FOODS LTD.
Feeding the world..

16th May, 2024

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

Dear Sir/Madam,

Subject: Transcript of Q4 & FY24 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 Friday, 10th May, 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: 2024.05.16 16:56:52 +05'30'
Shalaka Ovalekar
Company Secretary

Encl: *As Above*

"ADF Foods Limited

Q4 & FY '24 Earnings Conference Call."

May 10, 2024

MANAGEMENT: **MR. BIMAL THAKKAR – CHAIRMAN, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – ADF FOODS LIMITED**
MR. SHARDUL DOSHI – CHIEF FINANCIAL OFFICER – ADF FOODS LIMITED
MR. SUMER THAKKAR – GENERAL MANAGER-SALES AND STRATEGY – ADF FOODS LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to ADF Foods Limited Q4 and FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ravi Udeshi from EY. Thank you, and over to you, sir.

Ravi Udeshi: Thank you, Manav, and good evening, everyone. We welcome you to the Q4 and FY '24 Earnings Conference Call of ADF Foods Limited. To take us through the results and to answer your questions, we have with us the top management of ADF Foods represented by Mr. Bimal Thakkar, Chairman, Managing Director and CEO; Mr. Shardul Doshi, the Chief Financial Officer; and Mr. Sumer Thakkar, the General Manager, Sales and Strategy.

We'll start the call with an overview of the business and the current business update by Mr. Bimal 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 Bimal. Over to you, Bimal.

Bimal Thakkar: Thank you. Good afternoon, everyone. I'm very pleased to announce -- inform you that we've recorded our best-ever quarter in terms of revenue as well as profitability metrics on a stand-alone and consolidated basis, led by increasing volumes and better product mix. Our revenues surpassed the INR500 crore milestone in FY '24 on a consolidated basis. Our consolidated EBITDA margin was at 20.2%, which is well above our target of high teens. On a stand-alone basis, we have nearly doubled our EBITDA and PAT over the past 2 years, a testament to the operating leverage playing out on a sustained basis.

Coming to the quarter gone by, our consolidated revenues increased by 24.8% to INR153.6 crores on a Y-o-Y basis backed by demand-led growth. We are seeing a marked improvement in this growth, hence expect it to be sustainable in the future as well. We continue to witness strong demand across all our brands. Our flagship brand, Ashoka, saw continued addition of new products and launch in new markets as well as increased penetration in existing markets.

Our India-focused brand, Soul has seen an initial good response. We are finalizing new product launches, and we expect to launch Soul in the modern trade in the last quarter of financial year '25. We've committed an investment of INR13 crores for Soul in financial year '25. We are aspiring to achieve INR100 crores revenue within the next 3 to 4 years in the domestic business.

Our Truly Indian brand has been launched in the U.S., and we've seen a good response by way of listings in various supermarkets. This brand too is currently in an investment mode. We have a new team in the U.S. and will be investing in this brand to target the mainstream audience. We are launching new products in the second half of financial year '25 for this brand, and we believe this brand has the same potential as our Ashoka brand in the long run.

Our agency distribution business has not grown the way I would have liked it to. However, I would like to state that the same is not due to any demand issues, rather, it has been hampered by supply chain issues. Our principles are working hard to solve the supply chain issues, and we are optimistic that these issues will be sorted out resulting in a good growth in financial year '25.

We continue to be bullish in terms of our outlook for '25 and expect revenue growth to be upwards of 20%. In terms of margins, we are looking at high-teen margins on a consolidated basis. We will be making investments in our India business as well as the Truly Indian brand. We have also broken ground in our Surat greenfield project and have committed INR75 crores for Phase 1 expansion. This expansion will cater to both new as well as existing lines for our frozen foods. Overall, we are excited about the future potential of our business and remain focused to achieving healthy and sustainable growth in the future.

I now hand over to Shardul for his comments on the financials.

