Manorama
Industries Limited

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August 03, 2024

To,
The Manager
Listing Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400001

SCRIP CODE: 541974
ISIN: INE00VM01036

To,
The Manager
Listing Department
National Stock Exchange of India Limited
'Exchange Plaza', C-1, Block-G,
Bandra Kurla Complex
Bandra (East), Mumbai - 400051

SYMBOL: MANORAMA
ISIN: INE00VM01036

Subject: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of Q1 FY25 Earnings Conference Call held on Wednesday, July 31, 2024.

Dear Sir/Madam,

In continuation to our letter dated July 27, 2024, the Company had organised a Q1 FY25 Earnings Conference Call with the Investors/Analysts on Wednesday, July 31, 2024 at 12:30 pm (IST). A copy of transcript of Q1 FY25 earnings conference call is enclosed herewith and the same has also been uploaded on the Company's website at https://manoramagroup.co.in/investors-company-announcements#analyst_meet

This is for your information and records.

Yours Faithfully,

Thanking You.

For Manorama Industries Limited

Deepak Sharma Digitally signed by Deepak Sharma Date: 2024.08.03 18:31:18 +05'30'

MANORAMA INDUSTRIES LIMITED

Deepak Sharma
Company Secretary and Compliance Officer
Membership No. A48707

“Manorama Industries Limited

Q1 FY '25 Earnings Conference Call”

July 31, 2024

MANAGEMENT: **MR. ASHISH SARAF – PRESIDENT – MANORAMA INDUSTRIES LIMITED**
MR. GAUTAM KUMAR PAL – MANAGING DIRECTOR – MANORAMA INDUSTRIES LIMITED
MR. ASHOK JAIN – CHIEF FINANCIAL OFFICER – MANORAMA INDUSTRIES LIMITED
MRS. EKTA SONI – ASSOCIATE VICE PRESIDENT, INVESTOR RELATIONS – MANORAMA INDUSTRIES LIMITED

MODERATOR: **MR. VIKASH VERMA – E&Y LLP**

Moderator: Ladies and gentlemen, good day and welcome to Manorama Industries Q1 FY25 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 zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Verma from EY LLP. Thank you and over to you, sir.

Vikas Verma: Thank you, Laiba. Good afternoon, everyone. On behalf of Manorama Industries Limited, I welcome you all to the company's Maiden Earnings Conference Call. To discuss the performance of the company and to answer the questions, we have with us the management team, comprising of Mr. Ashish Saraf, President, Mr. Gautam Kumar Pal, Managing Director, Mr. Ashok Jain, CFO, Ms. Ekta Soni, AVP, Investor Relations, and the Company's Secretary team.

Before we proceed with this call, I would like to draw your attention to the fact that today's discussion may contain forward-looking statements that are subject to various risks, uncertainties, and other factors which will be beyond management control. We kindly request that you bear in mind there may be uncertainties when interpreting such statements. Please note that this conference is being recorded. We will now start the session with opening remarks from the management team. Afterwards, we will open the floor for an interactive Q&A session.

I will now hand over the conference over to Mr. Ashish Saraf for his opening remarks. Thank you and over to you, sir.

Ashish Saraf: Good afternoon, gentlemen, friends and Manorama family members. I thank you and invite you to this conference. I heartly welcome everybody in our Manorama Industries maiden earning call. Before I dwell deeper into the results and performance, I would like to spend few minutes to explain the business model of Manorama Industries in brief for the benefit of all.

Established in 2005, Manorama Industries is a unique global pioneer in manufacturing of cocoa butter equivalent, specialty fats and butters and exotic products from plant based tree borne seeds like sal seeds, mango kernel, kokum,mowrah seeds which are sourced from India, and one of our, shea nuts which are sourced from West African countries, from Ghana, Burkina, Togo, Benin, Nigeria.

The company, Manorama, has carved a niche in manufacturing of this exotic Sal based cocoa butter equivalent, Shea based cocoa butter equivalent, stearin, mango, and other exotic fats and butters. Manorama Company offers customized solutions to the particular and specialized needs for various food products, especially in the confectionery, chocolate and cosmetic industry for all the Fortune 500 companies in the world.

We are the leading exporter of the seed from India, especially, sal and mango. Additionally we enjoy the numero uno status for all these specialty fats in the world.

We are the only company in the world which has all these exotic fats in one basket. We are a tailoring company which tailors the needs of the specialty fats as per the requirements of each product all over the world. The key raw materials for Manorama's products like Sal seeds available in India, mango seeds available in India, and Shea nuts are available in West Africa.

These seeds grow spontaneously in the deepest forests of their respective regions. Manorama has a multi-decade-long strong network of millions of tribals and forest dwellers for collection of these seeds across more than thousands of collection centers during the collection seasonal periods in India and West Africa.

According to the government reports, India produces 15 lakh metric tons of sal seeds annually. Manorama procures around 80,000 to 1 lakh metric tons of sal seeds accounting for less than 10% of the available supply. As the leading consumer of sal seeds in India, Manorama faces no major risk in the raw materials even though these raw materials are seasonal and vary from season to season depending on various factors.

