



15th May, 2023

<b>National Stock Exchange of India Limited,</b> Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.  <b>Symbol: ADFFOODS</b>	<b>BSE Limited,</b> Department of Corporate Services, Phiroze Jeejeebhoy Towers , Dalal Street, Mumbai - 400 001.  <b>Scrip Code: 519183</b>
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Dear Sir/Madam,

**Subject: Transcript of Q4 and FY 2022-23 Earnings Conference Call.**

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we attach herewith a copy of the transcript of Earnings Conference Call held on Tuesday, 9th May, 2023. The same is also available on the website of the Company at [www.adf-foods.com](http://www.adf-foods.com).

This is for your information and record.

Thanking You,

Yours faithfully,  
For **ADF Foods Limited**

**Shalaka Ovalekar**  
Company Secretary

*Encl: As Above*



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“ADF Foods Limited  
Q4 FY '23 Earnings Conference Call.”  
May 09, 2023



**MANAGEMENT:** **MR. BIMAL THAKKAR – CHAIRMAN AND MANAGING DIRECTOR – ADF FOODS LIMITED**  
**MR. SHARDUL DOSHI – CHIEF FINANCIAL OFFICER – ADF FOODS LIMITED**  
**MR. DEVANG GANDHI – CHIEF OPERATING OFFICER – ADF FOODS LIMITED**  
**MR. SUMER THAKKAR – SENIOR MANAGER-BUSINESS DEVELOPMENT AND STRATEGY – ADF FOODS LIMITED**

**MODERATOR:** **MR. IRFAN RAEEN – ORIENT CAPITAL**

**Moderator:** Ladies and gentlemen, good day, and welcome to the ADF Foods Limited Q4 and FY '23 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 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. Irfan Raean from Orient Capital. Thank you, and over to you, sir.

**Irfan Raean:** Thank you, Aman. Good evening, everyone. On behalf of ADF Foods Limited, I extend a very warm welcome to all participants on Q4 and FY '23 Financial Results Discussion Call. Today on the call, we have Mr. Bimal Thakkar, Chairman and Managing Director; Mr. Shardul Doshi, CFO; Mr. Devang Gandhi, COO; Mr. Sumer Thakkar, Senior Manager, Business Development and Strategy.

I hope everyone had an opportunity to go through our investor deck and press release that we have uploaded on exchanges and on the company's website. I would like to give a short disclaimer before we start with this call. This call will contain some of the forward-looking statements, which are completely based upon our belief, opinion and expectation as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

With this, I hand over the call to CMD, sir. Over to you, sir.

**Bimal Thakkar:** Thank you Irfan. Good evening, everyone, I am pleased to welcome you all to our Q4 and financial year ended 31st March '23 Earnings Conference Call. It gives me great pleasure to announce that the FY '23 standalone and consolidated revenue is the highest in the history of our company. Also, the standalone and consolidated PAT for the year is the highest in the history of our company. This shows that the demand for our product continues to remain strong and our efforts to improve the product portfolio, introduce new innovative products and meaningful investments in marketing are giving positive results.

On a standalone basis, we recorded revenue of INR353 crores for the financial year '23, an increase of 17% year-on-year. Standalone EBITDA and PAT for the year are INR76.8 crores and INR60 crores, respectively. I'm pleased to announce that the Board has recommended a dividend of INR5 per share. Also, the Board has approved a subdivision of the equity shares of the company having face value of INR10 per share each into shares having face value of INR2 per share.

During the year, we've launched 35 new products under our flagship brand Ashoka, and have forayed into 2 new categories, plant-based meats and frozen desserts. Our flagship brand, Ashoka, has now crossed INR200 crores in revenue, growing at a CAGR of 33.2% over the last 2 years. We continue to strengthen the brand with meaningful advertising and marketing that will lead to an increase in shelf space.

Further, the Board has approved investment in Telluric Foods India of up to INR5 crores in INR50 lakh optionally convertible redeemable preference shares having a face value of INR10 per share each, considering the future business plans of this subsidiary. This is a strategic investment to develop the Soul brand over the coming years. The company is targeting more D2C listings and is looking at extending its product offerings with an urban-centric focus.

During the year and particularly in the last 2 quarters, we have seen softening on freight costs, which have had a positive impact on our margins, and we are monitoring these costs closely. There are a few inflationary pressures on some key raw materials in the same quarters, but we are working on mitigating them by continuing cost optimization, better product mix and improved operational efficiency.

On the operational side, we completed debottlenecking efforts at our existing plants in Nadiad and Nashik. We have incurred a capex of INR5 crores, which will yield a potential revenue of INR30 crores. Our greenfield expansion in Surat is expected to be completed within 18 months from the time we break ground, which is anticipated in Q2 of financial year '24. The growth will expand our frozen food capacity and unlock the next level of growth.