Shardul Doshi: Thank you, Bimal. Good evening, everyone. I'll first share the stand-alone performance. We recorded revenues above INR400 crores for FY '24, the same being at INR414 crores, a growth of 17.2% over FY '23. Our EBITDA was INR102 crores, a 32.8% increase Y-o-Y. We managed to expand EBITDA margin by 290 basis points, reaching 24.6%. We see this as a tangible outcome of our continuous focus on investing in our brands and innovating in our product portfolio. Our PAT was INR79.6 crores, a 32.7% increase from the previous year, with a PAT margin of 19.2%, an improvement of 220 basis points from the last year.

Now let us look at the quarterly figures. In Q4 of FY '24, we saw revenues from operations at INR129 crores. This marked a 31.3% Y-o-Y growth and 24.9% Q-o-Q increase. Our EBITDA for this quarter was INR31.8 crores, a Y-o-Y increase of 12.6% and Q-o-Q increase of 20.5%, while our EBITDA margin was 24.7%. We saw some impact of Red Sea crisis in terms of higher freight rates, which partially impacted our EBITDA. However, we were able to mitigate the same through cost control and process efficiency. PAT for the quarter was INR25.3 crores, a 24.7% increase Y-o-Y and 24.8% increase Q-o-Q. Our PAT margin for the quarter stood at 19.6%.

Moving on to the consolidated performance. We crossed INR500 crores revenues for the first time. For FY '24, revenue from operations was INR520.3 crores, a 15.6% increase Y-o-Y. EBITDA was INR105 crores, an increase of 30.1% Y-o-Y. EBITDA margin stood at 20.2%, expanding by 230 basis points Y-o-Y. Profit after tax was INR73.8 crores, up 32.1% Y-o-Y with PAT margin of 14.2%, an increase of 180 basis points on a yearly basis.

Coming to the quarterly performance. Our revenues from operations for Q4 FY '24 was INR153.6 crores, an increase of 24.8% Y-o-Y, an 18.5% increase from the last quarter. Our EBITDA for Q4 FY '24 was INR34.3 crores recording an increase of 29.6% Y-o-Y and an increase of 27.2% from the previous quarter. Our EBITDA margin stood at 22.3%.

Our PAT for the quarter was INR25 crores marking of Y-o-Y increase of 55.7% and a Q-o-Q increase of 31.1%. For Q4 FY '24, PAT margin stood at 16.3%. Our CAPEX for FY '24 was INR8 crores in debottlenecking and another INR4 crores in cold storage project. Our balance sheet continues to remain debt-free as on date.

The Board recommended a final dividend of INR1.20 per share, which is 60% on equity share of INR2 each. This is in addition to the special dividend, which we have declared of INR4 per share, which was 200% already paid during FY '24. And the total dividend payout was INR5.2 per share, which is 260% for FY '24. 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: Ladies and gentlemen, we have our first question from the line of Rishi Maheshwari from AKSA Capital.

Rishi Maheshwari: Congratulations to the team. Splendid numbers. I'd like to understand a little more granularly -- the reason for the gross margin improvement, it seems very healthy improvement. So first time you've clocked this kind of gross margin. So was it largely got to do with the pricing increase that you would have taken in products or was it mix change or was it raw material reduction? Can you give me some flavour on that?

Shardul Doshi: It's primarily due to the mix change. If you also see the processed food as a share of total revenue is also higher compared to the previous quarter. And hence, the gross margins are better in this quarter.

Rishi Maheshwari: So I was wondering -- you alluded to the margins in the future at about high-teens. We've already clocked about 20% EBITDA margin in this year as I hear for the full year. So why would we think the margins would have any form of drop? Is it got to do with the investments in Truly Indian launch here in the U.S.?

Bimal Thakkar: Yes. It's for both the Soul brand and the Truly Indian brand. Both these brands are in an investment mode. These are new businesses which will reap benefits in the future. So it's because of that we are seeing -- that's why we are projecting EBITDA margins to be in the high-teens for this year.

Rishi Maheshwari: So what is the order of investments that we are looking at in Truly Indian and Soul?