Similar, Africa produces around 17.6 lakh metric tons of raw shea nuts annually as per reports of the government and the market report, Manorama procures around 40,000 to 80,000 metric tons of shea nuts annually and does not foresee any major risk in the availability of these raw materials. Whether it is sal seeds or shea nuts or other seeds, the procurement volumes may vary year to year, but as per our sales and supply, we manage the scenario.

Now we would like to discuss the manufacturing process of CBE, Cocoa butter equivalent and other exotic specialty fats and butters involve three major stages; solvent extraction, refining, fractionation and interestification. Manorama operates a fully integrated state-of-the-art manufacturing facility in Birkoni, near Raipur. It covers all these key processes from origin to the market, from start to finish.

With an initial fractionation capacity of 15,000 metric tons in the year 2020-21, Manorama has successfully expanded its operations, reaching a current fractionation capacity of 40,000 metric tons. The latest expansion of 25,000 metric tons was commissioned in July 2024.

To date, the company has invested around INR212 crores in the capital expenditures, including a significant expansion of 25,000 metric tons capacity. Manorama's Milcoa Research and Development Centre is affiliated with the Government of India's Department of Scientific Research, DSIR certificate. In our in-house world-class research and development unit at Birkoni plant near Raipur, we continue to work on new products and applications and most of these applications and products working is done with our customers' needs required for their specific products and this research all goes on in continuous working with them, with our customers.

The company is committed to continuously technologically upgrade and capacity expansion, supported by an advanced in-house quality control and research and development centre led by our Dr. Krish Bhaggan, who is a world-class scientist and equally, we have a very highly capable team with a proven track record of decades of reliable, high-quality product supply to all our customers all around the world, which are mostly the top gods of chocolates and confectionery. And Manorama has a visionary management team.

Manorama is well positioned to be a preferred sustainable supplier for international chocolate producers. Manorama is a visionary company which procures the wasted seeds from the floor of the forest, then uses scientific techniques and world-class technology to upgrade it to food-grade products which the children of all over the world consume. And we are proud to convert our wasted products into wealth.

As per the industry's business size, the global CBE and specialty fat butter market is likely to surpass USD 2,030 million by 2032, growing at a 6.1% CAGR. Manorama enjoys decades of strong customer relationships with the global chocolate and confectionery manufacturers.

To name a few, Ferrero, Mondelez, Nestle, Hershey, Mars, Body Shop, Barry Callebaut and all the who's who of the chocolate and confectionery world, most of them are Manorama's customers in the global market and also in the Indian market.

Manorama has been accredited with more than 100 national and international awards by governments and non-government entities. Furthermore, Manorama has achieved numerous esteemed national and international certifications in areas such as research and innovation, quality control, standard processes, sustainable procurement, and ESG practices.

These accolades and recognitions, reflect Manorama's commitment to an environment-friendly, employment-generating, sustainable, growth-oriented business model with global recognition and presence since many decades.

As we look to the future of our company is committed to driving innovation and excellence in the chocolate, confectionery, and cosmetic industry. We are focused on expanding our product range with premium ethically sourced ingredients while also enhancing our production capabilities to meet growing global demand.

Our products are scientifically produced, which requires very high technology and continuous monitoring and research-based production. Our strategic investments in sustainable practices and advanced technology will enable us to deliver high-quality products more efficiently and responsibly.

With a strong emphasis on customer satisfaction and market expansion, we are poised to capture new opportunities and set new standards in the manufacturing sector. With the expansion of the fractionation capacity to 40,000 per ton, we anticipate a significant surge in our revenues. Thus, we are upgrading our guidance to INR 750 crores plus for the fiscal year 2025 along with an increase in profitability due to the economies of scale, margin improvements and multiple other efficiencies which we are achieving. We are excited to continue our journey towards sustainable growth, creating world-class products which are coming from most certified ethically sourced crops who are our customers worldwide.

I would now like to invite our CFO, Mr. Ashok Jain, for his comments.

Ashok Jain: Good afternoon everyone and a warm welcome to Manorama Industries Q1 FY24-25 Earnings Conference Call. Financial performance for Q1 FY24-25, revenue growth. Manorama Industries achieved a notable 19.6 year-on-year increase in its revenue, reaching [INR 133] crores. This growth is attributable to robust demand across the company's product portfolio in both domestic and international markets.

Revenue breakdown. Exports contributed INR97 crores, making up 73% of total revenue. This indicates strong international market performance. Domestic sales for the remaining revenue shared. EBITDA performance, EBITDA increased. The company's EBITDA surged by 43.6% year-on-year to INR 26.8 crores. EBITDA margin expanded by 335 basis points and year-on-year at 20.1% in Q1FY25. This margin improvement reflects effective cost management strategies and operational efficiencies.

PAT, profit after tax: PAT growth increased by 17.2% year-on-year at INR 13.5 crores. PAT margin stood 10.2%, reflecting a solid profit performance in relation to revenue. Highlighting our Long-term performance for FY20-24 track record, revenue registered 25% CAGR. EBITDA clocked 14% CAGR. PAT had 15% CAGR during the period. Thank you for your attention to our financial performance. We now open the floor for the question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nitin Gosar from Bank of India Mutual Fund. Please go ahead.