On overseas operations, we have made significant investments in our subsidiaries in creating infrastructure and improving supply chain, the result of which are expected to yield in the future. Also, ADF U.S.A., one of our subsidiaries did not contribute last year due to supply chain issues, which led to an adverse effect of INR7 crores in profitability. We are closely working on the situation to mitigate these losses. We remain focused on leveraging our expertise to drive growth and profitability in the future.

That's all from my side for the moment. I will now hand over the call to Shardul for the financial updates. Over to you, Shardul.

**Shardul Doshi:**

Thank you, everyone. Good evening, everyone. Thank you for joining us today. Let me brief you on the financial highlights for the quarter and financial year ending 31st March 2023. Standalone Q4 FY '23 revenue stood at INR98.2 crores, which is an increase of 19% Y-on-Y. Standalone EBITDA for the quarter is INR28.3 crores, an increase of 99.8% year-on-year, with a margin of 28.8%.

PAT INR20.3 crores, an increase of 71.8% year-on-year with a margin of 20.7%. On a full year basis, Standalone revenue is INR353.3 crores, a growth of 17% year-on-year. As Bimal mentioned, this is the highest Standalone revenue in the history of the company. Also Standalone EBITDA for FY '23 is at INR76.8 crores with a margin of 21.7% and PAT INR60 crores with a margin of 17%, with highest Standalone PAT and PAT margin on a full year basis for the company.

In Q4 FY '23, consolidated revenue grew by 13.8% to INR123.1 crores year-on-year, while EBITDA and PAT grew by 73.2% to INR26.5 crores and 42.6% year-on-year, INR16.1 crores, respectively. For FY '23, consolidated revenue grew by 6.9% to INR450.3 crores year-on-year,

while EBITDA and PAT grew by 21.1% to INR80.6 crores and 15.1% year-on-year at INR55.9 crores, respectively.

The consolidated PAT has reduced because of the following reasons. One, in FY '23, ADF Foods incurred a loss of INR5 crores on account of supply chain disruption. For FY '22, this business generated a top line of INR32 crores and net profit of INR2.5 crores. Further in FY '21 full year operations, revenue was INR53 crores and net profit was INR6.5 crores. So the impact from the previous year is almost INR7 crores at a profit level.

In addition to this, the company is making meaningful investments in sales and marketing to create awareness for ADF soul brand in India. This has resulted in a loss of INR2 crores. This is all from my side. We can now open the floor for a question-and-answer session. Thank you.

**Moderator:**

First question is from the line of Ravi Naredi from Naredi Investments.

**Ravi Naredi:**

Fantastic results you had posted so far. Sir, in U.S.A., we get lots invested, we are expanding there. So what is our main agenda for U.S.? And what is -- what things are in your mind for expand the company.

**Bimal Thakkar:**

Thank you, Mr. Ravi. So U.S., we have 3 subsidiaries in the U.S.. Subsequently, which has incurred a loss is ADF Foods USA, which was -- which is the one which is handling our PJ's and Nate business. There, we've had a problem with our supplier because these products are made locally in the U.S.. And we've had some issues with them, and we are in litigation with them in the U.S., which is why that business did not contribute and actually is the main reason for the losses.

The other 2 subsidiaries are, in fact, one is our distribution business, which has grown significantly since we've taken over our -- one of our distributors in the U.S.. That business for us is we are moving up the value chain. We are supplying directly now to the retailers having better control of distribution of our products which has seen growth of our Ashoka brand also in the U.S. because of that.

So we will -- and the warehouses are -- the investment in the warehouses is for that business. The third subsidiary is our agency subsidiary, where we've got Unilever and Ekaterra brands Agency. That business, because of the transition, Unilever sold this business to Ekaterra last year. And in the transition, there were certain delays in supplies, which led to a lower sale.

So these 2 subsidiaries of ours, the ADF Holdings and the Vibrant Food subsidiaries are very much on track, and we'll continue to invest and grow that business, and that's going to be that you will see the results over the coming years. The ADF Foods USA, we are looking for alternate suppliers and hope to get this matter resolved in this year.

**Ravi Naredi:**

So this supplier is in litigation. So how much the litigation fees?