Bimal Thakkar: So if you see, for Soul, we've committed about INR13 crores. And for the Truly Indian brand, I would say, we would be at least another INR8 crores to INR10 crores investment that we'll be making.

Rishi Maheshwari: Right. Additionally, if you can also let us know if there is any headway in terms of the large grocery stores, you were earlier alluding to, perhaps looking into getting into one of the largest grocery chains in the U.S. and there was some conversation on that front, perhaps it would not fructify or I'm not sure how it has been. So if you can give us some sense of any further breakthrough in any of these large grocery stores in the U.S.?

Bimal Thakkar: So this is a continuous process. We keep presenting to the chains. We've got listed in 2 more chains in the U.S., which will give us -- for the Truly Indian brand, we will have some 300 stores from these 2 chain stores. And then we continue to present to other stores as well. So this is an ongoing process.

Even in the U.K., we are presenting to some stores in U.K., in Australia. So our focus -- I mean, we want to grow our brands now in the mainstream market. So this gives us a totally different audience compared to the current South Asian diaspora that we are catering to. So this is going to be an ongoing process. And we have had good successes and it takes time to build up. Listing is one part, then to create the offtake, spend -- invest on marketing. So this is a gradual process. But it's -- the response has been very encouraging.

Moderator: We have our next question from the line of Shalini Gupta from East India Securities.

Shalini Gupta: I had 2, 3 questions. The first one being that -- okay, my first question also has been answered in terms of the reason for the strong sales growth. Now, I wanted to ask you, sir, what is the process of building a brand in the U.S.? Because in India, the way it is done is that you push, you spend some amount of money on advertising and make sure that there is enough distribution. So how is it like in the U.S.?

Bimal Thakkar: So I think building a brand is the same everywhere. The process is the same, but it first starts with distribution, then it starts with marketing. So in the U.S., when you are building up within the supermarkets and mainstream, there are listing fees that have to be paid. So you first build up the distribution, get your product in the stores and then you create the pull for those products once they are listed.

Shalini Gupta: Sir, so when you're saying you got listed, it means that you can sell your products to that superstore. Is that right?

Bimal Thakkar: That is correct.

Shalini Gupta: Okay. So how many listings are you looking at in financial year '25?

Bimal Thakkar: Well, all these stores, the major chains have their calendars for review of their products for listing. So we present everywhere possible. And so far, we've had some good success. We are still waiting for news from certain other stores or other chains. So -- like I mentioned, it's an ongoing process.

Shalini Gupta: Okay, last question from my end. How many listings do you currently have?

Bimal Thakkar: So as I mentioned, in the U.S., currently, we've got confirmed listings with 3 large chains -- sorry, 2 large chains at the moment, which gives us access to about 350 outlets. We are awaiting some more news. So we will know in the course of the year.

Shalini Gupta: All right. And then the U.K. -- not U.K., I mean, EU?

Bimal Thakkar: Well, again, in Germany is where we've got the Truly Indian brand. There, I think our number of stores should be in excess of 1,000 or 1,500 stores where we are there in the major chains out there. U.K., we would be in about, I would say, close to 500 to 600 stores across 4 major supermarket chains there.

Moderator: We have our next question from the line of Kuber Chauhan from Anand Rathi.

Kuber Chauhan: First of all, congratulations for a great set of numbers. Sir, I have a couple of questions over here. You said that agency distribution has not grown up to the mark due to supply chain issue. So what are things or what are measures we would be adopting to mitigate or to sort it out in FY '25? And secondly, you have incurred a margin of 22% in this quarter, basically. So how sustainable is it? And in coming year or coming next 2 years, how you are looking at your margins and your top line growth?

Bimal Thakkar: So to answer your first question, the supply chain issue is more from our principal, which is the Lipton Tea Company, the ones who have acquired the brand from Unilever. So they have just acquired the tea business from Unilever 2 years ago. So the whole transition did not go as smoothly as one expected. And you can imagine, it was a big acquisition. It was a EUR 4.5 billion acquisition.

