

June 10, 2021

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Dear Sir/Madam,

Subject: Transcript and Audio Recording of Q4 & FY21 Earnings 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 Call held on Tuesday, May 25, 2021. The same is also available on the website of the Company at www.adf-foods.com.

The audio recording of the aforesaid Earnings Call is also hosted on the website of the Company under the following link:

https://www.adf-foods.com/wp-content/uploads/2021/06/Earnings%20Call%20Recording%20Q4%202020-21-25-May-2021.mp3

This is for your information and records.

Yours faithfully,

For ADF Foods Limited

Shalaka Ovalekar Company Secretary

Encl: A/a





"ADF Foods Limited Q4 FY 2021 Earnings Conference Call"

May 25, 2021







MANAGEMENT: MR. BIMAL THAKKAR -- CHAIRMAN AND MANAGING

DIRECTOR, ADF FOODS LIMITED

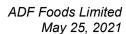
MR. SHARDUL DOSHI -- CHIEF FINANCIAL OFFICER,

ADF FOODS LIMITED

MR. DEVANG GANDHI -- CHIEF OPERATING OFFICER,

ADF FOODS LIMITED

MODERATOR: MR. RISHAV DAS -- PARETO CAPITAL





Moderator:

Ladies and Gentlemen. Good day and Welcome to the ADF Foods Limited Q4 and FY 2021 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rishav Das from Pareto Capital. Thank you and over to you, sir!

Rishav Das:

Good afternoon, everyone. This is Rishav Das from Pareto Capital. We represent Investor Relations for ADF Foods. On behalf of ADF Foods, I welcome you all to our Q4 FY 2021 Earnings Conference Call. I have with me from the management, Mr. Bimal Thakkar – Chairman and Managing Director; Mr. Shardul Doshi – CFO; and Mr. Devang Gandhi – COO.

We will have brief opening remarks from the management followed by the Q&A session.

Please note that certain statements made during this call, maybe forward-looking in nature. Such forward-looking statements are subject to certain risks and uncertainties that could cause our actual results or projection to differ materially from these statements. ADF Foods Limited will not be in any way responsible for any action taken based on such statements and undertake no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

I would now hand over the call to Mr. Bimal Thakkar for his opening remarks. Over to you, sir!

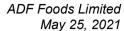
Bimal Thakkar:

Thank you, Rishav. Good afternoon, everyone. I welcome you all to our Q4 FY 2021 earnings conference call. I hope all of you and your families are keeping safe and healthy.

I am extremely proud of the performance our team has delivered despite a challenging year with the highest ever recorded revenues in our Company's history of Rs. 370 crores in FY 2021, a growth of nearly 30% from last year. Our focus continues to be on profitable growth, which is reflected in our robust profitability margins and strong cash flows.

Our growth this year was driven by numerous factors. We continue to brace our brands and product portfolio across categories and geographies throughout the year. During the year, we have witnessed increasing demand across all our product categories as global lockdown restrictions and stay-at-home orders have pushed consumers to be self-reliant and prefer convenient and healthy ready-to-eat foods.

Product development and innovation is the cornerstone of our business. In line with this during, the year, we launched several product variants in our frozen snacks and vegetable categories, and our ambient range products as well.





In my communication with investors over the last one year, I had stated that our growth strategy is based on a three-pronged approach, increasing capacities, strengthening our distribution network, and growing our agency business.

I would like to emphasize on the progress we have made on each of these during the year. In terms of increasing capacities, we started the commercial production in our lease facility at Surat towards the end of Q4. With a capacity of around 1,950 metric tonnes this would enable us to cater to the near-term demand.

In addition to this and to drive our growth to the next level, I am pleased to announce that we have initiated a Greenfield expansion. We have acquired a land parcel of around 7 acres in South Gujarat. We plan to increase capacities for ready-to-eat, frozen food, and condiment categories with the potential to add around 9,000 metric tonnes of overall capacity.

This first phase expansion is estimated at a CAPEX outlay of around Rs. 60 crores and we expect to complete this CAPEX and start production by beginning of FY 2024. On strengthening our distribution network front, we have recently taken 66,000 square feet of warehouse space on lease in the US as a distribution center for the Company to ensure uninterrupted product supply. We have also continued to make major inroads with supermarket chains during the year with additional listing of our product lines in Canadian and US stores.

Lastly, on our agency business, we are seeing steady offtake of this segment in the US and UK markets. We have recently added additional products for distribution, thereby enhancing our product basket. We have a strong balance sheet with a cash rich position at Rs. 81.3 crores. Going forward, we will continue to invest this judiciously to create superior returns to our shareholders.

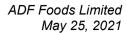
We will continue to focus on product innovations to cater to the evolving consumer tastes and preferences. Our sales and distribution network with an unrivalled global presence remains a key competitive advantage and we will continue to further strengthen that. We are excited to embark on the journey ahead filled with growth and opportunities.

This is all from my side for the moment. I will now hand over the call to Shardul for the financial update. Thank you.