Nitin Gosar: Hi, team. Congrats on a good set of numbers. A couple of questions. I'm just trying to understand how to look at the new capacity which has got commissioned. So, how should one see the sales volumes in terms of fractionation for the quarter that has gone by? So, June quarter which we ended with, what was the actual sales? If I were to monitor it from fractionation capacity point of view. And second linked question is going forward for FY '25 when we will have 40,000 tons fractionation capacity, what should we see or how should we see it scaling up and end up for FY '25? And hopefully, if you can also answer for FY '26, how should we see the utilization level on fractionation capacity basis?

Ashish Saraf: So, the capacity for the current quarter of CBE was 750 metric tons and 1150 metric tons for the scaling. The new capacity which was commissioned on 1st of July has not contributed in this quarter's results. And we expect in the current going forward season the CBE should be around 5,000 metric tons.

Management: So, current capacity utilization for SF2 fractionation will be 60%-70% in the coming quarter.

Ekta Soni: And sir, for the existing plant, we have utilization of around 100% for our existing capacity. And we expect our capacity utilization to be around in the range of 50%-70% in the financial year FY '25. And we expect it to increase it to 80%-85% in the financial year FY '26.

Nitin Gosar: Got it. So, just to put it in context, 15,000 tons was the fractionation sales or utilization for the quarter which has gone by. And thereafter, on total 40,000, we are expecting utilization to be around 60%-70% for the year. Or only for the new capacity, we are expecting 60%-70%.

Ekta Soni: For the new capacity, we expect our utilization to be around 60%-70%. And for the existing capacity, we expect 100% utilization.

Nitin Gosar: Got it. And similarly, I think Ashishji did allude to the value-added products versus the other products. So, I wanted to understand the share of breakup between value-added and non-value-added that we have today. How is that going to change once the new capacity gets commissioned? So, let's say between FY '25 and FY '26, how should one think through that CBE share or value-added share to shape up?

Ekta Soni: So, as of now, if you see, for example, all our products are very niche products because they are all value-added products. But what we categorize, if you want to hear of like for example Cocoa Butter Equivalent is a value-added product for the company. For example, the stearin part which we receive from fractionation is a value-added product for the company. So, around 50%-60% whatever the company currently produces is the value-added product. So, of course, we have actually increased our wallet share for our value-added products. Currently, it is 50%-60% combining both CBE and stearin. So, we aim to increase our wallet share of CBE to 20%-30% for the current financial year. And we expect to increase it further in the coming financial year, FY '26. So, maybe current year it would be 30% and going forward we may increase to 50% the wallet share of Cocoa Butter Equivalent.

Nitin Gosar: Got it. And remaining would be the stearin portion. So, right now when we say value-added share is 50%-60%, we include CBE and stearin. And going forward, CBE alone could be 50%.

Ekta Soni: No, combining both and going forward alone could be stearin. See, basically the CBE is made out of stearin only. For example, if we intend to increase the volume of our Cocoa Butter Equivalent the stearin component selling will be less from that. So, combining the value-added product will be around 70% combining both CBE and stearin.

Nitin Gosar: Got it. Perfect. And if time permitting, I have two more questions, if I can continue.

Ekta Soni: Yes, please.

Nitin Gosar: The third question is with regard to the realization. If one were to understand from, I completely understand the competitive reason for which there is limitation to share the pricing. But on broad basis it can help us understand what kind of realization we see for a value-added product versus non- or limited value-added product. And how should one see this shaping up because there are certain contracts which are priced at earlier value.

And the realizations could be or would have shaped up on the higher side. So, if I were to take a starting point as April or let's say start of this year versus last year, how should one believe or how should one read the value-added piece realization, how they have shaped up. And ongoing basis or looking forward basis, does it seem to be on the improving trend or are the current numbers factoring in the improved version of those realizations already?

Ekta Soni: So, sir, yes. if you -- we talk on the realization part first. So, we take that question first. So, on the realization part, CBE, for example, what we use to -- so, the average price for our Cocoa Butter Equivalent-- Of course, you have seen all the global situations regarding the products of

Cocoa Butter Equivalent that is rising surge in demand. So, of course, we are booking it our capacity at a much good rate compared to what we have booked in the last year. So, on average, we can take on a jump of around 10% to 15%.

On the pricing chart, we have initiated our booking accordingly and we are taking our contracts as per the revised price for our new products. And all these things, of course, that are going to attribute to our margins because there is not just the price realization benefit that company is going to get in the coming quarters, in the coming years, but there are several other factors which will attribute to the margins.

For example, the economies of scale, the operating leverage, what we are going to get. Out of this capacity once we have started utilizing our capacity at the optimum level, we are going to get the benefit of operating leverage, economies of scale and whatever backward integration we have done and we have made all the process integrated at one plant under the premises. So, that seamless operation will also attribute to the margins. Besides that, we expect better customer mix also and going forward, we expect better product mix also for our portfolio.