- Bimal Thakkar:** So we've -- had I think so far, we've spent probably \$60,000 on the fees, \$60,000 or \$75,000 on the lawyer fees so far.
- Ravi Naredi:** By what time we will be set in this case likely to settle?
- Bimal Thakkar:** So we're hoping before September, I mean, the matter is in litigation, it's in the courts. So we hope to have some resolution, but the timing is not really in our control, but we are looking for alternate for suppliers. So we hope to be able to close down or close out on one of them again in this year itself.
- Ravi Naredi:** So financial year '24 will generate any revenue or profit for the U.S. business?
- Bimal Thakkar:** Yes. Yes, that is what our endeavor is, and we are pretty sure we should be able to generate profits in the U.S. business.
- Ravi Naredi:** Okay, okay. And sir, this ADF SOUL you are making big in India. So are we doing any advertisement or what strategy we are following. So there was a loss INR22 crores in this business.
- Bimal Thakkar:** So for ADF Soul, that's the brand for India. We are going to launch it. We did a test launch on e-commerce platform. So we were on Amazon, and we had our own website through which we were selling. Now the plan is to expand our distribution on e-commerce. And the investments, what we are making here on the brand building is on advertising on digital media.
- And this business will be in an investment mode for the next 2 years. And then after that, we expect to move into the supermarket or modern trade business. And then last would be in the general trade. So in the next 5 years, we should be across all verticals in the Indian market.
- Ravi Naredi:** Sir, Patanjali, we have started last year any revenue, which has been generated for a company in a big way?
- Bimal Thakkar:** So it has -- I mean, it's not in a big way. We've done about 1 million, I think, close to GBP 1 million in revenue last year. The business started off late. Our first shipments only reached in May of last year. And we are now looking at some more products within the portfolio to be added on and we expect this to continue to grow. We are hoping for at least 100% growth this year on that business as well.
- Ravi Naredi:** So this Patanjali, we are looking only for Britain, not for U.S.?
- Bimal Thakkar:** No, not for the U.S. We have for U.K. and we have for Europe as well. But for Europe, we are working on certain labeling requirements. So we hope to have that completed by September of this year because we have to work with the company and the EU regulators to see what products can come in and how the rating has to be done. So that process takes a little bit of time. So we hope to start the Europe business also in the second half of this year.

**Ravi Naredi:** With such a hard seat in the business, you had given a very fantastic result. You are a magician here. Sir, this Surat facility, how much capex will they need and how much turnover it may generate when complete?

**Bimal Thakkar:** So Ravi bhai, we are looking at breaking ground from next month. And we expect this facility to be ready where we have commercial production within 18 months after we break ground. The investments out there are going to be done in 2 phases. Phase 1 will be a INR50 crores investment. Phase 2 will be another INR30 crores investment. And on the completion of Phase 2, we expect this business to contribute at least 3x. Minimum 3x of what we've invested. So around INR250 crores is what we expect minimum that this plant will give at full capacity.

**Moderator:** The next question is from the line of Rishi Maheshwari from Aksa Capital.

**Rishi Maheshwari:** Congratulations on a good set of results. I had 2 questions. The first one is on a presentation slide that you had pointed on Page -- Slide #21. This is on Ashoka brand. It seems like its done fantastically well from INR119 crores to INR211 crores over the last 2 years. Context to that, if I had to take the total prepackaged food in FY '21, this was about INR293 crores. So the non-Ashoka brands in that year would have been about INR174 crores.

From there, when I look at the total prepackaged foods in the financial year 2023, that is INR362 crores. I subtract Ashoka brands from there, about INR211 crores. That leads to me on the other brands' contribution to the total revenue is about INR151 crores. It seems like all the other brands has seems to have declined over the last 2 years, from INR174 crores to INR151 crores.

I'm sure there's some context to it, and you'll be able to explain because from what I understand, whether the Camel, whether it was truly Indian or whether it is Aeroplane. All of them had some form of growth over the last 2 years. So if you can explain what do you -- how do you see -- how do you explain this decline in growth over the last 2 years on non-Ashoka brands. And how do you see these pre-packaged foods growth going ahead?

**Bimal Thakkar:** Your assumption on the balance part after removing the Ashoka revenue is not absolutely 100% correct because we also have B2B and private label business. So if you look at our whole business of the Standalone entity, 30% of our revenues comes from B2B and Standalone -- I'm sorry, from B2B and private label. And the 70% is the branded business, okay? Within that 70%, Ashoka is the main part of our business. And all the other brands have grown. Shardul, you may want to share what percentage growth has been done for the other brands.

And as far as going forward, we expect our Ashoka brand to continue growing aggressively. The Truly Indian brand also is another brand, which we are targeting towards the mainstream. So Ashoka brand caters to the South Asian Diaspora worldwide. Truly Indian brand is targeted to the non-Indian or the mainstream clientele and it's currently launched in Germany and in the U.S., and now we are expanding our product portfolio pipeline in the Truly Indian brand in the U.S.. So we expect growth in that brand as well in the years to come. And Shardul, do you want to just give a flavor of the other brands, how they've grown in the last year?

