6th August, 2024

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

Dear Sir/Madam,

Subject: Transcript of Q1 FY24-25 Earnings Conference Call.

Pursuant to Regulation 30 & 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we attach herewith a copy of the transcript of Earnings Conference Call held on Wednesday, 31st July, 2024 The same is also available on the website of the Company at www.adf-foods.com.

This is for your information and record.

Thanking You,

Yours faithfully,
For **ADF Foods Limited**

SHALAKA SWAPNIL OVALEKAR
Digitally signed by SHALAKA SWAPNIL OVALEKAR
Date: 2024.08.06 19:07:28 +05'30'

Shalaka Ovalekar
Company Secretary

Encl: *As Above*

“ADF Foods Limited

Q1 FY '25 Earnings Conference Call”

July 31, 2024

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MANAGEMENT: **MR. SUMER THAKKAR – PROMOTER, THE GENERAL MANAGER, SALES AND STRATEGY – ADF FOODS LIMITED**
MR. SHARDUL DOSHI – CHIEF FINANCIAL OFFICER – ADF FOODS LIMITED

MODERATOR: **MR. RAVI UDESHI – ERNST AND YOUNG**

Moderator: Ladies and gentlemen, good day and welcome to ADF Foods Limited Q1 FY'25 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 an assistance during this 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. Ravi Udeshi from EY. Thank you, and over to you, Mr. Udeshi.

Ravi Udeshi: Thank you, Manav and good evening, everyone. We welcome you to the Q1 FY'25 earnings conference call of ADF Foods Limited. To take us through the results and to answer your questions, we have with us in the top management of the ADF Food Limited represented by Mr. Sumer Thakkar, Promoter, the General Manager, Sales and Strategy; and Mr. Shardul Doshi the Chief Financial Officer.

We will start the call with an overview of the business and the current business update by Mr. Sumer Thakkar and then Mr. Shardul Doshi will give his comments on the financials. As usual, the standard safe harbor clause applies while we start the call. With that said, I now hand over the call to Sumer. Over to you, Sumer.

Sumer Thakkar: Thanks, Ravi. Good evening, everyone. Coming to the quarter gone by our consolidated revenues increased by 8.1% to INR121.6 crores on a year-on-year basis. We consider this decent growth despite lost sales in June due to unavailability of containers. We generally see the first quarter as a seasonally stable quarter with growth picking up in the second half of the financial year. We continue to witness strong demand across all our brands. Our flagship brand Ashoka saw a continued addition of new products as well as increased penetration in existing markets.

Our India-focused Soul brand expansion is going as per plan and seeing good traction. Further, we're gearing up for strategic expansion into additional quick commerce channels as well as modern trade set to energize the market in the second half of FY '25. We remain committed to achieving our aspirations target of achieving INR100 crores within the next three to four years.

Our US expansion of the brand Truly Indian is on schedule and seeing increasing engagement amongst various supermarkets. It has been newly listed in several supermarkets as well as on the online format by Amazon. We launched new product categories including frozen breads, snacks, wraps, ready to eat curries and ready to eat rice. The brand has been newly listed in a few regional supermarkets in the US and is available on Amazon, as I mentioned. We expect these listings to start contributing to the topline towards the end of Q3 FY'25. We have a new team in the US, and we'll be investing in this brand to target the mainstream audience. We remain confident that Truly Indian as a brand has the same potential as Ashoka in the long run.

Our agency distribution business saw a decrease due to supply chain issues as we spoke about previously. Our principal listing continues to support us in this difficult period, and we remain optimistic that these issues will be sorted out resulting in good growth in FY'25. We continue to be bullish in terms of our outlook for FY '25 and expect revenue growth to be upwards of 20%.

In terms of margins, we're looking at high-teen margins on a consolidated basis. We'll be making investments in our India business as well as the Truly Indian brand. Our Surat Greenfield Phase

1 expansion for catering to both new as well as existing lines for our frozen foods remains on track. Overall, we're excited about the future potential of the business and remain focused on achieving robust and strong financial growth going forward. I now hand over to Shardul who will comment on the financials.

Shardul Doshi: Thank you, Sumer. Good evening everyone. I'll first share the standalone performance. In Q1 of FY '25, we saw revenue from operations at INR97 crores. This marked a 14.7% Y-on-Y growth and 24.8% Q-on-Q decrease. We lost sales amounting to almost USD1 million due to non-availability of containers towards the end of the quarter. Our EBITDA for this quarter was INR22.8 crores, Y-on-Y increase of 7.8% and Q-on-Q decrease of 28.5%. While our EBITDA margin was 23.4% we saw impact on EBITDA due to lost sales and higher freight costs.