So we expect our margins to be sustainable. As you have seen, we have reported 20% EBITDA margin this quarter attributed to our significant cost efficient management system and the efficiency. So the company will try to maintain this margin in the range of 20% to 22% in the coming financial year and it could of course can surpass more, but the company will be in a better position to guide it further beyond 20% to 22 % as the quarter passes by.

Nitin Gosar: Sir, the quarter which we saw, which has gone by, we had reported 20% margin. It didn't see a material benefit coming out of new facility. And going forward, as new facility contributes, value-added products improve and obviously certain degree of realization changes. The margins are trending upwards and it should get reflected partly in this year and hopefully full benefit in the coming year, that is FY'26. Is that the conclusion I should take?

Ekta Soni: Yes, you correctly put it.

Nitin Gosar: Okay. Thank you.

Moderator: Thank you very much. The next question is from the line of Jeevan Patwa from Sahastra Capital. Please go ahead.

Jeevan Patwa: Congratulations for good set of numbers. My question is we have expanded our capacities from 15,000 tons to 40,000 tons. So how do you see the global demand? So, do you think the market is good enough to absorb this additional capacity?

Ekta Soni: Thank you, Sir, for the question. So, yes, the global exotic butter and fat industry is more than 2 million tons and it is growing at 7% per annum. Secondly, in the last few years, there has been no new capacity, less capacity, which has been added globally. Additionally, there are newer and newer applications that are getting developed which increases the demand for our specialty exotic fats and cocoa butter equivalent.

Speaking specifically about the Manorama, in FY'25, we were supplying to very few major clients and the export was not that great as it is now currently. Today, we have more than 80 global clients. We also have -- we have expanded our business to US, Europe, Russia, Middle East, Turkey, and various other countries. So this is the market where you need to have specific applications for specific clients. And also it takes two to three years for any new player to onboard a new client. In last three years, we have worked with multiple clients and able to develop specific products for their applications.

Jeevan Patwa: Okay, great. And secondly, how do you see yourself competitively positioned in the global scenario? So in terms of competition, how do you see yourself positioned in the global scenario?

Ekta Soni: Firstly, as you know that Manorama is the leading company which can process any of these specialty fats and butters coming of the seeds like sal, shea and the mango kernel and us against the majority players who are there, but they are based out of more on the shea nut part. Secondly, we are one of the very few companies who supply to global confectionary giants like Mondelez, Ferrero, Mars, Nestlé, Hershey and also cosmetic giants like L'Oreal, Body Shop, Lush. And also there are applications to the bakery and the HoReCa market. So whatever by-products get produced, all sold in the domestic market. So we have a plant where nothing is wastage and that which gives the competitive cost advantage against the global players.

Jeevan Patwa: Perfect, sir. Thanks a lot. I'll join the queue again.

Moderator: Thank you very much. The next question is from the line of Kaushik Mohan from Ashika. Please go ahead.

Kaushik Mohan: My question is that I can see that we have done an increase in our capacities, right? What kind of amount that we invested for this capacity and what kind of peak revenues that we can see?

Ekta Soni: So, Sir, for the new capacity, we have spent more than INR 100 crores on this new capacity expansion, which includes the extraction plant of 90,000 tons, the refinery plant of 30,000 metric tons per annum, the interesterification plant of 15,000 metric tons per annum, and the fractionation plant of 25,000 metric tons per annum, along with the other supporting infrastructure and needs. At peak utilization, the new expansion should generate a revenue which is close to INR600 crores to INR800 crores on an asset turnover ratio of ranges between 6 to 8. At today's pricing, we expect we should reach our optimum utilization of the new capacity by the end of FY'27.

Kaushik Mohan: Got it. Ma'am, you have told the guidance for this year to being around INR750 crores. Also, you mentioned with one of your colleagues that you are going to run a present old factory at 100% utilization and the new one at 70% utilization.

If I assume the old one being at 100% utilization, it means we'll do the same revenue as last year whatever we closed at. And also, with the new facility, that means that 25,000 is the new facility. In this, 70 percentage is coming out to be around 17,500.

Also, in the call, you mentioned that per kg realization is somewhere around -- approximately it is a better size. I don't know the number. If you can specifically mention that, that means that

17,500 plus 15,000, the total is coming out to be 32,500. Is my understanding right? This will be the capacity in this year?

Ekta Soni: Of course, you are right, but then we have commissioned our new plant on the 1st of July. So we have to exclude the first quarter of current FY out of it you have to exclude the first three months out of your calculation and the rest of the calculations are correct.

Kaushik Mohan: Got it. And what will be the per kg selling price if it is possible to be shared?

Ekta Soni: Looking at the competitiveness for the market, we will restrict ourselves to share the price.

Kaushik Mohan: Okay. I also understand that cocoa prices are increasing in the market. Normally, cocoa equivalent butter trades at 50% lower than what -- it's basic understanding what I have. So if I wanted to understand, now the cocoa prices have skyrocketed, right? Are we also going for a price hike in our product?