- Shardul Doshi:** So just to give you, Rishi, the B2B business, which included the bulk as well as the private label, we used to do almost 32% of our total revenue a few years back at more than 30% and down to 25%. Of course, we want to grow this business also. But all of our branded business, in fact, including Camel, Aeroplane and Truly Indian they've all grown in these 3 years other than the Ashoka business also.
- Rishi Maheshwari:** Fair enough. And sir, how do you see this growth going forward? What is the expectation in terms of growth for the prepackaged food? - should we assume that this will be mid-teen growth that -- or it can be higher at 20% or so?
- Bimal Thakkar:** So I mean, our endeavor is Standalone business of ours. We want to double it every 3 years. So we should be looking at growth of about 25% year-on-year. That's what our endeavor is. Last year, I think we've grown this by about 22% or 23% last year.
- Moderator:** The next question is from the line of Pankit Shah from Dinero Wealth.
- Pankit Shah:** Sir, actually, I wanted to get some clarity on the margins. So you mentioned that we'll be at the similar levels what we did in FY '23, right, for the consolidated business?
- Bimal Thakkar:** Yes.
- Pankit Shah:** So that's around 18%.
- Bimal Thakkar:** Correct.
- Pankit Shah:** Okay, okay. But actually, if we see the raw material costs have been pulling down and further the freight rates have also corrected. So probably the right time for our margins to achieve that?
- Bimal Thakkar:** So the freight rates have softened, and that's what has helped us in the last year. Going forward also, we think that these rates will be stable. Some of the raw materials are still not -- I mean, there has been a reduction, but it's still not at pre-COVID levels, some of the raw materials. So there will be some pressure on the raw materials.
- And plus because of the reduction on freight rates, etcetera, we have also passed on some benefit on to the consumers as well by doing some consumer offers. So we are going to try and, of course, our endeavor will be to improve on the margins, but we feel confident we'll be able to at least maintain these margins.
- Pankit Shah:** Okay. And other thing I wanted to understand is what are the PLI benefits that we have booked in FY '23?
- Bimal Thakkar:** Shardul, you want to get that?
- Shardul Doshi:** So as far as PLI is concerned, we have booked INR8 crores of PLI income in FY '23. Just what we have also done is in FY '22, we had booked INR7.5 crores of PLI, which government later



on came up with a change in a scheme where the 5-year block of PLI, which was from FY '22 to FY '26, they changed it to FY '23 to FY '27. If this happened post our declaration of results last year. And hence, we had to do this in the current financial year. So when you see net PLI income is only INR50 lakhs in the current financial year.

**Pankit Shah:** Okay. And this is booked under other income?

**Shardul Doshi:** No, it comes as the income from operations.

**Pankit Shah:** Okay. And this will be a complete INR8 crores next year or INR8 crores plus?

**Shardul Doshi:** Yes.

**Pankit Shah:** Okay. So on coming back to the PLI part. So have we increased our spending into international branding and marketing?

**Bimal Thakkar:** Yes, we have been increasing our marketing spend, even -- so the marketing spend is what we do is we have a full 360-degree approach. So we've got digital, we've got television advertising, sampling, in-store promotions. So yes, that is all -- we buy a shelf space. So all these things, we have accelerated and increased our spend on this.

**Pankit Shah:** Okay. And are we yet to see the benefits coming out of it?

**Bimal Thakkar:** Yes, yes. This is an ongoing process in every market as you keep launching new products, you have to promote them as well. So this will be an ongoing process, and it is definitely helping the brand grow and the awareness of the products and the brand becoming better and stronger.

**Moderator:** The next question is from the line of Faisal Hawa from H.G. Hawa and Company.

**Faisal Hawa:** We were in talks with two majors for a distribution agreement for U.S. any progress in it-- sorry, for two companies for U.S. distribution. So is there any progress on inking those agreements?

**Bimal Thakkar:** So we have -- so what has happened is right now in the U.S., we are actually, the whole Unilever business has been split into two. The new owners, Ekaterra, have signed a 5-year contract. I mean, 5-year agreement with us. So we continue on with the new owners and with Unilever, we are continuing. And we are in conversation with one more, which we hope to complete off in the next few months. So yes, they are very certain that we will be at least landing one more new company for distribution in the U.S.

**Faisal Hawa:** So there is still the talks are ongoing?

**Bimal Thakkar:** Yes. It's right at the final stage. It's just the agreement has to be signed. That's -- it's more or less at that stage. There are certain FDA requirements. We want to make sure all that gets done before we sign off right. So packaging changes, certain formulation changes, all those have been underway, and we now hope to get everything completed within the next month or two.