However, we were able to partly mitigate the same through cost control and process efficiency. PAT for the quarter was INR17.1 crores, a 4.6% increase Y-on-Y, 32.3% decrease Q-on-Q. Our PAT margin for the quarter stood at 17.7%. Moving on to the consolidated performance. Our revenues from operations for Q1 FY'25 was INR121.6 crores an increase of 8.1% Y-on-Y and a 20.9% decrease from the last quarter. Our EBITDA for Q1 FY '25 was INR19.6 crores, recording a decrease of 10.6% Y-on-Y and a decrease of 42.8% from the previous quarter.

Our EBITDA margin stood at 16.1%, a decrease of 340 basis points on a yearly basis. This was on account of aforementioned reason as well as continued investment in the Soul and Truly Indian brand. We are committed to invest into brand building for both Soul and Truly Indian through our respective subsidiaries in India and US. We are investing in building a strong professional team, too. All these efforts will lead to continued growth in our flagship brand, Ashoka and increased market presence of Soul and Truly Indian which will result in better growth going forward.

Our PAT for quarter was INR14.4 crores marking a Y-on-Y decrease of 2.1% and a Q-on-Q decrease of 42.5%. For Q1 FY '25, PAT margin stood at 11.8%. All our capex plans are on schedule. Cold storage at Nadiad will become operational in the next three to four months. We have commenced work on Greenfield too and we have finished with the land leveling and have received necessary local approval to commence construction there. We expect our Greenfield project to be commissioned by September '25. Our balance sheet continues to remain debt-free as on date.

Overall, we continue to judiciously invest in our manufacturing capabilities as well as our brand-building exercise in order to focus on increasing our margin profile as well as deliver greater returns in the long term. With this, I now request Ravi to open the floor for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Yes. I just wanted to understand two questions here. First, what would be the share of meat products in our sales? I believe we were launching it in 2021. So that would be one. And second, if you could provide a breakup in terms of your -- you mentioned margins it was due to freight and the brand investments between the two -- how many basis points you can attribute to?

Shardul Doshi: You were not clear, the first question. Can you just repeat what you were saying?

Pallavi Deshpande: On the meat side. Do we have how much is meat products?

Shardul Doshi: So, there is no meat which is being sold at this point of time. There is right now, Ashoka, Truly Indian, Soul, all our brands are essentially selling all the vegetarian products. What we have is a plant-based meat products in our product portfolio. And second, freight cost increased by almost 1% Y-on-Y which is almost in the range of 8% for this quarter. And our brand promotion expenses are almost to an extent of 7% right now of our total portfolio total sales.

Pallavi Deshpande: And there was 5%, 6% less last year. Is that right?

Shardul Doshi: Yes, around 6%.

Pallavi Deshpande: All right. And just coming back to the meat question because I believe in 2021, we had said something on the con call May '21 call that we will be launching and getting into that. So, was there a change of plan or were we never in it? Just want to confirm?

Sumer Thakkar: So, we were in meat many years ago when we had our PJ's organics brand there we used to do burritos with chicken and burritos with Turkey. But we wanted to launch meat under a new brand which was our Khansaama brand, but we -- so you can't export meat out of India to most countries but from the GCC. So, to sell meat, you actually have to produce it locally and we were unable to find a reliable contract manufacturer. So that's why we put it on hold for the moment. In the future, we have nothing against going into meat. So, if the opportunity does come up, then we will.

Pallavi Deshpande: Right. That's from me for now. I'll come back later in the queue. Thank you so much.

Sumer Thakkar: Thank you.

Moderator: Thank you. We have our next question from the line of Shalini Gupta from East India Securities. Please go ahead.

Shalini Gupta: Yes. Good afternoon to the team. I have a couple of questions. One was what was the capex during the year?

Shardul Doshi: So capex in the first quarter, what we have spend is around INR5-odd crores split between the cold storage and Greenfield and our normal capex. Total estimated capex between now and next financial year is almost INR100 crores between all these projects, which we have already planned.

Shalini Gupta: Okay. Sir, my second question is, were there any new listings in the USA?

Sumer Thakkar: Yes. So, as I mentioned in my opening remarks, Truly Indian has been listed in few new supermarkets as well as on Amazon. But it's -- I mean we'll actually see the numbers hit in Q3 of FY '25.

Shalini Gupta: Okay. So, I mean just to...

Sumer Thakkar: Sorry, these are not Pan-US supermarkets, they are more regional chains with the West Coast focus.

Shalini Gupta: Okay, regional supermarkets. Sir my other question is, last time, you were talking about listing in Germany that has given you access to 1,500 stores in Germany and 500 in UK. But somehow, we -- sorry to say this, but we don't find the impact of this in the results at all?

Sumer Thakkar: So, Germany has not been new listing. We've been listed in German supermarkets for in excess of four to five years. Now that's why we initially test marketed the Truly Indian brand. And that for us, contributes to about INR10 crores to INR12 crores in revenue on an annual basis. In the UK, our brand again is present -- the Ashoka brand is present both in certain supermarkets as well as ethnic stores, and we've been in the UK for several years now and it contributes to a significant part of our revenues.