Shardul Doshi:

Thank you, Bimal. Good afternoon, everyone. I am very glad to be part of ADF's growth story and team which is making this happen. Let me brief you on the financial highlights for the quarter and year.

In Q4 FY 2021 our total revenue stood at Rs. 104 crores, a growth of 22% compared to the same quarter last year. Our standalone business which comprises exports and some domestic business registered a revenue of Rs. 72 crores, up 30% Y-on-Y.





Moderator:

Pritam:

Pritam:

Our US business comprising PJ's and Nate's brands reported revenue of Rs. 14 crores and agency distribution business has given us a revenue of almost Rs. 18 crores. EBITDA for the quarter stood at Rs. 22 crores as compared to Rs. 19 crores in Q4 of last financial year, a growth of 13% Y-o-Y with EBITDA margin of 21% and PAT for the quarter is Rs. 15 crores with a margin of 14%.

Let me now touch upon the annual performance:

Total revenue in FY 2021 stood at Rs. 375 crores, a growth of 27% to Y-o-Y and EBITDA stood at Rs. 74 crores as compared to Rs. 62 crores in FY 2020, again a growth of 18%. And EBITDA margin is almost 20%. PAT stood at Rs. 50 crores, a growth of 17%, with a PAT margin of 13%.

Our standalone business reported revenues of Rs. 241 crores, up 18% and our US business remained flat at Rs. 57 crores. With our first full year of operations, our agency distribution business reported Rs. 76 crores of top line compared to Rs. 32 crores in the last financial year.

Just for record, based on certain clarifications provided by Government about MEIS, we have now really booked the MEIS income of Rs. 5 crores in this year. The scheme is discontinued from first of Jan which will be replaced with RoDTEP and PLI schemes. The details of RoDTEP are awaited, but we are reviewing the applicability of PLI for which the Government has given the guidelines in last 15 days.

We continue to maintain a robust balance sheet with zero total debt having repaid all our short-term debt as well as there is no long-term debt on our books. And cash and cash equivalents stood at Rs. 81 crores as of March 31st.

This is all from my side, we can now open the floor for question-and answer-session. Thank you.

Thank you very much. We will now begin the question-and-answer session. The first question

is from the line of Pritam from Wealthyvia.com. Please go ahead.

So, my question is regarding the new 9,840 metric tonne capacity that we will be adding. So, the mode of financing is internal accruals plus term loan so what will be the split between the two?

And for the term loan what would be the interest rates and all?

Bimal Thakkar: Shardul, I am going to let you take that.

Shardul Doshi: Right. I think right now, we have not really worked on the debt equity. But generally, thumb

rule with 2:1; 2 debts and 1 equity. I think that was the question, right? Anything else you had?

Okay. So, another question is, so total 76% is what is the achievable capacity? So, let us say by FY 2024, we are saying that this CAPEX would be completed. So, in FY 2024, we reach to kind

of 75% utilization, which is optimum utilization, let us say, currently around 15,000 getting



utilized. Can we say that offer total capacity around 28,000 kinds of utilization is possible by

end of FY 2024?

Shardul Doshi: Yes, I think we should be close to that. Devang, do you want to add anything on this?

Devang Gandhi: Yes. I just wanted to add that as time goes by for our older plants, there is a challenge on

infrastructure and all. So, we would look to add to ramp up capacity in the newer plant. So, yes,

this should be achievable.

Pritam: Which is in-line with the target of around Rs. 550 crores or Rs. 600 crores by 2.5 years or 3 years

revenue targets?

Bimal Thakkar: Yes, that is correct.

Shardul Doshi: Yes.

Moderator: Thank you. The next question is from the line of Aayush Agrawal from Mittal Analytics. Please

go ahead.

Aayush Agrawal: My first question what kind of capacity utilization would we be running at currently in our Indian

facility?

Bimal Thakkar: We are currently at a little over 80% of the actual usable capacity.

Aayush Agrawal: And what is the optimum utilization level that we can achieve?

Devang Gandhi: Can I take that, Bimal?

Bimal Thakkar: Yes, sure. Go ahead, Devang.

Devang Gandhi: So, that that is the optimum achievable capacity. You see, what happens is with capacity, these

are the older plants so there is a drop in efficiency. So, even if you increase the capacity, we will have other challenges in form of utilities, cooling utilities, etc. Yes, this would be the achievable.

Optimum capacity available we will achieve around 80% of the capacity.

Aayush Agrawal: In a sense we are running around 90% - 95% of what we can achieve.

Devang Gandhi: Yes. That would be a fair statement to make.

Bimal Thakkar: We bought the new lease facility which adds another 2,000 tonnes.

Aayush Agrawal: Correct. So, sir, then my question is since we have this laid out our CAPEX plans and that would

only come alive in FY 2024. And with this lease facility that we have, I remember in the press



release and in the concall that we had mentioned, we can do about Rs. 25 crores - Rs. 30 crores annually from that lease facility. This is based on the standalone numbers, which is around, Rs. 240 odd crores right now, where do you see the business going in the next two years?