**Faisal Hawa:**

So like in general trade, which you said that you want to now increase the penetration in the U.S.A., what is going to be our overall strategy? And how much have you penetrated so far in the U.S.? That's one. And second is for modern trade, like for Walmart and all. So do you have any data as how many stores you may be presented at this point of time and how many other stores, which we can -- where there is an Indian diaspora for where we can probably aim to penetrate with our products? And do we have any schemes for universities that a lot of Indian students are starting. So are we trying to penetrate those areas also on an independent basis?

**Bimal Thakkar:**

Yes. Yes. So there are 3 verticals, as you rightly mentioned. One is that -- so the general trade is more what you are referring which caters to the South Asian Diaspora. And our company has a very strong distribution network where we have 2 locations, which we are servicing directly the retailer and the other locations are being serviced by another 10 of our distributors in those markets.

We continue to grow in that business. We continue to expand our presence on the shelves increase the penetration and the width of our distribution in these stores. The Ashoka brand primarily is sold through these outlets in the U.S.. The second part is the mainstream part, which is a modern trade, which you call. That is something the Truly Indian brand, as I mentioned earlier. That is the brand which we intend to grow in the U.S. market.

At the moment, it is a very negligible reach that we have there. We hope to expand that in the years to come and be a dominant player in there. So it's not just the supermarkets. We are also targeting club stores like Costco and Sam's Club, which also cater to the non-Indian diaspora or mainstream diaspora. So there is still work in progress, but we see a huge runway on that in that market for us.

And the third one, where you talked about the college stores and campuses that falls under a different vertical. So the U.S. is -- in the U.S. market, there are different verticals for all this and different distribution channels. And this falls under a food service channel. And we have, in fact, just appointed a new Head of Food Service, who joins us from the middle of, in fact from the 15th of May, which is next week.

She joins in, and our goal is to cater to the -- get into the food service side, which means restaurants, college campuses, commissaries and then there are convenience stores on college campuses. So that all comes under the food service side, and that will all be under the Truly Indian brand. So that's also something which we are starting off now.

**Faisal Hawa:**

So would it be a good statement to make that a year from today when the Surat facility is on stream, we would be then safely growing like 20% year-on-year for the next 3 to 3.5 years.

**Bimal Thakkar:**

Yes. That is our plan, and that's how we -- that's why these investments are being made so that when we have the market ready for it, we have the back end also available for us.

- Faisal Hawa:** So I mean, if we are still not even penetrated a Sam's store, Sam's Club or Costco as yet. So I mean, that's like a huge opportunity, which would really like open up and the kind of way they promote the production so exclusively, I think that could be a big breakthrough for us?
- Bimal Thakkar:** Absolutely, right. Absolutely right. And that's why even in the Surat facility, even though we are looking at -- that's why we are doing Phase I, Phase II, and then we can even do a Phase III there because we've got a large parcel of land there. So, we have scope to expand in that facility as and when required.
- Moderator:** The next question is from the line of Rusmik Oza from 9 Rays EquiResearch
- Rusmik Oza:** My question was on the PLI scheme on Slide 20, you mentioned that the maximum incentive we can get from PLI scheme INR61.35 crores, out of which I think we have booked around INR8 crores. Can you give us some part of how the balance can be booked because the presumed to be received between FY'23 to FY'28 a 5-year window. Some color on how the calculation is done. And what kind of incentives we will book in the next 3 on a year-to-year basis?
- Bimal Thakkar:** So I'm going to let Shardul answer that. But the whole PLI scheme has been for marketing and brand promotions. So we will continue to invest on that front because that is on -- we have been granted scheme under that heading. And how it's going to be broken up, Shardul will give you more details on that over the next 4 years, how we'll be gaining that.
- Shardul Doshi:** Right. So the way it's going to work is every year, the amount is going to go up because it's based on the top line growth, which we will achieve. And that's how the projections have been given to the government. And based on that, they have given us a sanction. So INR61.35 crores for us to get this, we'll have to say, spend INR123 crores. So 50% of that will come back from the government.
- Now this is over a period of FY '23 to FY '27. Those are the 5 years in which we have to spend this money and get this money. And also every year, the top line will grow assuming 20%, 25% growth will happen. We will get this money based on the top line percentage also.
- Rusmik Oza:** So does it mean that the INR8 crores going up to 10-plus next year then to 12, that's the part one can look at?
- Shardul Doshi:** Yes, amount may differ what you just mentioned, but what you say is correct. So in the last year, it will go up to almost say, INR15 crores, INR16-odd crores also.
- Rusmik Oza:** Okay. And I think you all had mentioned earlier, this will be booked in other operational income, right?
- Shardul Doshi:** Correct.
- Moderator:** The next question is from the line of Hatim Broachwala from JM Mutual Funds.