Shalini Gupta: Okay. So, both these are not new -- sir both these are not new listings. Am I right?

Sumer Thakkar: If you're referring to -- as we announced, I think about last financial year, if I'm not mistaken, which was 700 stores. That remains on track to contribute USD1 million.

Shalini Gupta: Sir, can you please repeat yourself?

Sumer Thakkar: Sorry were you referring to the new listing in the UK where we got 700 stores? That we announced over the last year.

Shalini Gupta: Yes, that is what I was talking about. And I was just wondering when that listing will start kicking?

Sumer Thakkar: It has kicked in already, and it remains on track to contribute as we mentioned, USD1 million across the year.

Shalini Gupta: Okay. USD1 million?

Sumer Thakkar: Yes.

Shalini Gupta: Okay. And sir, gross margins have declined by 100 bps. So, what do you think will be the reason for this?

Shardul Doshi: It's primarily the sales mix which keeps changing between our quarters.

Shalini Gupta: Okay. And sir other operating costs have gone up by 18% Y-o-Y So what are the other operating costs, and which are the costs that have gone up?

Shardul Doshi: So, as I just mentioned freight costs, your marketing costs, these are the two big ones in this. This is because of the branding expenditure which we are incurring. Another thing which has increased is your professional fees because a lot of these new hires, they are working as professionals for us. These are all investments which we just talked about in terms of brand building as well as our people, human resources.

Shalini Gupta: Yes, sir, that's very nice. Sir, in the last quarter conference call, you had given a guidance that EBITDA margins will drop to about high teens from 20% earlier. So, EBITDA margins have really dropped in this quarter. So, is this the kind of number that we should work with, or will the margins drop further?

Shardul Doshi: So, Shalini just to give you context of what we had mentioned, we never said that the margins will drop. Our margins in Q4 were higher, but we had also said that we'll be doing brand building. That's the investment which we want to do for our future growth as well as we'll be creating a team here who's going to lead us to achieve that growth. High teens is something which we will be achieving. This is the first quarter.

Always, if you see historically first quarter performance our H2 will always be better than H1. And within H1 also Q2 will be better than the Q1. So, there will always be a ramp up which will happen in the top line and bottom line in the quarters to follow.

Shalini Gupta: Sir, I mean, these are steady state margins or what?

Shardul Doshi: Yes, so that's why we have been saying that yearly you will see high teens EBITDA margin going forward for us.

Shalini Gupta: Okay, sir. Thank you. I'll join back the queue.

Moderator: Thank you. We have our next participant from the line of Mayank Agarwal from Scientific Investing. Please go ahead.

Mayank Agarwal: Hi, good afternoon to all. So, I have a couple of questions. The first question is the part growth in the current quarter is lower than the phase growth. So, does it mean that there is some loss in the margin? And like how much margin was lost due to the Red Sea issue with new hiring and product mix? Additionally, are there any other reasons for the loss in the margin?

Shardul Doshi: Mayank, you're not very clear, but I think you asked about the margin, right?

Mayank Agarwal: Right. In the current quarter, the part growth is lower than the phase growth. So, does it mean that there is a loss in the margin in the current quarter?

Shardul Doshi: Yes, because there is an investment which we are doing. So your freight cost has gone up which is your anyway variable cost. But there is a people on which we are investing, brand building which we are doing. So, all this has led to increased cost at this point of time, but this will all lead to increased top line going forward as well as better margin profile, as well as better margin in terms of absolute amount also.

Sumer Thakkar: And there was also loss of sales due to container shortages. So that was another factor that contributed to a decline in margin.

Mayank Agarwal: Can you repeat you are not audible.

Sumer Thakkar: Sorry, is it better now? Can you hear me?

Mayank Agarwal: Yes, I can hear you now.

Sumer Thakkar: So, I said another contributing factor to the decline in margin was loss of sales due to container shortages which again is on account of the crisis.

Mayank Agarwal: Okay, and my second question is like there is a 20% growth in the non-distribution piece, but there is a flat growth in the distribution. So, what is the guidance on distribution going forward?

Shardul Doshi: So, on the distribution piece, there is good order flow which we have as well as the supply chain issues are kind of, they have been taken care by the our principals. So hopefully, we should have better numbers in distribution business in the current financial year.

Mayank Agarwal: And my last question is on the growth rate of super stores and the brand sales of Truly Indian and Soul brands?

Shardul Doshi: Can you just repeat again? Sorry.

Mayank Agarwal: My last question is regarding the growth rate of super stores and the brand sales of Truly Indian and Soul brands?