So they are having some issues on at their back end on the factories and things like that. But things are getting under control. We've seen in the last 2 months supplies have been coming in. They have been getting much better on the supply. So in this financial year, we hope that the fill rate and the order supply rate to us will be a lot more compared to last year. So it's more something that they need to sort out and they are working to sort that out. As far as the margins go, as I mentioned, I mean, our EBITDA margins, you will see, it will be in the high teens because of the investments we intend to make on the 2 new businesses, which is the India business and the U.S. business for the Truly Indian brand.

Kuber Chauhan: And how much of the top line growth we're targeting for FY '25?

Bimal Thakkar: So we are looking at upwards of 20%.

Kuber Chauhan: Volume growth or revenue growth?

Bimal Thakkar: Both. Even for this year, it's been volume growth and revenue growth has been more or less equal.

Moderator: We have our next question from the line of Umang Gada from Elixir Equities.

Umang Gada: Yes. Firstly, congratulations on a great set of numbers, really encouraging. Sir, I had 2 broad questions. My first question was on the Red Sea crisis and the freight cost. If you could help us give us some idea that the costs are remained to be elevated in some near term or are expected to cool off, which will lead to some margin expansion. So that -- some colour on that would be helpful.

Shardul Doshi: So Red Sea crisis kind of impacted us around December, third quarter where we were not getting containers and freight costs started going up. Overall, in Q4, actually the issue of container shortage got sorted out very quickly and the shipments were on track to most of our customers and hence, the top line were achieved. In terms of impact, it has a 2% impact. Freight cost was around 7% in the previous quarter for us of the top line, went up to 9% in Q4.

Umang Gada: Okay. So now, I mean, are any near term is it expected to cool down or these rates will be expected?

Shardul Doshi: No, the rates have been actually coming down from April onwards. So hopefully, it will be back to normal, again, around 6%, 7%.

Umang Gada: Yes. Okay. Great. And my second question is somewhere related, as you mentioned that these Red Sea crisis had impacted our shipments and Q3, the growth rates were little off. So the Q4, if I remember correctly in the last con-call, you mentioned that the shipments are transferred to Q4. So is it why the Q4 growth rate has been higher than what it actually has been? Is it kind of a one-off or these kind of rates should be sustainable in the near future as well?

Shardul Doshi: Yes, so there are certain shipments which moved to Q4, but that's not, I think, -- you cannot -- that's a very small impact as such. Overall, actually, our revenue in Q4, actually, we have been working to increase our shelf space. Also, we are doing very strong marketing activity there. We have been investing on people, and that's all led to increase in our volumes in Q4.

Umang Gada: Okay. So the growth has been organic and because of the good momentum there is no one-off as such, right, in the growth rates?

Shardul Doshi: Yes.

Moderator: We have our next question from the line of Chirag Jain from Yogya Capital.

Chirag Jain: Sir, I wanted to know a bit about more on the CapEx side that we are doing. Currently, we are more on the lower side of the fixed asset turnover of 2, and you are targeting around 3 for the new plants that are coming in. So could you give a colour on that?

Shardul Doshi: So if you actually exclude the leasehold assets, our asset turn is actually much better compared, even more than 3 what we are actually planning on the greenfield. So in fact, of our greenfield, what we are planning, we are spending almost INR75 crores, that's the budget which we have, and it will give us almost a top line of INR250 crores to INR275 crores. So that's our expected top line.

Chirag Jain: So am I right in assuming that the land isn't owned by us?

Shardul Doshi: No, the leasehold -- see the warehouses, which we have in our U.S., those are leasehold. And even the land which we have, though, they are called leasehold, but these are 100-year leases. So these are not like a small leases. This is -- they're as good as owned in India, where the factories are being made.

Chirag Jain: Okay. Understood. Sir, second question was more on the advertising side. So we have seen some brands phasing out because they have reduced the ad spend. So do we see something of that in U.S. or in other markets also?