Bimal Thakkar: So, with the current capacities we have and with some modernization to the existing facilities as

well, in two years I think we should be able to get to about Rs. 300 crores to Rs. 325 crores level

in two years.

Aayush Agrawal: From the existing plants and including the lease facility you are saying?

Bimal Thakkar: That is correct.

Aayush Agrawal: So, it would be fair to assume that most of the growth that we expect to come in the next couple

of years would be from our agency business and our business in the US than the brands that we

have in the US?

Bimal Thakkar: Yes.

Aayush Agrawal: And plus, the core business is well right even this will get for us, correct?

Bimal Thakkar: Correct. But agency business has been growing at a very high rate for quite some time now.

Shardul Doshi: So, the way it will happen...

Bimal Thakkar: Yes, go ahead, Shardul.

Shardul Doshi: Yes, so the way it is going to happen. See, there are two - three strategies in place. One is the

existing plant also we are doing the bottleneck expand, a CAPEX there which will give us some increment capacity and of course, there is some spare capacity there. The new lease plant also will add some capacity which will give us incremental revenue. And there is always third-party mode available in terms of meeting the demand for our products. So, that will also be there for us to increase the production at a very small notice. So, considering this, the growth which Bimal mentioned in terms of revenue of Rs. 350 crores, that is something which we can do it from the core business in the next few years. And of course, till then our new plant will also be up and

running.

Aayush Agrawal: All right. And sir, my final question would be that in our agency business, there is a lot of margin

volatility and I think we asked the same question in the last concall as well and you had told us some issue with inventory and everything. So, what led to the fall in margins this time and what

kind of margins can we do on a yearly basis in the agency business?

Bimal Thakkar: So, just to give you some sense there, the margin, which you have seen growth in the last quarter

is because of the higher inventory levels and the carrying costs for it. However, if you look at



the yearly numbers and EBITDA which you have generated, I think 10% to 12% EBITDA is

definitely sustainable in an agency distribution business.

Moderator: Thank you. The next question is from the line of Aryan Goyal from Goyal Enterprises. Please

go ahead.

Aryan Goyal: I would like to ask, what is the company expenditure on research and development? Also, as we

see that our company has developed eight new products this year under Ashoka brand. So, what

are the company's views on expanding products for other brands also?

Bimal Thakkar: So, we are constantly adding new products and this year also we have plans of adding more

products under the Nate's, PJ's, Camel apart from the Ashoka brand and also, the Truly Indian brand. So, we will be adding some more products under that. We intend to launch a new brand which will have meat products, Indian meat products, which will be manufactured in facilities in the US and UK. So, it will be Indian cuisine with some protein in it. So, those will be

manufactured in the UK and in the US for both these markets. So, we will be adding on a lot

more products in this year.

Aryan Goyal: So, sir, what is the company expenditure on research and development this year?

Bimal Thakkar: We do not really capture all this into R&D kind of this thing. It is booked in our normal expenses,

but Shardul, do we have any kind of...

Shardul Doshi: Yes, it will be around Rs. 40 lakh - Rs. 50 lakhs which we would have spent.

Aryan Goyal: So, from last year Rs. 2 lakhs it has now increased to Rs. 50 lakhs this year.

Shardul Doshi: Yes.

Bimal Thakkar: Yes.

Shardul Doshi: And even last year all the expenses would have been taken under the R&D head. I think from

that point, yes.

Aryan Goyal: Also, is there any automations in the manufacturing unit this year?

Bimal Thakkar: Yes, there is.

Shardul Doshi: Yes.

Aryan Goyal: What kind of?

Shardul Doshi: The modernization of the existing facilities will have automation as well in it.



Aryan Goyal: Okay. And one more question, can I get to know the percentage of income which various brands

contribute to our company, like Ashoka, Truly Indian, SOULs, PJ, Nate, what is their percentage

of income?

Bimal Thakkar: We do not normally reveal the percentages just for confidential reasons. But Ashoka is our

flagship brand and continues to remain our flagship brand.

Aryan Goyal: Okay. How much percentage, just our company capture of Indian ethnic food market in US?

Bimal Thakkar: As I mentioned in my earlier calls also, currently majority of our business comes from the ethnic

Indian stores, okay. The ethnic Indian stores are not tracked. The sales are not tracked by IRI or Nielsen's or any of these agencies. It is the super market business, which is normally tracked,

and the data and the size is available only on that type.

But I can tell you one thing is that most of the retail stores, ethnic Indian retail stores, in the

markets we are in, have a strong presence of our brand. And I would say we would be in the top three brands, across most of our markets. In some markets, we would be number one, some two

and in some three. So, we would be in the top three brands across various countries. And now

we intend to grow our business within the super market, which is an ongoing process.

Aryan Goyal: Okay. So, what is the expenditure on sales and marketing in the U. S or in general, if you have

any detail?