**Hatim Broachwala:** Sir, one question I have is that when we say that the margins are sustainable at current levels. So are we referring to the yearly margin or you are referring to the Q4 margins?

**Bimal Thakkar:** No we are referring to the yearly margins. We should be able to improve it further. But yes, our Q4 was an exceptional quarter. Our endeavor will be to try and be as close to the Q4 numbers in terms of margins. But yes, on the safer side, we are going to be looking at the annualized gross margins.

**Hatim Broachwala:** Sir, are there any one-off levers in the Q4 margins because there's a very big gap between our yearly margins and Q4 margin or are there any seasonal effects which has led to very high Q4 margins?

**Bimal Thakkar:** Shardul, do you want to get that? So when we are talking about the margins, I'm talking about the Standalone ones and not the consolidated. But Shardul, you may want to give them clarity on this.

**Shardul Doshi:** Sure. So then, the main reason why the margins are high, the freight cost has come down so in the beginning of the year, we are at around 18%, 20% to now it's around 8%. So that's the main variation, which has happened in terms of cost structure. But I think what will happen is there's some of this benefit as Bimal just mentioned, we will have to -- we will also pass it on to the customers by way of consumer offers and those stuff. So though there is no exceptional item here and the margin that the cost structure will remain like Q4, we will have to pass on some of the benefits to the customers. And hence, we are sticking to the annual number.

**Hatim Broachwala:** And are there any seasonal variations in margins in our business? Apart from adjustment which you are -- which you will be making, keeping aside that, are there any seasonal variations in our margins?

**Shardul Doshi:** Not really. But our top line in H2 is generally stronger than H1. And within H1 also, Q2 will be stronger than Q1. So what happens is your fixed cost apportionment in that quarter will show a slight decline in, say, from Q1, and then it will start moving up in quarters to come. So there is no seasonality as such, but seasonality is in terms of the top line is what we achieved. So that's that.

**Moderator:** The next question is from the line of Ranjeet Zaveri from Zaveri Consulting.

**Ranjeet Zaveri:** Sir, congratulations on a good set of numbers and on the margin front. Questions on our global plants. So I wanted to ask what would be a reasonable time line for resolution of U.S. supply chain issues related to PJ's and Nate.

**Bimal Thakkar:** So with our current co-packer, as I mentioned, we are in litigation with them. So we don't know how long that would last. We are hoping within -- by September, we should have some resolution on that part. And we are in discussions with another co-packer on sharing those products for us. So that also, we hope to have some resolution and approvals on that facility, both commercial and technical, by September, August.

- Ranjeet Zaveri:** Okay. And sir, what is the margin profile for this business on gross and EBITDA basis any book number if you can throw?
- Bimal Thakkar:** So right now, we need to work out the commercial with the new co-packers. So it's going to be difficult for me to give you any margin numbers. But earlier, this business used to generate about 12% to 15% EBITDA for us.
- Ranjeet Zaveri:** Okay. And sir, one just last question. Sir, the products of PJ's and Nate, where they will be sold -- they will be sold to big box retailers? Or small local stores and revenue in expectation -- yes.
- Bimal Thakkar:** They are typically sold in all the modern trade outlets within the supermarkets that where they're sold. So what will happen now for us is that we will need to once the brand has been now out of the market for about a little over a year, it would entail again, going back to the retailers, re-list the product. So that could give a little bit of time.
- That's why I can't give any guidance on how that will work out immediately. So we first need to have co-packer ready and then start going out with the products into the marketplace. But the other business in which we are looking at on the Truly Indian side. Those businesses are something which is already in the pipeline. So we should start seeing some positive results coming out of that on both the food service and supermarket side of the business. On the truly Indian, we expect that to happen much faster this year.
- Ranjeet Zaveri:** Okay. And sir, just last, any revenue guidance once the production resumes?
- Bimal Thakkar:** On the PJ's Nate -- it's going to be very difficult for me to give a guidance still until we tied up all these loose ends and start approaching the retailers again.
- Moderator:** The next question is from the line of Pritesh Chheda from Lucky Investment Managers.
- Pritesh Chheda:** Sir, I joined the call a bit late. I just want to know, now from the supply side, how we are positioned, first, with respect to the lease plan that we had taken and then with respect to the greenfield that we are going to put up. So how are we stacked up on the supply side now?
- Bimal Thakkar:** So we are in a comfortable position at the moment. Our debottlenecking has happened in the Nadiad and Nashik factories. So that has helped in increasing capacity lease plant. We are continuing out there as well. The greenfield project, we are going to break ground from next month. So, we expect that to be ready within -- in 18 months from the time we break ground.
- Moderator:** I see that we have lost the line for Pritesh. We will move to our next question. That is from the line of Anoop from First Impression.
- Anoop:** I was just wanted to know about your investment in Naansence which we had talked about last year.

