, that's a big reach and our target is to take this to 18%.
- Overall, compared to overall gross margin in India, gross margin level, they are at least close to 3% to 5% higher than average, average EBITDA, average gross margin of Namkeen's and Bhujia overall.
- Vikrant Kashyap:** Okay. And one question on your product launches. Also in last 9 months, could you please share what are your new product launches and how much they are contributing to revenue? And also you can, if you can share competitive numbers, say two, three, what was that number?
- Manoj Verma:** So I think there have been many launches, tweaking with the products and all. I think one which we can talk about, and we are glad to talk, is about Paneer Bhujia. So this is a variant of this, and this has done extremely well across market.
- In fact, we ran out of the production capacity. I think in last couple of months is what we have tried to build this capacity, and we are now producing it beyond Bikaner market as well. So Guwahati is one other place where we have started its production. In Patna, it will come up. That's one of the successful NPD which has come up now in recent times.
- Vikrant Kashyap:** Okay. One question on market share data. So during your filings, you had shares of market share numbers category wise, can you share what have been the improvements over there since listing, in each of the category and or in key categories?
- Manoj Verma:** So, see we are yet to get this data from Nielsen, right? And now we have shared our internal numbers, the growth, what we have, delivered. I think what we read and what we are, which is that the public domain is that this ethnic snacks category is growing at about 10% kind of a growth.
- And we are ahead of that stuff. So which clearly speaks about that there is certainly a share gain. However, you know, very soon or maybe in some time we'll be able as we get this data from Nielsen, we'll be able to share these exact numbers, to you in that case.
- Vikrant Kashyap:** Okay. So just last question on exports. So, small base, we have seen growth this quarter and the 9 months also. And we have also increased our ad expense on exports market. So what are the, what kind of growth you are seeing in exports and what are the products that is driving that growth? And also if you can talk about geographies as well?

Manoj Verma: So, I think I'll answer one by one. So, one is the products if you speak about, so frozen is the largest contribution, amongst the exports product portfolio, right? And, till now, preparing it from outside, since we were not producing this stuff, now that with our capability and in couple of quarters, now this will be up and running in full-fledged stuff. So I think frozen category would witness the highest growth, right? That's one.

Second is, is in terms of, geographies you're talking about, so U.S. now within highest Indian diaspora now would be our focus market. Besides U.S., it will be the other markets, such as the Middle East, which does well for us. But no, it is not just few markets, we export to over 25 countries around the globe and we are seeing no positive response across. Internally to build our capabilities, we have strengthened our export team. In terms of growth expectation, we expect about 25% growth, in next few years in these exports market.

Vikram Kashyap: Okay, so just continuing on the exports, what is our distribution model there? And what are the retail stores, if you can highlight key names where we have that partnership with them? And second question on export, what is the margin profile? Is it similar to consolidated one or it is higher?

Manoj Verma: Okay, so Vikrant, now how it works is, I'll tell you, it's a mix of both. So it is, a trading model also, wherein, we have one distributor for the country and that's how exports market work and behave. And this is true for most of the companies, barring few. So we have this one that, for entire country, we have one, which is a quasi CFA kind of a stuff for the country. He will, in turn, have his distribution network and do that stuff.

I'm sure you're aware of that know in the national market, there's no MRP regime like India, wherein there is a fixed price. So each store would be selling at a different price. Distributor could be selling at a different price. So it's a cost plus, plus model abroad, right? So this is how it works.

But yes, now we talk about, say Dubai UAE, that's where, we are trying to get into distribution model, wherein, we will be catering, servicing these outlets kind of a stuff. So this would be a different structure. While in rest of the places, the salesmen are on the distributor's payroll. We add, to the distributor and then all cost is theirs. That's how it works.

In terms of margin. So as I said, it's a cost plus, plus model. So we give them X factory and we built in a margin, which is in line with our overall company's EBITDA margin kind of thing. That's how it works.

Vikram Kashyap: Thank you. Thank you, sir, for answering my question. Wish you best of luck.

Manoj Verma: Thank you.

Moderator: Thank you. Next question is from the line of Rupali, an individual investor. Please go ahead.

Rupali: Yes. First of all, congratulations for your good set of numbers. I would like to understand which kind of products are gaining momentum in the US and UAE market? What you have stepped in?