Bimal Thakkar: Shardul, please go ahead. Shardul, will you...

Shardul Doshi: these composite number around 5% to 6% of the sales are budgeted to us in the market.

Aryan Goyal: Okay. What are our further plans for a marketing the Ashoka brand in country, the US?

Bimal Thakkar: So, again, I mean, we are there on all platforms. So, where we spend our money is on media. So,

if we are there in all the ethnic channels, where they are on social media, we do a lot of product tastings. So, a lot of sampling activities and demos goes on. We advertise on radio as well. So,

we have a full 360-degree approach on marketing.

Moderator: Thank you. The next question is from the line of Anupam Agarwal from Lucky Investment.

Please go ahead.

Anupam Agarwal: The first question is the volume gross margin for the quarter from 50% last year to 45%? I

understand the margin hit has also come in from the agency distribution margin. So, could you quantify how much of impact is because of the inventory loss in that business and how much is

the drop in the base business?

Bimal Thakkar: Can you just repeat the question?.



Anupam Agarwal:

We have seen a drop of 500 basis points is the gross margin for the quarter. Can you quantify how much of that impact is because of the agency distribution impact and how much is the drop in the base business?

Shardul Doshi:

So, our core business there is no drop as such in the gross margin level. So, when you look at the overall margin profile, the gross margin especially when you are looking at gross margin, the agency distribution, almost Rs. 73 crores had come from holdings on which our gross margin will be around...

Bimal Thakkar:

15% I think

Shardul Doshi:

Yes, around 17% - 18%. Our US business has a 35% to 40% gross margin. Our core business will have around 50% margin. When we are comparing with the last financial year agency distribution business top line was around in the Rs. 30 crores - Rs. 35 crores while it is Rs. 73 crores now. And hence, you will see a drop back. But when you look at the EBITDA margin, you will see that we have sustained because EBITDA is quite robust as such in all the three businesses.

Anupam Agarwal:

Fair enough. Sir, second question is on the balance sheet, if I just look at the numbers for the last two years, we have grown our top line from Rs. 240 crores to Rs. 370 crores. On the other hand, our inventory levels have more than doubled from Rs. 35 crores to now this year we have done about Rs. 73 crores, is there some sort of inventory that is lying in our warehouse, which is unsold and is because of some challenges we have not been able to sell them?

Bimal Thakkar:

You know we are holding a lot of inventory in the US on the agency business front and even on our Mexican and meatless products business. The reason why that inventory is because there were some delays in shipments in the Q3 of last year, which resulted in that inventory, lying out in Q4. Q4 is the beginning of the year.

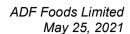
Normally, Jan and Feb sees a slight slowdown in these products. And all these products, which were supposed to agency business for example, which was supposed to come in before Diwali that got delayed and got to us only in December. So, there is a carry forward stock because of that. Otherwise, the inventory levels at least for these businesses not more than 2.5 months or 3 months at max.

Anupam Agarwal:

Understood. So, 90 days is basically the limit.

Bimal Thakkar:

There have been challenges in the supply chain as you would know last year, I mean both from production point and also from getting containers getting shipped. So, it has been a challenging year. So, that is the reason why Unilever's shipments did not make it on time, which ended up in us holding higher inventory for their products. And the same thing with our ADF USA also there were some challenges in getting some products from the factories locally.





Devang Gandhi:

Just to add, in Indian business also, if you remember towards the end of March, we had that Suez Canal issue which was there and there was a lot of containers which we could not dispatch, and the goods were ready at the factory. And hence, you will see inventory buildup which has happened towards year end, it is not really significant as such. But whatever increase you are seeing, these are all good inventory, finished goods products, which have been moved in the next subsequent month.

Anupam Agarwal:

Right. Understood, fair enough. Sir, other question is on the bass business. For the last three quarters, we have seen Rs. 75 crores - Rs. 80 crores - Rs. 85 crores top line on a quarterly basis. Given the new capacity that has come in, what can be the number I mean, how should we look at this number on a quarterly run rate or a full year number, if we have to look at. Can we do Rs. 100 crores - Rs. 110 crores top line in a quarter in FY 2022 from this business?

Bimal Thakkar:

For which business I did not get that for the four businesses?

Anupam Agarwal:

Yes, four business processed food business.

Shardul Doshi:

At the moment, the new lease facility has just kicked in right, production has just started from end of March first week April kind of. So, we hope to utilize this capacity at least to 75%, if not more in this year. So, you will at least see another Rs. 25 odd crores coming in from the new facility. And then our existing facility also we are already at about an 80% - 85% capacity utilization. But we are doing some modernization on that. I would say safely we could look at another Rs. 50 crores at least coming off our core business for this year. To what we already have.

Anupam Agarwal:

Yes. Sir, an extension on the agency business, we have done Rs. 75 crores that is what you are guided also initially that we will do about USD10 million - USD12 million. How should we look in this business given the fact that Unilever is ramping up and introducing newer products with you? Also, we have been in interaction with the new client, which we would like to add. I mean, we have been we have been in negotiation with them, how is that panning out?