Bimal Thakkar: No, we continue to increase our advertising and marketing spend, in fact. So we are very committed in growing our brands, which is why even on Truly Indian and Soul, we are making investments in the brand.

Chirag Jain: Yes, sir, I heard that point. I was thinking for the more longer perspective when we have a brand build and something we start to taper -- somewhere we start to taper our marketing spends. So is that on the cards or we would be continuously advertising for the next 2, 3 years?

Bimal Thakkar: No, no. See, what happens is as the business builds up, of course, your percentage on the marketing spend reduces. But in absolute numbers, it still continues to increase, okay? So that is how you are seeing -- how you will see a reduction in terms of percentage, but not in terms of absolute numbers. You are in a FMCG space, you need to be on top of mind on a regular basis.

Chirag Jain: Yes. Sir, if I may ask a last question that are we focusing on Indian market where the competition is very high?

Bimal Thakkar: Yes. I mean, we are -- the Soul brand is meant for India. And our goal is in the next 3 to 4 years to get the India business up to at least INR100 crores size.

Chirag Jain: So wouldn't be much prudent if we invest in other export markets and get a much higher margins compared to Indian business?

Bimal Thakkar: Well, the India opportunity is also going to be a very important one going forward. And we want to be in the Indian space. We continue to invest on our international business. So it's not that by putting money in India, we are stopping investing in the international markets. So we will do -- India is also a very important market. The Indian consumer has come of age and packaged foods is going to grow in this country. So we want to be part of that action.

Chirag Jain: I was thinking more from the opportunity cost point of view because if we -- why we don't invest in some other countries which have higher demand for the frozen foods and other products which you produce? So that was my thought.

Bimal Thakkar: Agreed. Like I said, we continue to do it in the other markets. And India will be a market to reckon with in the future. So we want to be there for it and start the investment. It takes years to build a brand in a business. So we want to make that start now. We feel this is the right opportune time for us to make our -- start our entry into this market.

Moderator: We have our next question from the line of Devanshu Sampat from Avendus Wealth.

Devanshu Sampat: Yes. I have a few questions related to your -- the saliency when it comes to your B2B business and if you can give a sense of also what is the starting base for FY '24 for Soul and Truly Indian?

Shardul Doshi: Soul has been now doing well as far as I think, month-on-month, we have we've been increasing 15%. So base for Soul, the India business is around INR3 crores to start with right now. But my run rate has already come to INR6 crores when we look at the last few months number. And as far as Truly Indian is concerned, this is almost, I think, 3% to 4% of our top line, and we'll be expecting it to grow further from here.

Devanshu Sampat: Sir, just to clarify, when you say 3%, 4% top line, is that a standalone or consol?

Shardul Doshi: Standalone.

Devanshu Sampat: Okay. And the B2B business also, share of that?

Shardul Doshi: B2B for us is around 23% right now.

Devanshu Sampat: Again, standalone, right?

Bimal Thakkar: Standalone, correct.

Devanshu Sampat: Okay. And Mr. Thakkar, you mentioned that you expect Truly Indian to become as big as Ashoka in a few years. So assuming it to be around 250-plus Ashoka's revenues this year, so is that like an internal target where you expect this to be achieved? And also what can be expected of Ashoka as well? Is the focus going to shift on Truly Indian or both the business -- both the brands can fire together?

Bimal Thakkar: So both the brands are targeting different audiences. So Ashoka will continue to focus. It will continue to be the flagship brand for the South Asian diaspora across the world. And Truly Indian is for the mainstream market. Now the mainstream market, like in the U.S. for us is new. So we've got a huge runway there. It's a much larger audience that we are catering to. Indian food overall is getting more and more popular in the United States and other parts of the world. So both are different audiences and we expect both the brands -- I mean, Truly Indian will grow at a much higher percentage because it's at a very low base at the moment. Ashoka, we expect Ashoka to continue to grow at about upwards of 20% as well.

Devanshu Sampat: Okay. So would it be fair to expect Ashoka size business in about 3 years or 5 years, what was the number that you guys are working with?