Shardul Doshi: The Truly Indian and Soul brand the base is low. So, the growth should be much better in terms of percentage. Just to give you a feeler I think Soul we are already doing a run rate of almost like INR7 to INR8 crores annually now and this is further going to go up because we will be launching our products on the modern trade channel by end of Q3. And Truly Indian we have received listing again the numbers will start kicking in from Q3 onwards. So, both will give us non-exponential growth in Q3 and Q4 going in the current year.

Mayank Agarwal: Okay. Thank you so much.

Moderator: Thank you. We have our next question from the line of Chinmay Nema from Precinct Capital. Please go ahead.

Chinmay Nema: Hi, sir. Thank you for taking my question. Firstly, bookkeeping question, what is the monthly run rate on the Soul brand if you could share that?

Shardul Doshi: So, we are at around, in the first quarter, we are at around 60 lakhs per month now.

Chinmay Nema: So, are you holding on to the guidance of this becoming a 100 crores brand in 3 to 4 years?

Shardul Doshi: Yes.

Chinmay Nema: Okay. Secondly, what kind of overlap do we have between our distribution business and the Ashoka brand? So as I understand the distribution business helps you cross-sell the other business. So, I'm just trying to understand what kind of overlap exists between these two?

Shardul Doshi: Yes. So these are complementary products which we are distributing in the markets, in US and UK markets. So, what happens is our distribution cost also gets split between Ashoka as well as the distribution business. And simultaneously we also do joint promotions and are also able to there is a push and pull effect on both the brands wherever we are strong tea products we are able to push as well as wherever tea brands are stronger Ashoka has been -- Ashoka we can push.

So, this is what is happening. So, that's how both the businesses are growing in the US largely if you are seeing the numbers.

Chinmay Nema: But like, if you were to quantify it, so if you are selling Ashoka brand to 100 stores, out of those 100 how many would you be selling from the tea business?

Shardul Doshi: Almost everywhere wherever Ashoka is being sold, you will also see tea products being sold there.

Chinmay Nema: Okay got it.

Moderator: Thank you. We have our next question from the line of Faizal Hawa from HG Hawa. Please go ahead.

Faizal Hawa: Sir can you just help us understand how many stores in Walmart and Tesco that we have covered so far in UK and United States respectively?

Sumer Thakkar: So, Walmart currently we don't have any listings in the US. We are listed in Walmart Canada. In Canada we are listed in about 200 odd stores if I am not mistaken and in UK and Tesco we have about 700 stores close to 700 stores.

Faizal Hawa: And all 700 stores our products are present?

Sumer Thakkar: Not all products. We have a limited range. It's mostly on the shelf-stable side. We have our ready-to-eat curries and our pickles.

Faizal Hawa: And have you given any kind of try for an online presence all through the US and UK?

Sumer Thakkar: So, in the UK we haven't so far, but in the US, we are listed on Amazon.

Faizal Hawa: Is there any traction with this? Are we able to put in some ads or something to really get it going?

Sumer Thakkar: So, we do that. The business has just started out. So, it's at a fairly small base, but we are expecting this year to contribute about USD100,000.

Faizal Hawa: Do we still stand by our target of roughly doubling revenue every 3-3.5 years?

Sumer Thakkar: Sorry, was that doubling every 3 years?

Faizal Hawa: 3-3.5 years.

Sumer Thakkar: Yes, on a standalone basis, yes.

Faizal Hawa: Thanks a lot, sir.

Moderator: Thank you. We have our next question from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Our distribution business is not growing even after hard work done by you. What is the specific reason for that?

Sumer Thakkar: Ravi, we remain very confident that there is a lot of scope of these brands. These are all heritage brands. These are extremely well-known in India as well as overseas and there is a lot of scope for these products. Unfortunately, post-acquisition there were certain transition gaps which are now being filled in, but we remain confident that this business will continue to grow at 15-20% once these issues are resolved.

Ravi Naredi: Sir, you mentioned in investor presentation Brownfield and deep bottlenecking efforts and Surat Greenfield. So, our top line will increase by 450 crores. So, give you timeline when it will happen?

Shardul Doshi: So, our Greenfield at Surat will - the plant will become operational as the current plan by September 25. And that's where we have committed INR75 crores. Secondly, as far as couple of Brownfield projects are concerned there is freezer capacity we are adding in our Nadiad that's almost INR15 odd crores commitment. And this will become operational by November 24 and then there is an ongoing capex which we keep doing in our existing plant where we are doing debottlenecking. So, that's another INR15 odd crores in the current financial year. And I think even in the last few years we have spent almost INR30 crores there.

Ravi Naredi: Sir last is Nashik it is Nashik here?

Shardul Doshi: Sorry.

Ravi Naredi: Last one is in Nashik?

Shardul Doshi: It is at both the location Nashik as well as Nadiad where we are doing.

Ravi Naredi: When it completes, sir?