Shardul Doshi:

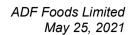
So, we are adding on new products from the Unilever's table and some of these products will take time to introduce. But we should look at least a couple of million dollars more coming up these new products in this in this year. Adding to the top-line in this year and the discussion with the other client is still ongoing. We have not yet finalized anything hope to do something in the next two months or so.

Anupam Agarwal:

Right. Understand. We would also in consideration for doing some kind of acquisition of our channel partners. Can you just throw some light there?

Bimal Thakkar:

It is ongoing. I think we are at the last leg if you like. So, I hope, we have some news for you all very soon on that.





Anupam Agarwal: Perfect. Last clarification from Shardul sir, you mentioned Rs. 5 crores impact of MEIS?

Shardul Doshi: Yes.

Anupam Agarwal: Okay. So, Rs. 5 crores is what is booked, or Rs. 5 crores is that we have lost because of the

change in MEIS.

Shardul Doshi: No, Rs. 5 crores is what we have booked in this financial year.

Moderator: Thank you. The next question is from the line of Jignesh Desai, Individual Investor. Please go

ahead.

Jignesh Desai: I am an individual investor from Baroda. I have a very simple question, what would be the new

growth avenues from here on except capacity utilization in short-term to medium-term? I mean,

will there be any new verticals be added like agency distribution business to boost?

Bimal Thakkar: Jignesh, as we mentioned, we are looking at certain other agencies which are synergistic and

complementary to what we are doing. We are in discussions on that front. So, hopefully, we add at least one more this year. And other I mean, we have just added capacity of this new facility as well, the lease facility that will also help in growing our business plus modernizing facility.

Jignesh Desai: No, sir. I am talking about the growth options except capacity enhancement. That is my question.

Bimal Thakkar: Okay. In the US business, we will be adding more products. As I mentioned, we will be

launching a new brand in US and UK which will have Indian meat products. So, that will be another addition to our business from overseas. Another agency also could be added on. So,

these would be the areas for growth.

Jignesh Desai: Okay. Sir, one last question. Now the lockdowns are easing, major geographic, like US and UK

will it impact the revenues? It will be in turn negative for a company like ours?

Bimal Thakkar: Well, not really. We are still seeing that the demand is still strong, we are not seeing any drop in

demand. And what has happened is in the last year, a lot of our business which was being done within the restaurant or the food service side that has now started showing a growth as well. So,

we are not seeing any drop in demand, even after opening up.

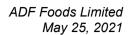
Moderator: Thank you. The next question is from the line of Tushar Khurana, Individual Investor. Please go

ahead.

Tushar Khurana: My first question is on the agency business that we have. So, how big is this opportunity that we

are seeing in the coming year? And how much percentage of our total revenue could it be in the

coming years that we are setting a target of?





Bimal Thakkar:

The agency business is, again, the only rationale and reason for us is that it is complimentary, it is synergistic to what we do. We will look at adding on more agencies. But in terms of how much will it contribute, it will be under 25% for our company, I mean, our focus will always be to grow our brands grow our core business. But the agency business will also grow along with it. So, it will be anywhere between 20% to 25%.

Tushar Khurana:

Okay. And then, so my second question is on the on the warehouse that we have taken on lease on US so could we have more such leases in future as well to expand our business in other parts of the world?

Bimal Thakkar:

Yes. So, in our core markets, we will be adopting this strategy. So, in the US, our goal is, in the next two years, we should add on another three warehouses. And hopefully, by next year, we will add on one warehouse in the UK at least.

Tushar Khurana:

Okay, great. And then, sir, my last question is on, is there any vision of the company that you are setting for the next five years where were our top line revenue would be?

Bimal Thakkar:

Well, our endeavor is to double up in size from what we are currently in the next three years, we would like to see ourselves at least in the Rs. 600 crores top line.

Moderator:

Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.

Ravi Naredi:

Last year other income was Rs. 6.72 crores, while sale is Rs. 42 lakhs. So, please tell the reason and I joined late, so if you already told, sorry for that.

Bimal Thakkar:

Shardul please respond.

Shardul Doshi:

Now other income in the last financial year had a major foreign currency gain as a component. And this year, we do not have that I think that is the main reason why other income is down from the last financial year.

Ravi Naredi:

Any incentive from the government for export is down. So, any impact of that?

Shardul Doshi:

So, MEIS came which was there from the government that has been discontinued from 31st of December 2020. Government is expected to announce the road tab, which is the dimension of duties and taxes which companies are paying that came they have not come up with the guidelines. But they have already said that it will be applicable from first of Jan of the current year. So, we are waiting for the guidelines from the government on that.

Secondly, of course, they have also announced PLI, Production Linked Incentive schemes, three categories out of which we are now reviewing the guidelines and we feel that we should be in a position to apply under the two or three guidelines which permitted us. But right now, we are



not expecting anything. Right now, we are not really contemplating anything or projecting anything there. But we will give our full effort to apply and get this incentive from the Government.