Bimal Thakkar: So we are looking at anywhere between 3 to 5 years for the Truly Indian brand to get to that. It might happen sooner, depending on how the listings come through, how the offtake is. So -- but yes, 3 to 5 years is our time line, which we have put in for this brand.

Devanshu Sampat: Sure. And can you also share the export incentives for '24?

Shardul Doshi: Almost INR20 crores.

Moderator: We have our next question from the line of Hatim Broachwala from JM Mutual Funds.

Hatim Broachwala: Sir, my question is on the new listing, which was done during the quarter. So which were those chains which got added and how many stores access got added during the quarter?

Bimal Thakkar: So this was in the U.K. We got listed with Tesco, 2 or 3 stores got listed in there. And I think the number of stores was about 300 stores. It's still very early days, but we expect this to be at least GBP 1 million in revenue for the first year.

Hatim Broachwala: And sir, there were 2 chains got added, right, or only one?

Bimal Thakkar: Tesco and Morrison also, which is another 120 stores, which we got listed in.

Hatim Broachwala: Okay. Sir, the growth this quarter was very sharp Q-o-Q. So how much was attributable to this new additions and how much was like on an ongoing basis?

Bimal Thakkar: So I would say, the new addition would have probably helped by about 15%, 20% overall in the quarter sales, in the incrementally quarter sales, but 80% was within the existing stores that we were increasing our sales presence and increasing the depth in those stores.

Hatim Broachwala: Okay. And my last question is on the Soul business. You mentioned INR6 crores run rate. This is for the quarter, right?

Bimal Thakkar: No, no. So last year, last financial year, our top line on Soul was about INR3 crores. Seeing the last 2 months with where the offtake has been and with the limited online presence that we have, we are already now at -- if I have to extrapolate it into 12 months based on the last month sale, we are at a INR6 tons number, but we expect that to grow. And our internal target for this year on Soul is around INR30 crores.

Hatim Broachwala: And sir, how is the profitability in this business currently?

Bimal Thakkar: So the gross margins are good, but a lot of money is being spent on the brand building. It is not going to make money for us. We will be in an investment mode for the next 2 years in this business.

Hatim Broachwala: So it will break even after 2 years?

Bimal Thakkar: Correct. Year-3, we expect it to start making money.

Moderator: We have our next question from the line of Ravi Naredi from Naredi Investment.

Ravi Naredi: Really, Bimal bhai doing very fantastic. Sir, different, different units at which capacity running means Nashik, Nadiad and Surat, and any plan to increase the capacity?

Bimal Thakkar: So yes, Mr. Ravi, our Nashik -- Surat is our greenfield project. We have just broken ground. So we expect that factory to be ready within the next 15 months.

Ravi Naredi: Next 15 months, okay.

Bimal Thakkar: Yes. And Nashik and Nadiad, we have been expanding capacities, increasing capacities out there. So some lines we are upwards of 80%, 85%. So both the factories overall right now are in most of the lines, upwards of 70%.

Ravi Naredi: 70%. And other than Surat any CAPEX plan?

Bimal Thakkar: We are doing some more CAPEX in Nadiad and in Nashik. So overall, between Surat, Nadiad, Nashik, we are looking at about INR100 crores CAPEX.

Ravi Naredi: In how many years?

Bimal Thakkar: In the next 1.5 years.

Ravi Naredi: Sir, in distribution business, no growth since last 3 years. Any specific reason, sir?

Bimal Thakkar: As I mentioned, this business has been bought. So this was a business owned by Unilever, okay, the teas, Red Label tea, Taj Mahal tea. That business internationally, Unilever has sold to private equity, a company called Ekaterra or they call themselves now the Lipton Tea Company. So that whole acquisition has been last 2 years. So there has been some -- the transition did not go as smoothly. So there has been some disruption in supplies from their side because of this whole shift. But they are now over the last 1, 2 months, we've seen things are getting better. So this year, we will hope to increase that business as well.