Ashish Saraf: The increase of cocoa butter definitely increases the price. But our basic model is whether whatever the price of cocoa butter is there, the CBE has its own value chain and its own requirement all over the world. And CBE is a co-developed product, which we do. And the reasons of the profit are not only due to the increase of cocoa butter prices.

Cocoa butter prices may go up, may come down. CBE has all the chocolates in the world. Mass producers which need CBE to produce the chocolates and give a better shelf life and better efficiency in the mouth feel of the chocolate.

And plus the cost efficiency, which we have brought in due to the new expansion, the shelf life has increased, the better textures CBE has. So there are a lot of reasons CBE's demand is increasing and will keep on being utilized all over the world by the companies who produce chocolates and confectionery.

Kaushik Mohan: Got it. Sir, my other question is that in the current quarter, I can see our interest cost being around INR 8.5 crores. If I assume this will be the same for the next four quarters, that means our interest cost has gone pretty high. Can I understand, this is the entire money is being used for the investment of our capex?

Ashok Jain: So, all the money is applied for the working capital, for procurement of our raw materials. And the same will be around, the average cost of borrowing is 9%.

Kaushik Mohan: And sir, also I can see the inventory levels going up and the change in inventory.

Ashok Jain: It will continue for these three quarters. And we are debt-free means we have a surplus fund of our cash FDR, so technically we have -- around INR250 crores is only working capital for the procurement of raw materials, net debt.

Kaushik Mohan: Sir, can you explain about our contract?

Asok Jain: We have surplus FDR in our books around INR 95 crores as on date that will be utilised for the coming working capital requirement.

Kaushik Mohan: Got it. Sir also can you explain me on our contracts that we have with our clients? Is it a very long-term and how long is the contract that we work with them and if there is any price change, when do we take that price change into consideration?

Ashish Saraf: So we are working with our clients where we are more than 80 global clients and otherwise we have more than 150 clients, customers. So everybody has their own way of buying. Some buys on short-term basis, but some buys on long-term basis. So our contracts range from 1 year to 6 months to 3 months delivery basis.

Kaushik Mohan: Sir, another question. We have incorporated subsidiaries Australia, Russia as well as the Middle East. Can you explain the purpose of this?

Ashish Saraf: So basically we have this for different purposes. The subsidiaries in West Africa, Africa's subsidiaries are for procurement of shea nuts from the tribals and villagers of those regions like we do in India whereas the subsidiary in Russia is for selling to the local small companies which are based in Russia where we need to be present to cater to the smaller companies. As you must understand, chocolate business all over the world has many types of companies. The top ones are the Ferrero, the Mondelez, the Nestle, Barry Callebaut, Mars. And then there are second-rank, third-rank.

There are different categories and layers of these chocolate companies. So for catering to the third and fourth layer of the companies we have established in Russia, Dubai and there are also multiple other business regions where we can utilize these companies for the Dubai companies, especially for procurement also. So, it's considering the importance of the local presence because ours is a global market and we need to cater and having more synergies of scale and having more to be more near the customer and to cater to our profitability, these decisions have been taken.

Kaushik Mohan: So, what is the capex plan for next two years? Do we have any or will it become a cash-rich company because cash flows will be positive?

Ashish Saraf: The clear intention of Manorama is to be 100% debt-free. We already have INR 95 crores of fixed deposits in the bank also and our plan is to be debt-free in the next three to four years. And we practice optimum utilization of our capacity by financial year 2026-2027 where we see much higher revenue growth and much higher margin increases due to the various advantages we will get because of this new addition of the capacity.

And there are a couple of projects in pipeline which companies preparing the plan and working on the feasibility and details and once we are ready we will come to our board for approval of the thing. And we have last five years since the time our production started in March-April 2020 when the corona hit India and since then till today we have been able to face all the hurdles and reach here and now once we are here we see a very bright future going forward, a very bright future.

Kaushik Mohan: Sir and in the long term of margins.

Moderator: Sorry to interrupt sir. May we request you that you return to the question queue for follow up questions as there are several participants waiting for the turn.

Kaushik Mohan: Sure.

Moderator: Thank you so much. Next question is from the line of Deep Chitalia from 9 Rays Equiresearch. Please go ahead.

Deep Chitalia: Yes ma'am, so I just wanted to ask that the raw materials of Shea and Sal which we procure from tribal people in Africa, so they don't have the bank account. So just wanted to know that what is the mode of payment and what is the terms and conditions you sign with the tribals? Is it on a spot prices basis or is it on a fixed prices?

Ashish Saraf: So Manorama Industries we 100% follow the rules of the law and the land and we are pioneers in the business of procurement. We basically ensure that the money reaches the women. Billions of women in India and Africa are our customers. So we all have audit teams travelling all around the regions to monitor our own people. Generally, the head of the village whomsoever is the head, like in India we have the panchayat chief or the village chief. Same system they have in West Africa also. So generally they are the heads whom we use and we pay them and they pay the women. So we don't buy anything in cash. All the purchases are done through banking channels whether it is India or Africa.

Deep Chitalia: And sir it's the contract is on spot prices or is it a fixed contract on a yearly basis or a quarterly basis?