Ravi Naredi:

Definitely. And sir, whatever CAPEX target we have made for 18 months Rs. 50 crores for new unit, how much turnover we will get when the unit starts?

Bimal Thakkar:

Normally we look at least three times of the investment we make. So, once this CAPEX of Rs. 60 crores is done a year or two we would hope that it will be at about Rs. 170 crores to Rs. 180 crores.

Moderator:

Thank you. The next is a follow-up question is from the line of Pritam from Wealthyvia.com. Please go ahead.

Pritam:

So, about the online promotions, the Facebook or Instagram pages. So, what is the current spend in US? And if we can increase the spend in future because there will be a lot of traction, if we had short videos showing recipe preparation using Ashoka it would be really nice. The page is nice, but promotion probably needs more.

Bimal Thakkar:

Yes. And you are absolutely right. We are going to increase our spends. In fact, this year you will see a lot more activity on social media from us. So, we will be doing that. At least this year between US and UK we intend to spend maybe a Rs. 1 crore on the social media account.

Pritam:

Okay, great. Sir, also about the Amazon and online selling. So, how much percentage right now it contributes or at least how is the growth that is coming from the online especially, in these kinds of circumstances?

Bimal Thakkar:

We are not directly falling into Amazon ourselves. It was by our distributors. Currently, the markets where our distributors are making very concerted effort and having a separate vertical. Germany is one of those markets where it is still very insignificant part of our main business, but it is building up traction. And now, we are in the process of finalizing a company who specializes in these online sales in the US and hope to least in the last 12 months to 18 months and have had that business at least come up to a million dollars in revenue.

Moderator:

Thank you. The next question is from the line of Tamay Patel from IndAsia Fund Advisors. Please go ahead.

Tamay Patel:

Sir, a couple of sessions. One, what is the contribution of your contract manufacturing business to the overall sales?



Bimal Thakkar: 70% of our business is our own brands are you talking about contract manufacturing, where we

give out, for our so our entire US business, which is there of Nate's and PJ's is all contract

manufacturer, 100% of that is...

Tamay Patel: No. So, what I meant is, you giving out your products to other brands?

Bimal Thakkar: We packing for other brands you mean?

Tamay Patel: Yes.

Bimal Thakkar: So, we have a B2B business which is done in bulk packing and sold to customers. And then there

is the private label business as we call it, which is where we pack for other companies and their brands. Both these businesses for us in overall is less than 30%. More than 70% is our own

brand.

Tamay Patel: Right. And will this mix remain the same going forward or do you expect it to subsequently be

going down?

Bimal Thakkar: So, I mean, it has been going down over the last few years. Earlier, the mix was 60-40. It has

come down from 60-40, now it has come down to 70-30. Our focus and endeavor is always to push and promote our brands. But we also would like to selectively look at good companies and work with them for co-packing as well. But I would think it will you know 70-30 or 75-25 is the

kind of levels we will look at over the next two years to three years.

Tamay Patel: Sure. And the second question is with respect to your phase two capacity expansion, which you

mentioned in your call with CNBC, I suppose. So, you mentioned that you will be doing a Rs.

30 crores CAPEX and that will lead to a Rs. 150 crores turnover, is that right, what I heard?

Bimal Thakkar: Yes, it is. Because I'll let Devang answer that. Devang, please go ahead.

Devang Gandhi: Yes. So, what we have planned to do is that we broke it up into two phases, where in the first

phase, we will do the capacity, we will put up the capacity at, but we will put up all the utilities and everything for two phases together. So, then the second investment will be a little lower, but

we will be able to put in much more volume

Bimal Thakkar: Basically, the infrastructure for the expansion will happen in the first phase, the building, other

utilities, and we will add the equipments and all later on. So, from that point, that is why it is

less investment in phase two.

Tamay Patel: Sure. So, typically, Rs. 90 crore investment in all and we can expect more than Rs. 300 crores -

Rs. 350 crores of turnover. Is that the right way to look at it?

Devang Gandhi: Yes.



Bimal Thakkar: But at least the 3x would be the minimum we would look at. So, Rs. 270 crores to Rs. 300 odd

crores would be a fair assumption.

Tamay Patel: Sure. And this would come up over the next three years if one has to look at it.

Bimal Thakkar: Yes, three years to four years. The full phase one and phase two both put together will be 3.5

years or so.

Tamay Patel: Right. And just one more clarification, I think in the last quarter or probably somewhere you had

mentioned, that there is a Rs. 25 crore CAPEX, which you have embarked on. So, this is separate

of that Rs. 60 crores?

Bimal Thakkar: Yes, that is funding existing plants, modernization of the existing plants.

Moderator: Thank you. The next question is from the line of Aayush Modani, Individual Investor. Please go

ahead.