**Bimal Thakkar:** Yes. So I think we -- you might have missed out, Anish, we decided not to pursue that opportunity. And we, in fact, we gave intimation to the stock exchange also on that, that we are not pursuing this.

**Anoop:** I missed it. Sure.

**Moderator** Next question is from the line of Pankit Shah from Dinero Wealth.

**Pankit Shah:** Actually, my questions already been answered. Just wanted to understand about the U.S. subsidiaries is loss-making and contributed INR5 crore loss was wanting to understand that the outlook for the FY '24 is that the losses won't be there and some contribution to the revenue also flow in? So I said it's partially answered. Just wanted to clarify that the U.S. subsidiary, which contributed INR5 crores loss for FY '23, so next year, the outlook is -- the losses won't be there and probably some contribution to revenue will also flow in right?

**Bimal Thakkar:** Yes, we will -- we are hoping to have some positive contribution next year. And of course, we are doing everything to turn down the losses which we incurred last year. So it is going to take some time for it to turn around, but it's obviously going to be a lot better than what happened last year for us on the ADF Food side.

**Pankit Shah:** Okay. Okay. And if you can throw some light on the acquisition side, if you are currently actively looking for it or we are close to something and how are you placed?

**Bimal Thakkar:** So we constantly get proposals, we keep evaluating them. In fact, there was something which we evaluated a few months back but decided not to pursue it because it was expensive. Currently, also, there are a couple of proposals which we are evaluating. So as and when we have something more concrete, we will definitely make the announcement. But yes, this is something which we are actively pursuing and aggressively trying to see what can be -- what we can get in our fold.

**Pankit Shah:** And what would be the thought process behind it for acquisitions. So the earlier one which we decided which we called off, that was probably an indirect one right? So are we looking for a direct presence or a brand or an area where we aren't present, what is the thought process behind it?

**Bimal Thakkar:** And the last one was more to move up the value chain and have better control over our distribution, right? So we will -- and that has helped our business this year as well. And we continue to look at that side of acquiring businesses. And plus, we are also evaluating complementary products with the brand and distribution as well. So we are looking at both these.

We are not looking at anything in India because the valuations in India are very high. We are getting much better value propositions from the international markets and U.S. being one of our main markets, we are really looking at opportunities in the US.

**Moderator:** The next question is a follow-up question from Pritesh Chheda from Lucky Investment Managers.

- Pritesh Chheda:** Sorry sir, that line was disconnected. So you said that debottlenecking has happened in two plants. The lease plant is operational, and you are saying something more?
- Bimal Thakkar:** No, the lease plant is -- continues to produce. And the new greenfield project, as I mentioned, will be breaking ground next month and hope to have it ready -- Phase I ready within 18 months. And then yes, so we are on track. As far as capacities go. At the moment, we have no problems at the moment.
- Pritesh Chheda:** So this debottlenecking and lease plant, which you have for, let's say, the next 24 months, what kind of top line it can support?
- Bimal Thakkar:** So Shardul, do you want to get this, please?
- Shardul Doshi:** So the debottlenecking which we have done in our existing plant in Nadiad and Nashik. See the one is -- we have spent INR5 crores in the last financial year and almost INR20 crores in the last 2 years. So we have already created -- with this INR20 crores, we have created revenue potential of almost INR100 crores for debottlenecking, which we have been doing in the last couple of years.
- The greenfield, which we are doing, that's going to give us, as Bimal mentioned this INR80 crores total capex we'll be spending, and we are looking at 3x top line from it. So that's the kind of growth which will get from the capex, which we are planning to do.
- Pritesh Chheda:** No, I asked you on the lease plant, sir.
- Shardul Doshi:** We have not done any debottling. Lease plant.
- Pritesh Chheda:** I'm asking sir, what is the revenue potential out of the leased plant.
- Bimal Thakkar:** Can I take that, Shardul?
- Shardul Doshi:** Yes. Yes.
- Devang Gandhi:** Yes. The lease plant will give us a revenue -- a full revenue potential of about INR30 crores.
- Pritesh Chheda:** Okay. So that explains. So basically, INR130 crores of business you can do or obviously, out of which something would have slowed in FY '23, right, out of the INR130 crores?
- Bimal Thakkar:** Yes, Right.
- Pritesh Chheda:** So let's say, a residual of INR80 crores, INR90 crores is possible?
- Bimal Thakkar:** Yes.