Ravi Naredi: So Patanjali, we are not selling anything?

Bimal Thakkar: Yes. So Pathanjali, we were only doing for U.K., right, Mr. Ravi, and we have we have decided to phase that out because it did not go the way we expected it to go.

Moderator: We have our next question from the line of Faisal Hawa from H.G. Hawa & Company.

Faisal: Congratulations, Mr. Thakkar, for the fantastic results. And my question was with respect to like is the company in talks with any other FMCG company besides Unilever?

Bimal Thakkar: We are in discussions, but our focus is -- again, we want to be very selective on this agency business that we take. So unless and until it doesn't meet our criteria, we will -- we don't take on brands or other businesses. But yes, we are in talks with 1 or 2 more companies.

Moderator: We have our next question from the line of Ashish Agarwal, a shareholder.

Ashish Agarwal: Yes, so my question is like we see that we are getting the growth and we are doubling our kind of aspirational in the next 3 years for revenues. Where do we see the margin expansion coming from in the next 3 years? Is it going to be Truly Indian, which is going to give us a huge operating leverage or it's going to be some other area?

Bimal Thakkar: Well, the Ashoka brand continues to be the flagship brand. So we will continue to see that brand contributing well. Truly Indian also is a highly profitable brand. In the U.S., it will be in an investment mode. But as we start breaking even, we will start seeing good contribution coming in from there as well. And even the Soul brand, as I mentioned, we have good margins on the Soul brand as well. So it's just the next 2 years being -- 2, 3 years being in investment mode for these brands. After that, these brands will start contributing well for the company's bottom line.

Moderator: We have our next question from the line of Jinesh Sipani, a shareholder.

Jinesh Sipani: Sir, I wanted to get a view on what are the pricing in U.S. markets and what are the consumer sentiments and the competition in international markets of our products?

Bimal Thakkar: So when you mean pricing, I mean, we have more than 300, 400 products, which are all priced very differently. So the retail price, consumer or MRP, as we call it here, ranges from $1.99 and can go up to $10 also. So it's different pricing for different products. Even competition, we have competition from local players, from companies out of India. So it's a mix thing. And each market is different.

Moderator: We have a follow-up question from the line of Devanshu Sampat from Avendus Wealth.

Devanshu Sampat: So just wanted to get a sense on what we can expect from the B2B and private label business in terms of growth that you guys are working with? And maybe if you can throw some light on the food service vertical as well, is it a business that can be somewhere in the $3 million to $5 million range?

Bimal Thakkar: So as Shardul mentioned, our B2B business, which is B2B private label currently accounts for about 23% of our overall revenues, I mean, of our stand-alone revenues. And again, our focus is our own brands, but we do take on selective private label business. We are in talks with some big chains at the moment for some private label business. So we expect that business to grow in this year and probably we might see another 5% growth. So it might go up to close to 30% in terms of on a standalone basis.

And the food service side, we are looking at that from a Truly Indian brand. So again, we have been presenting to certain customers, large customers. And as that business starts off, it will be a slow buildup. So it'll probably start off. And then over the next few years, you can see it coming up to 4 million, 5 million.

Moderator: We have a follow-up question from the line of Faisal from H.G. Hawa & Company.

Faisal: My question was with respect to the canned sweets and the frozen sweets that the company has introduced, like is it only for the international markets or for the domestic market as well? The reason -- the competition from Bikaji and Ramsay and so on?

Bimal Thakkar: Yes. No, at the moment, this is only for the international markets.

Faisal: Okay. And have we hired up somebody to expand the distribution?

Bimal Thakkar: I'm sorry? Could you repeat your question?

Faisal: Have we hired somebody to expand the distribution?

Bimal Thakkar: Hired somebody where, here in India?

Faisal: For the distribution at the executive level?

Bimal Thakkar: No, I am not able to understand your question, sir.

Faisal: My question is, has the company hired somebody at the executive level to expand the distribution in India?