Shardul Doshi: So, these are different projects within the plant where we are doing debottlenecking. So, in any lines if there are any capacity constraints, we add machines there to increase the capacity there. So, that's the ongoing capex which is even in the current year we have already spent INR2 crores in the first quarter and there is another INR12 to INR13 crores planned in the current financial year.

Ravi Naredi: So, it will be complete by March 25?

Shardul Doshi: March 25, correct.

Ravi Naredi: Okay. Thank you very much. All the best.

Moderator: Thank you, sir. We have our next question from the line of Amit Agicha from HG Hawa. Please go ahead.

Amit Agicha: Good evening. Am I audible?

Moderator: Yes sir. You are audible. Please go ahead with the questions.

Amit Agicha: Mr. Thakkar give our regards to Bimal Bhai.. I just wanted like the Amazon listing which you have done will that be available in India as well?

Sumer Thakkar: Yes. So, we are on Amazon under our Soul brand.

Amit Agicha: For the frozen products.

Sumer Thakkar: Yes, so we do have plans on entering frozen as well. This will probably materialize in Q3 or Q4 of this current year. We have -- we are planning on launching about anywhere between 25 to 30 SKUs in the next six to eight months.

Amit Agicha: Okay. Thank you.

Sumer Thakkar: Thank you.

Moderator: Thank you. We have our next question from the line of Pradumn Dalmia an Individual Investor. Please go ahead.

Pradumn Dalmia: Good evening, Mr. Thakkar. I have two quick questions. What's our present capacity utilization out of the installed 28,000 metric tons. Secondly, as you said that approximately USD1 million of revenue was lost due to the container shortages, but we see roughly around INR18.5 crores to INR19 crores of negative stock in trade. Could you please explain the difference between the two? What brought that up?

Shardul Doshi: What was your first question? Sorry.

Pradumn Dalmia: First question was the -- what's the present capacity utilization out of the installed 28,000 metric tons?

Shardul Doshi: Right. So, I think line to line the capacity differs. In some of the lines, we will be at almost 80%, 85%. But overall basis we will be around 70% at this point of time.

Pradumn Dalmia: Okay.

Shardul Doshi: And as far as...

Pradumn Dalmia: So just a follow-up of this answer. So as of now, we are -- the revenue is not curtailed because of the capacity constraint to produce. Can I infer it this way?

Shardul Doshi: Yes. So in fact, our capacity will take care of all our requirement or demand till our Greenfield is going to become operational in the next fourteen months.

Pradumn Dalmia: Fair enough. And for the second question, sir, I will just once repeat again. You said that approximately USD1 million was lost due to container shortage, which roughly converts to INR8.5 crores to INR9 crores but we had a negative stocking rate figure of roughly around INR18.5 crores to INR19 crores. So how would you justify the additional difference of INR10 crores. Was there some lack of demand in this particular quarter? Or was this the production taken during the end of the quarter, and hence, we couldn't ship it out? Or how is it? If you could just throw some light on that?

Shardul Doshi: So in fact, our FG stock has gone up, so we don't -- that's a breakup, which is not available when you are looking into it. The stock infact has gone up but I think there is an inventory which we have to build up after mango season and all the vegetable season, which is there.

Pradumn Dalmia: Okay.

Shardul Doshi: That all that comes here are the negative inventory -- negative stock.

Moderator: Thank you. We have our next question from the line of Devanshu Sampat from Avendus Wealth. Please go ahead.

Devanshu Sampat: Yes, hello. Good afternoon. I have two questions. I will just ask them together. So can you talk about the recent hires that we've done in terms of -- in India and the US, you said the professional fees has gone up, and by when do you expect this to sort of stabilize and just be sort of flat from a quarter-on-quarter perspective. That is question one. And second is regarding Soul?

Do you just assume FY '26 data that the company is working with or targeting, so what will be our -- what will our channel mix look like, take commerce, MT, modern trade? And are we looking at any other channel by then? And maybe if you can comment a little bit on the breakeven or EBITDA margin targets for FY '26 as well.

Sumer Thakkar: Shardul, you want to get the first question? I can get the second one.

Shardul Doshi: Sure. So in terms of new hires, we have, in fact, built our team brand wise in US earlier because there was a common team, which was taken care of all the brands. But now, the existing team is taking care of Ashoka brand sales there. And now we have a completely new team, very senior members in that, which is taking care of Truly Indian as well as private labels in the US market. We have also had people in the Australia on the sales side.

Secondly, there are operational guys who have been -- which have been hired in US. There is a whole new team in Soul business. So, there are almost now 15-odd people who are working to take Soul to the next level. So, these are all the new hires which we have done. There are now further recruitments which will happen as a Departmental Head and Marketing, HR, IT and all those, hopefully, they will be done with this round of the hirings in this quarter.

Devanshu Sampat: Sorry, this you're talking about both the businesses, right? I mean both the regions of India and abroad.