Aayush Modani: So, I wanted to know, as you mentioned in the call, the restaurant business sales is being

hampered from your end. So, what revenues are we losing in per quarter revenue? Like per

quarter what revenues is being lost, as the restaurants were closed in the past few months?

Bimal Thakkar: It is the first three quarters where I would say at least about USD 1.5 million to USD 2 million

per quarter must have come down because of this USD 1.5 million. So, the three quarters, you

would look at anywhere between USD 4 million to 4.5 million would have gone down.

Aayush Modani: Thank you for that. And second question as you said you are spending on modernization of your

capacity. So, should we look at improving margins in those few after you spend that

modernization?

Bimal Thakkar: Well, of course, that would be the endeavor to try and improve margins. But the idea is to just

get more capacity as well to increase more production.

Aayush Modani: Okay. And my last question is on the CAPEX the Rs. 60 crores you are planning, you have

mentioned in the report that you are planning to interim in the flow from debt. So, is that planned,

like how much debt are you take on the books for the Rs. 60 crores?

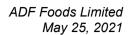
Bimal Thakkar: Now, that has not been finalized. I mean, as Shardul mentioned earlier, that we still have to

figure out. I mean, the Company can fund it fully through internal accruals as well. But we will

be taking on some debt. So, we have not finalized that as yet.

Moderator: Thank you. The next question is from the line of Ashish Rathi from Lucky Investments. Please

go ahead.





Ashish Rathi:

I wanted to check with you on a few things if I may. One is on the India Business, what is the kind of you know, style of strategy we have going forward? Are we looking to run this business materially? What kind of investments are we looking here, any strategic tie-ups partnerships your view on this.

Bimal Thakkar:

As I mentioned earlier on today, this year we will have some presence in India, our plan is to do it in you know, three phases. The first phase is we will first start with E-commerce. Okay, so, look at all the online sales that is what we will start with. Then get into modern trade and then general trade. So, over the next three years, I would like to see our India Business at anywhere between 10% to 15% of our overall sales. That is what the goal is. We are evaluating strategic tie-ups or distribution tie-ups in India. But currently, our plan would be to start off with the online. So, we hope to do that from second quarter. it will be resulting in significant sales to begin with. But it will build up and over the next three years we would like to see it at 10% to 15%.

Ashish Rathi:

So, the 10% to 15% would approximately be around Rs. 100 core number, something the sort of vision you are giving on a company level. So, what kind of investments will that entail both in terms of CAPEX and in terms of the marketing promotion thing?

Bimal Thakkar:

Here, because it will be a new brand getting in, we would be looking at a higher investment. So, we should look at least anywhere between around a 15% expense on marketing and sales.

Ashish Rathi:

So, you are saying a Rs. 15 crores kind of run rate three years out, is that what you want to say?

Bimal Thakkar:

Yes. Yes. And as far as the expenditure on CAPEX I I think with what CAPEX we planned we should be able to manage from that. Or if at all, there will be very minimal investments on CAPEX.

Ashish Rathi:

Okay. Got it. Specifically, if you have any plans on entering the Namkeen's business for US?

Bimal Thakkar:

We like the category; we are not in that space. But we do not want to get into the traditional Namkeen's we are looking at healthier options in the Namkeen space. So, that is a category which we are looking at, for sure.

Ashish Rathi:

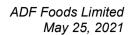
Any timeline? This year we will be able to see some.

Bimal Thakkar:

We would hope within the next 12 months, I think we should have something in that category, some products at least launched.

Ashish Rathi:

Okay. And any other new geographies that we are planning, when you say the next two years -three years, which geographies are we looking at other than the existing geographies which we
have in?





Bimal Thakkar: So, you know, with Brexit happening, a lot of goods used to go from UK into the smaller

European markets. With Brexit coming in place now, what has happened is a lot of these smaller markets which used to buy from UK have now started approaching us directly for direct imports. So, we will see a few of these new markets opening up for us. But again, the major growth will come in markets which will be North America, UK, Germany, the Middle East and Australia and New Zealand. In these markets is where we will look at more penetration, more depth and with our distribution centers opening up that will help us further strengthen our network and

increase our presence in the stores.

Ashish Rathi: Africa is not an interesting market as Tasty Bites is a big player there, right?

Bimal Thakkar: Which market?

Ashish Rathi: Africa.

Bimal Thakkar: Africa, no, I do not think. Tasty Bites main markets are America and Australia to some extent,

and Canada and the UK. No, Africa is not a big market.

Ashish Rathi: Understood. And Shardul sir on the hedging policy, we are maintaining the same six-point

receivable 30% to 35% hedging, is that the same?

Shardul Doshi: Yes. There is no change.

Ashish Rathi: No change to that. And Bimal sir, your second relation, so your children which areas they are

looking at? Which geographies or which division of the business?

Bimal Thakkar: They are both still learning all different aspects of the business. But the plan is for one of them

to look after the US and one to look after UK and Europe continent. That is what the plan would

be. I mean, we will see as that evolve, right..