Bimal Thakkar: So we've got a business head for India who is there, and they are building out a team in India for our India distribution.

Moderator: We have our next question from the line of Ashish Agarwal, a shareholder.

Ashish Agarwal: Yes. I just wanted to know what is the plan for launching more products in Soul brand in India?

Bimal Thakkar: So in this year, you will see we would have another 20-odd products lined up for India under the Soul brand in this financial year.

Ashish Agarwal: But what are the categories that we have -- see, here into chutneys, pickles and typically those areas as of now. What is the category that we are looking at?

Bimal Thakkar: So we are looking at some frozen foods, some sauces, some dips. Yes.

Ashish Agarwal: Pretty much expanding this year into a bigger, broader category, right?

Bimal Thakkar: Absolutely.

Moderator: We have a follow-up question from the line of Chirag Jain from Yogya Capital.

Chirag Jain: Sir, my question was on the previous year side. If we see, we had done a QIP in somewhere around 2020. We had raised some INR50 crores of capital, okay? So first part was that, we have utilized INR26 crores, okay? So where was this utilized?

Shardul Doshi: So this is not QIP. We had issued the warrants. That's how the money raise was done, and this is largely into the CAPEX, which we have done over the last 3 years.

Chirag Jain: Okay. Second was on that, that we are -- we have been able to generate good cash flows to fund our expansion plans. And we also have been giving out dividend. So there's some mismatch in our understanding.

Shardul Doshi: Sorry, we didn't get the question.

Chirag Jain: Sir, we have raised INR50 crores, okay? We are annually receiving INR70 crores of PAT from our business, okay? So why did we raise INR50 crores?

Shardul Doshi: This was beginning of COVID, right? I think we had created the warchest that point of time. And the business has been doing well. It's been rewarding us. So we are equally then ensuring that we are distributing it to the shareholders also.

Chirag Jain: Okay. Understood. And sir, we -- why don't we consider raising debt?

Shardul Doshi: We are not averse to raising debt. So as and when required, we will. But right now, there is no need. We are sitting on a good cash balance, almost of INR140 crores-plus at this point in time.

Chirag Jain: Yes. Sir, I understood. I was thinking from a 2020 perspective. At that point in time, we could have raised debt rather than equity because we were having much -- we had almost no debt at that point in time?

Shardul Doshi: No. As I said, I think COVID times were a bit, I think, uncertain. So we had chosen to raise equity at that point of time.

Chirag Jain: Okay. Last question. Sir, where have you planned the Surat plant, in each area it is present in?

Shardul Doshi: It's in a food park at Surat. It's Agro food park.

Chirag Jain: Pardon, the area?

Shardul Doshi: Gujarat Agro Food Park. So this is a food park notified by the ministry.

Bimal Thakkar: It's I think some 30 kilometers from Surat.

Moderator: We have our next question from the line of Ashish Agarwal, a shareholder.

Ashish Agarwal: So I just wanted to know that we have this CAPEX plan in both brownfield and greenfield. We have the greenfield facility which will come in the next 15 months. So -- and we are almost around 70%-plus utilization of existing facilities. So do you see a possibility that within 15 months we will overshoot the demand that comes from various areas, and we'll have to curtail that out because you are just already on 70%, correct?

Bimal Thakkar: Yes, but we are also doing certain expansions in the existing facilities, which will help us further increase capacities in the existing...

Ashish Agarwal: Okay. That's about 70% is what you're saying?

Bimal Thakkar: Sorry?

Ashish Agarwal: Yes, yes, that's expansion on the brownfield side, right, is what's happening?

Bimal Thakkar: Correct.

Ashish Agarwal: Okay. So we don't see that demand will supersede the capacity, that expansion that we do, we will not end up into this situation, correct?

Bimal Thakkar: Hopefully not.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Bimal Thakkar: Okay. Thank you very much for your participation and support. Thanks a lot. Bye-bye.

Management: Thank you. Bye-bye.

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

(The above transcript has been edited for readability purposes)