- Manoj Verma:** Yes. So as I said, Frozen is the one. If you look at TG, the customer is the Indian diaspora, right? That's one. For us, if we talk about, it is more of, it's more of the frozen part, right? Wherein, these are, let's say, samosas, kulchas, the variety of that stuff. Also, I would want to bring to your notice that it is not that the market is not big. There are lots of exporters from India which are doing it, but maybe not as organized. I think the opportunity, what we see for ourselves to emerge as a large and a major player there.
- But we can get back on, maybe on a one-on-one call, more detailed discussion around what is that we do in this stuff. But this is frozen for us. Opportunity-wise, yes, there's Indian ethnic snacks, which is also doing well. And for now, we are very, very small. So I don't think that now our role is to grow the category. Our role is just to eat into, the share where the unorganized or the small players are there in these markets.
- Rupali:** So you'll be competing with Indian players only in the different region, is it?
- Manoj Verma:** Yes, yes, exactly.
- Rupali:** Okay, understood. Thank you.
- Moderator:** Thank you very much. Next question is from the line of Priyank Chheda from Vallum Capital Advisors. Please go ahead.
- Priyank Chheda:** Yes. Hi, sir. I just wanted to cross-check. Have you booked any PLI income in this quarter? And the numbers that you alluded to the receivers that you will be witnessing in FY'24, '25, '26, if you can repeat that number again in terms of PLI?
- Rishabh Jain:** No, no. So we have not booked PLI income as of now. So we'll book PLI income in last quarter of this year once we complete all the capex commitments.
- Priyank Chheda:** And the expected amount is around INR30 crores, correct, if I'm wrong?
- Rishabh Jain:** For FY, so we'll book three years of PLI income, FY22, '23, and '24. So the amount will be close to INR95 - INR96 crores close to this.
- Priyank Chheda:** Okay. This will be a cumulative income for the three years?
- Rishabh Jain:** Yes, it will be part of other operating income. For three.
- Priyank Chheda:** Other operating income. And then for the subsequent year, it will be around INR45 crores per annum, right?
- Rishabh Jain:** Yes.
- Priyank Chheda:** Okay. Okay. So my next question is on the ethnic snacks as a category. Now, despite the increase in the distribution reach in the core market and the focused market, and given the Q3 was a festive season, what explains the ethnic snacks as a revenue in terms of absolute sales has remained flat?

- Manoj Verma:** Can you please elaborate or clarify the question again?
- Priyank Chheda:** So my question is on the ethnic snacks, quarter on quarter, we have seen sequentially the revenue sales has remained flat, right? So given the festive quarter, this sales should have grown at a much faster pace, right?
- Manoj Verma:** No, so if you look at it in terms of growth, so YoY growth, if we look at, you know, on ethnic snacks is 15.36%. So I don't know where this flat number, I mean, perhaps
- Priyank Chheda:** I'm referring to a sequential quarter because YoY, the comparison becomes distorted because of the festive season moving in the previous quarter? So I'm just keeping a benchmark on the sequential basis?
- Manoj Verma:** Understood. Apologies, you know, for this thing. So let me tell you, you know, there's always, you know, if you see quarter two is high in terms of consumption, so there's a seasonality impact, right? And which is what it is. So therefore it's always good to have a like to like, you know, look on this stuff.
- Priyank Chheda:** Got it. And, one more data keeping question, advertisements expenses was 3% in this quarter, correct?
- Manoj Verma:** Yes.
- Rishabh Jain:** 2% to 3%.
- Manoj Verma:** See, this is the heaviest of all, so quarter two, quarter three is where most of us spend, goes in. So yes, this quarter, it was, it was high.
- Priyank Chheda:** And what would be the same number for the YTD?
- Rishabh Jain:** So overall YTD, our target is to be at around close to 2%.
- Priyank Chheda:** 2% and this would be the similar, similar cost for full year, right?
- Rishabh Jain:** Right.
- Priyank Chheda:** Got it. All right. Thank you.
- Moderator:** Thank you very much. As there are no further questions, I will now hand the conference over to the management for closing comments.
- Manoj Verma:** Thank you once again to all the investors and the organizers for this call. Hope we were able to answer any of the queries which came up, but we'll be glad to connect, you know, one-on-one and just in case if there are any of the leftovers. Thanks once again for all your support and cooperation.
- Moderator:** Thank you very much. On behalf of S-Ancial Technologies Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.