Shardul Doshi: Yes.

Sumer Thakkar: On your second question so the sales mix next financial year will probably be 40% modern trade, 40% quick commerce and about 20% e-commerce. Currently, the business is mostly coming from e-commerce. They're only listed on one e-commerce channel. In terms of breakeven we're looking at breaking even Q2 of next year and we should -- and we need to be profitable next year on our EBITDA level.

Devanshu Sampat: Okay. Sure. Thank you for that. I'll come back in the queue. Thanks.

Moderator: Thank you sir. We have our next question from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: I just wanted to understand on the frozen food side, what would be the capacity utilization? And what would be the share of that in our sales mix?

Shardul Doshi: So frozen, in fact, has been increasing quarter-on-quarter for us. And it's almost -- depending on the products, it will be between 70% to 85%, of course, because there are different variety of products which we produce. There are snacks, there are breads and there are cut vegetables, which we're selling under frozen. So, this is how the capacity -- I think -- and that's where I think once the freezer is also installed, then we should be in a position to store our some of the finished goods, which we want to do it, which we want to produce and keep a stock of it as well as then distribute it over the period. So that's something which we are doing on the frozen food side.

Pallavi Deshpande: What could be the contribution of it in our revenue mix? For this quarter was a bit lower than previous quarter.

Shardul Doshi: So, we don't give breakup of that, but the frozen is the largest right now amongst all the...

Pallavi Deshpande: No. So, I'm just trying to understand the margin path. So traditionally was it lower than last year contribution of Frozen to total?

Shardul Doshi: No, they are not.

Pallavi Deshpande: Okay. Thank you so much. I'll come back in the queue.

Moderator: Thank you. We have a follow-up question from the line of Pradumn Dalmia an individual investor. Please go ahead.

Pradumn Dalmia: Yes. Hi sir, once again. You said that India prohibits export of meat? That's correct. However, India has recently been putting a lot of thrust on the export of shrimps and other related seafood. So, do we have any plans to foray into that? Just a thought on that?

Sumer Thakkar: So, seafood is not a category we're looking at in the near future. We're looking at more value-added products. Things like chicken curry, chicken Kebabs, stuff like that. That's more complementary to our existing product range.

Pradumn Dalmia: Fair enough. Okay. Thank you so much.

Moderator: Thank you. We have a follow-up question from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Just wanted to understand on the inventory days. How would that -- because of the delay of container was there an increase in the inventory?

Shardul Doshi: Yes. Our inventory days has slightly gone up. So roughly, we will be around 90-odd days of inventory now.

Pallavi Deshpande: And for the year can we expect the normalization and overall -- year-on-year how would it be?

Shardul Doshi: It will be around 70-odd days for us.

Pallavi Deshpande: Okay. Thank you so much.

Moderator: Thank you. We have a follow-up question from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: I just wanted to understand on the freight side. Does this warehouse that we have 1 lakh square feet in the US. Does that not come in and help us when we have these issues? And what is the utilization of that warehouse?

Shardul Doshi: So, warehouse, we store goods there for the local market there. Yes, there is no connection as such with the freight cost as such. The freight cost -- I think we are doing make-to-order and selling it from India and just keep a few months stock in the US warehouse.

Sumer Thakkar: Sorry, just to add. It might help us build inventory, but your inland cost within the US has also gone up significantly. So, our aim is to ship from warehouses in New Jersey and Atlanta to other parts of the US is actually as expensive as sea freight. That doesn't become feasible. And the biggest problem we face this time is container shortages, which is now out of India. So, we couldn't get the goods out of India to the respective ports.

Pallavi Deshpande: Right. What I was trying to understand is last time we spoke, there was some -- that we had redesigning our agreement with the distributors to have the freight cost distributed towards more towards them, I don't know how that was supposed to work off. Anything on that side to take out this volatility overall from our numbers.

Shardul Doshi: So, in fact, the freight cost has significantly gone up, you would have read it in the newspaper. It's hardly impacted us by 1%, and this all happened due to the mix change which we have done, wherein the freight cost -- some of the distributors have agreed to bear it.

Pallavi Deshpande: So, does that not then impact the gross margins adversely because -- do we have to give them a higher gross margin when they agree to the adjusted cost?

Shardul Doshi: Yes, it's naturally, I think when -- when we are moving from CNF to FOB then accordingly, the freight cost has to be adjusted in price.

Pallavi Deshpande: Right. Thank you so much.

Moderator: Thank you. We have our next question from the line of Jagdish Sharma from -- an individual investor. Please go ahead.

Jagdish Sharma: Hi sir. Thanks for giving me this opportunity. Am I audible?

Moderator: Yes, sir, you're audible.