Ashish Saraf: On Shea nuts and all you have to understand this is procured by millions of tribal women and when we use the word tribal and forest travellers they are natural forest people of India and West Africa and there cannot be any contract. All the nuts what we buy from them are on the prices of that day. In India we have fixed prices for Sal and mango as we are the only buyer, most of the buyers. We are the key buyers and in West Africa also it is mostly bought on spot basis.

Deep Chitalia: Okay, I understand. Thank you so much.

Moderator: Thank you very much. The next question is from the line of Sanjay Manyal from DAM Capital. Please go ahead.

Sanjay Manyal: Hi Sir, just want to understand if you can give - if you can throw some light on the Cocoa economics in Africa, the way prices have moved up in Cocoa how sustainable these prices are, how is the production sort of going to come in the next few years in Africa and whether suppose Cocoa prices comes down and whether it can impact the Cocoa butter also?

Ashish Saraf: As I explained earlier Cocoa butter all the 8 billion people on earth want to eat Cocoa butter, they love Cocoa. So Cocoa is in high demand all over the world that develop already it was, it is the best, it is the most popular in Europe and all over America and all. Countries like India, China, Brazil, the demand growth of Cocoa and the demand growth of chocolate has gone up still more further. So basically Cocoa is produced, the demand is going very fast and the production of Cocoa is subject to a very particular area like it is grown in West Africa where 60% of the Cocoa of the world is grown. Some is in Latin America and some is in Indonesia, Malaysia, India has a very, very small proportion. So the Cocoa is a very complicated process, the growing, the planting, then the tree needs special care and the farmers are very tired of handling the Cocoa. The high prices of Cocoa don't reach the farmers.

It goes to various other channels in between. So basically the demand supply of Cocoa will happen, it will go up, it will come down that is a process. What I am trying to say is as far as our business is concerned it doesn't affect directly, of course there are indirect effects on the prices, but every price like of CBE in all these last so many years we are doing and Cocoa has been going up and down, but our business is stable.

Sanjay Manyal: Right sir. Sir also if you can just give a volume number for the current quarter segregated between Olein and Cocoa butter equivalent it means what proportion of Cocoa butter equivalent volume is of your total volumes and also if you can give the segregation of Olein and stearin?

Management: We will share with you the details sir, separately.

Sanjay Manyal: Okay. That's all from my side sir. Thank you.

Moderator: Thank you very much. The next question is from the line of Bhuvan from Tiger Assets. Please go ahead. Mr. Bhuvan your line is unmuted.

Bhuvan: Thank you for the opportunity and congratulations on a good set of numbers. I would like to know what percentage of the CBE is presently used in chocolates and how much time could it take to reach to 5% of the FSSAI?

Ashish Saraf: Basically CBE generally chocolate makers mix 30%. This is the general way. Every chocolate has its own permutation combinations and the chocolate companies are having their secret recipes they don't share with us. But as a thumb rule generally chocolate contains 30% cocoa butter by weight. It should contain some, but it all depends on the cost and the company which is producing it.

So as per the FSSAI regulation in India and Europe, European regulation was 5% allowed by weight use of CBE. If the wrapper of the chocolate says 5% chocolate, like 5 star, they don't put chocolate word on it. They use the word sugar for a confectionary.

So they have this rule of 5%. If they want to put CBE, they have this rule of 5% doesn't apply. But if you put chocolate word, then this rule of 5% applies. But the demand is so high of the CBE. So whether it is 5% or 15% doesn't matter. It has its own demand and supply issue.

Bhuvan: Thank you. Another question. What led to the margin expansion? Is it operating leverage or rising variations or what? Hello.

Management: So the EBITDA margin for the whole year is around 17%. In the first quarter of FY '25, we have reported an EBITDA margin of 20%. With the help of the growth measure taken by the company, of course the margins are going to be on the improving trajectory in the next two years and coming years. And there are several factors which are going to be margin improvement. Like for example, the improving share of the value-added products, the better customer mix to the economies of scale in sourcing, the backward integration what we have done and the seamless operation.

Also the company is going to get the operating leverage benefit out of it because the fixed overhead will not change in the line of the revenue increases. And also there will be certain products where the realization will improve. And we are looking at margins to be gravitated towards 22% in the FY '25. However, the full benefits of the points of what we talked about will get reflected in FY '26. So this margin trajectory will keep moving upward, which we wish to update as pre-quarter ends in the coming quarter. So as of now, the guidance what we want to throw it for the FY '21, it should be in the range between 20% to 22%.

Bhuvan: Okay. And is your shipment from Africa affected by the Red Sea crisis? And how are you seeing the shipments trending over?

Ashish Saraf: So as far as African imports are concerned, they are not directly supply impacted by the Red Sea crisis. The general impact of the Red Sea crisis is on the areas where we ship around that. So the container freight has gone up almost double because of those crisis to certain markets where we ship. But of course, all those increases have been taken care in the pricing of our products.

Bhuvan: Okay. So any increase in prices will be passed on to the customer. It won't be incurred.

Ashish Saraf: We cannot say for all the customers, yes, but most of it.