**Pritesh Chheda:** Right. Because INR335 crores and went to INR360 crores, that's \$30 million. So basically, let's say, about INR100 crores is possible from your existing setup over the next 2 years, you have that capacity, whether it's possible or not, but you have that capacity?

**Bimal Thakkar:** Yes, correct.

**Pritesh Chheda:** Okay. My second question is, sir, on the distribution side, we were looking at a slightly faster growth and some tie-ups and all. What happened on the distribution side? Any progress? And why is the growth not emerging?

**Bimal Thakkar:** So what happened last year was, as you know, we had some of the Unilever specialty brands, which we were distributing in the U.S. and in the UK. Last year, Unilever Worldwide decided to hive off the tea business to another private equity. So that during that whole transition process, there were some -- the transition wasn't as smooth as anticipated, and there were certain disruptions in the supply of products, which led to a degrowth of our business on the distribution side. Now things have gotten back to normal.

And this year, we are expecting the Ekaterra side of the business, the tea side of the business, which has now been acquired by Ekaterra we expect that to grow. And we have the Patanjali business in U.K., Europe, which will also grow for us. That started off late for us last year. So this year, we expect that to double up in size, and they are planning to open up Europe as well with the Patanjali products. And we are also close to tying up one more distribution agency which, hopefully, within the next 2 months, we will have that tied in. So by the time the supplies come in, it will be by September that we would have started off with that -- with the new agency as well.

**Pritesh Chheda:** So what kind of growth is possible here in the distribution business?

**Bimal Thakkar:** So this year, Shardul, what is it that we have, what are the guidance on the distribution side?

**Shardul Doshi:** So this business will give us around 10% to 15% growth.

**Pritesh Chheda:** With all these additions, Patanjali.

**Bimal Thakkar:** Not considering the new agency. So with the new agency since we only have half a year, it will probably be -- I would safely say around 15% to 20% growth we should expect from this distribution business. But our core business, which is our own brands, that is where we are looking at a 25% growth, around 25%.

**Pritesh Chheda:** Okay. And last question, I couldn't comprehend that co-packer issue that you have, which is going to resolve over 6 months. What kind of top line is it?

**Bimal Thakkar:** So as I mentioned, that is -- we still have to -- we are in discussions with another co-packer there is technical and commercial arrangements, which are still being ironed out. And then after that is done, we -- your brands have been off the shelf for over 1.5 years. So getting back onto the



shelves is not a very simple process. So it's very difficult for us to give guidance on -- once we've tied in with the co-packer, what kind of revenue growth we can look at or what kind of revenue we can look at from those brands in this year.

But we have the Truly Indian brand, which we are promoting and expanding in the U.S., which has just started. So we expect this ADF Foods USA, which is the entity which does the PJ's Nate, and we'll be doing the Truly Indian brand. We expect that to at least have last year, it was a huge negative contributor. This year, we at least expect it to contribute positively and not have the kind of loss we've had last year.

**Pritesh Chheda:** So this 25% growth that you mentioned is without assuming anything on that co-packer dependent branch, right? That's...

**Bimal Thakkar:** Yes. Yes.

**Pritesh Chheda:** Right.

**Bimal Thakkar:** Yes. Absolutely.

**Pritesh Chheda:** And this co-packer dependent brands, when they were normal, what kind of contribution to sales is that -- what percentage of sales is at?

**Bimal Thakkar:** So last year, Shardul how much was considered, I think close to INR37 crores or INR30 crores.

**Shardul Doshi:** INR32 crores top line was there and INR2.5 crores of profit last year.

**Pritesh Chheda:** Last year means '23 or '22.

**Shardul Doshi:** FY '22, sorry.

**Pritesh Chheda:** So '22 was INR30 crores, which was not there in '23.

**Shardul Doshi:** Yes.

**Pritesh Chheda:** So there was a -- so there was INR30 crores impact on account of it. So if you adjust for that, the growth would be 20%.

**Shardul Doshi:** Correct.

**Pritesh Chheda:** Right in the processed and preserve foods.

**Shardul Doshi:** Yes.

**Moderator:** Ladies and gentlemen, that would be our last question for today. I now hand the conference over to Mr. Bimal Thakkar: for closing remarks. Thank you, and over to you, sir.



*ADF Foods Limited  
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**Bimal Thakkar:** Well, thank you very much for your participation, and I look forward to connecting with you all in our next earnings call. Thanks, and have a good evening.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of ADF Foods Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.