Jagdish Sharma: Great. Sir, I just have one question, which is like a nascent kind of question. We have Ashoka brand and Truly Indian brand and the Soul brand and different kinds of brands, and we are what you call building this brand as we speak, right, like Truly Indian or in the same. Why can't we do the same -- like why can't we do the same product in the Ashoka brand itself because it's a brand of Ashoka has a strong name in the market. Why do we need to build a new model or new brand names and new products under different, different brands? That is my first question.

Sumer Thakkar: So let me answer that. So, your right Ashoka as a brand is fairly well known in all the markets we sell in. Truly Indian is -- so each brand caters to a different target audience and each brand has a different product portfolio. Truly Indian is a brand that is more catered to the foreign consumer, so in terms of the actual product formulation, it's very different from Ashoka. Ashoka is both an Indian, living abroad would expect from Indian food.

Truly Indian site levels are toned down for example, Truly Indian will have products like a meal case, which an Indian living overseas who will never buy because they prefer. So hence this brand has to be different and then also in a lot of our markets, we face price comparison. So, if you have one product listed in the supermarket and one product listed in that next store the price should more or less be the same. Truly Indian is more on the premium side, so we wanted to avoid that.

In terms of why we launched Soul? So, Ashoka is a brand which is not known in India, it's never been sold in India. And in India, our strategy is to go beyond just Indian food. So, the brand Ashoka limits us to Indian food, but Soul is more -- more of an umbrella brand, more universal, looking at things like Italian sauces, products like salsa, different various kind of dips. So hence, that's why we thought Soul would be a better choice.

Jagdish Sharma: Just a follow-up question. You say that Ashoka was not in India. Why is that sir? Because people from abroad who are coming to India, whenever we do the cross-check and things we get to know that Ashoka is a brand as a name and everything. But as you said, why is Ashoka not in India? Like it is easy for you to do the same thing in India, right?

Sumer Thakkar: So historically, as a company, we've been an export-oriented company. We didn't have a presence in India. And that's the reason why we never sold in India. Now we feel like the opportunity in India is huge and now is the right time to enter.

Jagdish Sharma: So, you will enter in the Ashoka brand?

Sumer Thakkar: Under the Soul brand. Again, in India, package food is still evolving and Indian food in India in the package format is not as larger market which is why we want to go beyond Indian food and get into different other cuisine.

Jagdish Sharma: Okay. My second question is what is your brand for Camel and Aeroplane brand. So what are you going to do and what is the next three, four years target for this two brands? Because Soul you just said INR100 crores is what you are targeted what about the Camel and Aeroplane?

Sumer Thakkar: Camel and Aeroplane are two brands that are GCC focus is for the Arabic diaspora. They are both -- so Camel was actually acquired by us in the 1960s and it has been around for a few years before that. So, it's almost a 100-year-old brand. It's a legacy brand, there's not -- is running on autopilot growing at about 10%, 12% year-on-year. And so is Aeroplane. And we're not doing much in terms of investment on marketing. So we're going to let these brands grow as it is, it's not cannibalizing the Ashoka market, that's a separate market.

Jagdish Sharma: Okay. Thanks sir. All the best for the coming brands.

Moderator: Thank you. We have our next question from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Yes sir. I just wanted to understand the India taste better. So, we have Veeba here that does INR1,000 crores of revenues and EBITDA margin probably 1%. So, are our targets not very aggressive -- we're starting to be EBITDA positive with this revenue base and whether we are left out on the opportunity or are we not late in this entry in the Indian market?

Sumer Thakkar: So, in terms of our India strategy, I believe Veeba has a lot of food service, which contributes a significant part of the revenue, and their gross margins are significantly lower that we only want to build the brand on the branded side. And we're also doing it in a very staggered manner where we don't want to burn a lot of money to get a lot of revenue in the first couple of years.

And in terms of product range, we're getting into categories with significantly higher gross margins than what Veeba is in. And also, Veeba is a more -- I believe -- I mean there was to be a more mass-market brand. We're looking at the premium space. So again, that gives us a higher margin. And also, the endeavor to capture a smaller part of the market as opposed to what Veeba is doing, which is why we feel confident that we can achieve profitability a lot sooner.

Pallavi Deshpande: So, the premium positioning also, is it not too much of a premium like INR250 for the jar of chutney versus same at Veeba would be INR150. I just wanted to -- a 25% premium, I wanted to understand the strategy -- this such a high premium.

Sumer Thakkar: So again, the target audience is a lot more niche and a lot of your millennials are willing to pay those kind of prices for a better-for-you product, which is what the whole Soul brand proposition is.

Pallavi Deshpande: And so, you mentioned about new categories, what would those be for Soul?

Sumer Thakkar: We're looking at things like Italian sauces, different kinds of dips and we're looking at frozen fruits. But again, all with the USP, where the product is better for you.

Pallavi Deshpande: Thank you so much.