Bhuvan: Okay. Thank you and all the best.

Ashish Saraf: Thank you.

Moderator: Thank you very much. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: The first question was, what is the volume growth on a Y-o-Y basis that we have achieved? Or is it all realization growth?

Ekta Soni: So whatever growth we have reported in the last financial year that attributes to the volume only. The utilization benefit from of our new plant will come in the coming quarters.

Alisha Mahawla: I just wanted to understand that we may be operating at full utilization at some part of last year also. So I am just saying Q1 '25 to Q1 '24 is the growth that we are seeing of almost 20% all volume growth or have we got some benefit of realization growth also?

Ekta Soni: So, if you see, the last year utilization was around 90% in the last year. In the quarter which we reported currently, the utilization was somewhere around 95% to 100% for the plant. So, the most of the growth if you see, it is coming from the volume growth.

Of course, there are certain products where the realization benefits also come. But the larger portion is coming from the volume growth. Because of the optimum utilization from the last year to the current year.

Alisha Mahawla: Understood. And peak utilization for us would be 100% or would it be 90% or 95%?

Ekta Soni: There are several process. Because there are multiple process from where we get this product CBE and stearin. So, the capacity utilization can differ or vary for different processes. And it is like up and down. But yes, optimum can be taken more than 90% for the plant.

Alisha Mahawla: Okay. And just the last question was this new capacity that has come on stream, the 25,000 tonnes. While you all did mention that we have 80 plus global customers and we have also expanded to new markets. Is this capacity tied up where we have some soft commitment from customers that they are going to increase their uptake or volume with us?

Ashish Saraf: So, this is an ongoing process where we, because as you have to understand. See, Manorama is a very unique company which is buying the raw materials from, which is taking the raw. Ensuring from millions of forest dwellers from the floor of the forest. Then bringing to our factories where we produce highly scientific products which are used in all over the world. The children of the world, the people of the world eat it. So, this is not a commodity. This is a very high niche speciality.

And these specialities have their own value additions. And their own value products are, nobody else in the world can do all these jobs. I cannot say nobody, but I can say it is not easy. It is quite difficult. There are multiple entry barriers for new customers. Whether it is the procurement side, whether it is the highly scientific production side. Whether it is the customers, because all the customers of the world, their products are billion dollar branded products. They don't want to use, buy these products from others. So, we have our own way where we have our own product demands.

Alisha Mahawla: I understand that. It is just that because like you said there are newer applications and because it is a very niche product. We are still saying that we will reach peak utilization of the new plant in '27. Whereas we are already expecting 60%-65% utilization in the new plant for the rest of the year. So, can we expect that maybe the new plant can reach peak utilization of 90% plus in '26 only?

Ekta Soni: Of course, we can reach that. The company has that potential to reach the utilization optimum by FY '26 also. But at this point of time, because we have just commissioned the plant, it will be too early to comment it. So, on a safer side, we have committed to FY '26. But of course, as the quarter progresses, we are going to update you further. But of course, the company has that potential to reach the utilization in FY '26 also.

Alisha Mahawla: Okay, thank you and all the best.

Ashish Saraf: Thank you.

Moderator: Thank you very much. The next question is from the line of Jainam Doshi from Kris Portfolio. Please go ahead.

Jainam Doshi: Yes, so congratulations on good set of numbers. I just wanted to ask like could you throw some light on the newer products that our R&D team is working on? Like some different applications except the confectionery and the cosmetics?

Ekta Soni: So, we have launched certain products. If you can say that too in the name of like Milco Cream. There are products called Milco spread , Milcoa R and Milcoa E which the company has recently launched. The applications are going to be used in, for example, the bakery fats market, the Horeca market and going forward in the edible industries as well. So, these are some of the products which we have launched currently. And there are further products which are currently in the pipeline when the company reaches the position when we have launched and when we are going to come up with the official announcement.

Jainam Doshi: Sure, sure. Thanks a lot. That's all from my side.

Ekta Soni: Thank you

Moderator: Thank you very much. The next question is from the line of Arun Gupta from SE Securities. Please go ahead.

Sajal Gupta: Hello, Ashish. This is Sajal Gupta speaking. And good afternoon to you and the team. And congratulations for taking off on the new line of capacity. So, most of the questions have been answered. So, just wanted to understand what is the moat of in this company? Is it possible for anyone to come and start off a business like this or not?

Ashish Saraf: Thanks, Sajalji. I will use the word here. It is very difficult. It is not impossible but it is not possible also. There are three major sides to it. One is the procurement side. So, this network which we talk very proudly about has been developed over the last 20, 30 years of very hard work. So, it is not a product which you can go to a Mandi and buy. You have to go to the forest villages and establish that network and get the right quality of seeds which we can process.

Second, the key part is the production facilities. These facilities and all which we enjoy today. There has been a lot of blood and sweat which has gone into making these technical and these special scientific ways of processing. And these are very highly unique and very difficult for new players to make and sustain.