Ashish Rathi: I did not get you. Sorry.

Bimal Thakkar: I said, we will see how it evolves. But that is the plan right now. Currently, they are still

undergoing training in various aspects of the business.

Ashish Rathi: Understood. Last question, how much is the frozen food business out of this Rs. 370 crores this

year?

Bimal Thakkar: So, the frozen food business would probably account for about 40% because keep in mind our

little over 40% because our entire meatless products and PJ's products are all frozen, right? So,

I would say on a consolidated basis, it would account for about 40%.



Moderator: Thank you. The next question is from the line of Aayush Agrawal from Mittal Analytics. Please

go ahead.

Aayush Agrawal: Sir, just one question from my end. You had mentioned one of the participants that since 30%

spend of our business would be non-branded where we have B2B business. One, are we

consciously trying to bring that down? And two will margins increase as an outcome?

Bimal Thakkar: So, as I mentioned, if you saw it about three years ago, this business mix was 60-40. Over these

two years - three years, it has come down to 70-30, we would like to see it at 70-30 or 75-25. The focus will always be on our own brands. But we will be still looking at adding on more customers, selected more customers for private label business as well. It is still at decent gross margins for us because it in it entails recipes that is why we are very selective on the companies we do private label business for. So, we will do it for large multinationals or big retailers, for

those kinds of customers.

Aayush Agrawal: So, it would be fair to assume that we make similar kind of money in both the businesses?

Bimal Thakkar: Well, no, not similar. But it is not like a commodity business where you make few points. I

would say our average gross margins would be about 30% - 35% at least in these businesses.

Aayush Agrawal: But then, sir, if you are witnessing such strong demand in the US and we can already see US,

especially the frozen food market and the Indian market there is growing very robustly, why not

focus on our own brand than trying to bring in other customers in this B2B segment?

Bimal Thakkar: No. We are bringing customers in places wherever we feel we have capacities available, only

the ones where we do not have capacity available, we are not bringing in customers on that.

Moderator: Thank you. The next question is from the line of Anupam Agarwal from Lucky Investments.

Please go ahead.

Anupam Agarwal: Yes. Sir, last question from my end, basically, if I just see your cash flow, so we do about Rs.

45 crores - Rs. 50 crores of operating cash flow every year. And like you said in the opening remarks, we have about healthy Rs. 80 crores - Rs. 85 crores of cash balance in the balance sheet. And also with the warrant money, I believe 25% of it has already come in and the balance 75% is due over the next 13 months - 14 months. So, why are we still considering for a debt for the CAPEX that we envisage? I mean, we have enough cash balances and still CAPEX requirement

is not that large anyway, so why the debt consideration?

Bimal Thakkar: I am going to let Shardul answer that for you.

Shardul Doshi: Yes. So, Anupam, the way it functions is, there are certain Government incentives, which we

receive when we do the expansion in the food and processing industry. And the only way it





comes to you is if you, basically the monitoring agencies or the Bank. So, we will do the minimal borrowing there, it is not that okay, we will do a high borrowing. But whatever it is minimum required to become eligible for those grants we will go for that.

Anupam Agarwal: Okay. So, the Rs. 18 crores that we have received from warrant money has that gone towards

repaying the short-term loans that we had last year?

Shardul Doshi: No, warrant money is for CAPEX. Short-term money has been paid to the operating income.

Anupam Agarwal: Operating income, okay. Understood, sir. So, any timelines by when the balance 95% is due?

Shardul Doshi: It is 18 months from November 2nd when the allotment happen. So, it will come before April of

next financial year.

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the Sharaj Singh,

Individual Investor. Please go ahead.

Sharaj Singh: Sir, regarding the labeling business that the Company does in B2B segments, are there some

synergies that arise to the core business of the Company, since the company targets to keep it

30% and not grow the core business? Like how does this work exactly?

Bimal Thakkar: So, it gives us more economies of scale, right? Sweating, your assets, your factory assets more

your buying is more. They are all synergistic products. So, that is the reason why we are looking

at continuing this business.

Sharaj Singh: No, sir. What I am asking is since we are saying there is enough demand for the Company to

expand its existing products, why are you looking at taking on this labeling business? Is this the

capacity utilization part or are there some other benefits also?

Bimal Thakkar: No, no. So, as I said areas where we do not have the capacities or which is fast growing focus

areas for us, we are not taking a private label business in the in those segments. It is the areas where we have some spare capacity where we can utilize and sweat the assets more that is where

we are doing this. And these businesses are still at a good 30% - 35% margin for us.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now hand the conference

over to Mr. Das for the closing comments.

Rishav Das: Thank you all for joining the Q4 FY 2021 earnings call of ADF Foods. For any further queries,

please get in touch with us at Pareto Capital. Thank you.

Bimal Thakkar: Thank you very much. Thank you.

Shardul Doshi: Thank you.





Devang Gandhi: Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of ADF Foods Limited, that concludes this

conference. Thank you for joining us and you may now disconnect your lines.