Sumer Thakkar: And even in terms of Indian they will be at a premium, yes.

Pallavi Deshpande: Right, yes. Thank you so much.

Moderator: Thank you. We have our next question from the line of Devanshu Sampat from Avendus Wealth. Please go ahead.

Devanshu Sampat: Yes. Hi. Thanks for the follow-up. So just a follow-up on the question that I asked earlier regarding the fires in the US, right? So, see, Ashoka for ADF is about INR250 crores brand. If you look at Truly Indian and private labels, I'm guessing the number would be around INR100 crores combined as per my calculation. So just wanted to get a sense on the reasons behind this change in strategy because from -- you have mentioned earlier that these professionals, they don't come cheap.

And so just if you can talk about the thought process behind this change for the reason of having two separate teams or teams behind each brand and maybe what essentially, there -- what are the targets, internal targets that have been set over there. So that is one and part b to this is, have you seen any attrition in the recent hires that you've done in the US?

Sumer Thakkar: So, what Shardul mentioned earlier where one person was handling all of the US, we've split up those territories for the Ashoka brand, so now there is much stronger focus. For example, we hired someone separately for the East Coast, someone separate for the West Coast, someone for the Midwest. One person used to be doing these things. So now we have a lot more feet on the ground, these are people that are fairly at senior level. And while we don't want to build the same team for both Truly Indian and Ashoka because it requires a very different skill set.

To sell to the supermarkets, you need different connections and different expertise in terms of brand building. And we continue to make investments behind Ashoka. I mean, that is our largest brand. We continue to spend significant amount of marketing across the board. And a lot of our new product development goes behind Ashoka. So, R&D back-end efforts. A large part of the Greenfield will be occupied by the Ashoka brand as well..

Devanshu Sampat: Okay. Sure sir. Thanks. Thank you.

Moderator: Thank you. We have our next question from the line of Jagdish Sharma an individual investor. Please go ahead.

Jagdish Sharma: Sir thanks for giving me the opportunity one more time. I have one question -- two questions actually. The first is that we have a commonality between Mexican food and the Indian food. So, a lot of common factors are here and there. So, are we looking into any opportunities of bringing Mexican foods to Indian food or India through this Truly brand by any chance?

Sumer Thakkar: Not at the moment, but you're right, there are a lot of similarities, and that could be something we'll explore in the years to come.

Jagdish Sharma: So, are there in draft like do you have any kind of optionality there?

Sumer Thakkar: Sorry, I missed the last word.

Jagdish Sharma: No. I'm asking is this in plan. That is my question. Because there has been a lot of new, new companies or new, new start-ups coming in India, which is into this Mexican food. So I thought you guys do something about it. That's my question.

Sumer Thakkar: So, we are doing a lot of fusion food appeal to the younger generations. For example, we've launched the range of Indo Chinese and Indo Thai products. And there's a new product -- I mean, we're also looking at launching Momos in the next quarter. We are looking at fusion food but Indian-Mexican for the moment is not on the cards.

Jagdish Sharma: Okay sir. Second question is what about the capex sir, like do you plan to open any other factories in Africa? Or do you plan to open a factory in Africa or Middle East kind of thing? Because as of now, your green plant is about to come. So, do you have any plans to do the same thing there?

Sumer Thakkar: So, a lot of a -- so why India is essential to be our base is a lot of our raw materials are sourced from India. I mean a lot of the Indian herbs and spices, which you don't get in other countries. And there are a lot of production efficiencies that come out of India as well as lower labor costs. So, at the moment, I mean, we're just in the process of setting up a new factory and that will take care of our capacity for the next few years. So, we haven't thought about another plant. But if something does come up and the opportunity does come up overseas, that is something we would be open to it.

Jagdish Sharma: Okay. Okay sir. Thanks sir. All the best.

Moderator: Thank you. We have a follow-up question from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Yes sir. You have mentioned about private label and B2B. So, what was the kind of growth we saw there this quarter? And what would be the target on that side? Are we seeing increased traction for that business in the US?

Sumer Thakkar: This year, we're estimating anywhere between 20% to 25% growth in private label and B2B. It has been growing for us at a similar run rate, and we are looking at adding certain customers in the US as well.

Pallavi Deshpande: So, this would pressure margins, right?

Sumer Thakkar: Not really. We -- again, because these are all value-added products, they're still upwards to 40% gross margin, and we don't have to spend behind marketing. So that saves about anywhere between 7% to 8%.

Pallavi Deshpande: Right. Thank you so much sir.

Sumer Thakkar: Thank you.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. And I would now like to hand the conference over to the management for closing comments.

Sumer Thakkar: Thank you all for joining us, and we hope we were able to answer all your questions, and we look forward to welcoming you next quarter as well. Thank you.

Shardul Doshi: Thank you.

Moderator: Thank you very much. On behalf of ADF Foods Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.