And the third biggest side is the customer base because all this Chocolate is a very, very delicate product. It is a very unique product which no buyer wants to experiment with new players. The minimum entry barrier, first you need to send samples. Then they approve the samples. Then they take 8 months to 1 year of shelf life test because all these food products have shelf life.

So, how this new player's quality will behave. Then they try the main pilot plant production trials. So, the process of entering itself is 3 years to 4 years. And then the question comes whenever a new player approaches, they will ask what is your experience, where is your factory. First you put up a factory, show us your procurement network. Then we will think of considering whether we want to buy it or not.

And then there are multiple audits, multiple, because we have to understand these products are being eaten by the people not only of India but all over the world. Whether it is Japan, whether it is Europe, whether it is Russia, whether it is Latin America, America or the other parts of the world, Dubai, the Middle East. So, this is a very critical product which is very difficult for, I will not say it is impossible but it is quite difficult.

It is a creation of wealth from waste. And in this process millions of tribal people are getting millions of dollars in their pocket by us, by Manorama.

Sajal Gupta: It sounds good that there is such a huge moat for the company for anyone to enter into this line of business. So, just another thing that as we have seen the cocoa prices have almost doubled. So, I presume the CBE also has moved in tandem with the prices of cocoa. So, aren't we giving a very conservative guidance on the margin side?

Because if I see that your wallet CBE share which is 30% and it will be 70% in the current year. Could you first tell me what was the shares last year? And because we are moving on hierarchy on the value added item, the margin should really move much higher than what is being guided by the management?

Ashish Saraf: I agree to what you are saying, Sajalji but with every quarter we will be able to guide you better and better. Because these are all at blended levels we have guided and now our new facility has started production. And going forward we see a great future in this business. So, we can definitely do better, but it is our also conservative approach.

Ekta Soni: And sir, we are going to guide you as the quarter progresses. Because the company in the last quarter seen reported the margin of 20%. So, we will try to stay in the increased trajectory mode, but we can update you once the quarter progresses.

Sajal Gupta: As I see the company going forward, correct me if I am wrong. There are very few companies which have got an asset turnover ratio above 6. And as you are guiding, by next year you will be almost fully utilized on your existing capacity. Plus your new capacity which is coming into play right now. You would need further capacity additions going forward. So, that will be a very positive thing for the company. In 2 years you can utilize the full capacity. I hope I am on the right track from this part?

Ekta Soni: Of course sir, you are right. Because there is a lot of potential already there in the existing business. You see the demand, you see the supply, you see the technology. And there are few other plans/projects the team currently is working on them.

We are checking the feasibility of the projects and everything related to it internally. So, we will come up definitely with the official announcement once our board approves the project when we place. These plans are very positive and it is for the growth of the company.

Sajal Gupta: Thank you. That is all from my side. I wish you all the good luck for the coming future.

Moderator: Thank you very much. The next question is from the line of Mayur Parkeria from Wealth Managers (India) Pvt. Ltd. Please go ahead.

Mayur Parkeria: So, congratulations on a good set of number and great to know that you started with maiden call process and hope it continues. So, I had two questions basically. One, a little operational and second, a little long term. One is, will it be possible for you to give us an understanding of how did FY'24 revenues, if you have to break between Chocolates, confectionaries and Cosmetics. That is one.

And how do you see with the new capacity, how does this mix change? So, that is first. And second is, to the management over the longer term, what is our 5 years to 6 years of vision in terms of, have we got any long term range plan in terms of whether it is capacity, whether it is revenues, whether it is ROCs or anything in terms of little longish, how do we see 5 years.

Now we have come across this, we have broken the new capacities are placed, the success is there and how do we see the little long term in terms of, is there a tangible vision there or any qualitative vision which you see over the next 5 to 6 years. So that, how do we monitor the company over this longish period?

Ashish Saraf: Sir, the biggest vision we foresee is, we see the unique Manorama in every country of the world supplying to all the confectionary and Chocolate companies, not only whether it is Columbia or whether it is America or whether it is any country in the world. So we see a very big bright future going forward and we have very high vision and planning in store.

Currently our target is to first optimize the second fractionation plant to its full utilization, but we are not waiting, our other teams are simultaneously working on all the other projects and other further expansions and further deep drive we can go into the various parts of the world.

That is why lots of our subsidiaries now we have started opening all over the world and we see a big future whether it is Russia, whether it is America, whether it is all parts of the world and even in India we see a huge opportunity for our by-products value realization, we being a 1.4 billion country and the consumption of the food products going up and up. So we have a big vision for Manorama going forward and we see a very bright future.

Mayur Parkeria: Sir, any numbers which we can track and benchmark against over the longish period in terms of either capacity or revenues or any such things?

Ashish Saraf: That we will share going forward once we, there are many things in the offing and there are multiple projects and workings we are working on as and when we will inform to our board and again come back to you.

Mayur Parkeria: Great sir, thank you so much and sir in the first question will it be, is it possible to understand the revenue mix in the last year and how will it play out with the new capacity?

Ashish Saraf: So 90% is the food business and 8%, 7% is the Cosmetics business.

Mayur Parkeria: Okay, and that is how it will also remain as we go ahead?

Ashish Saraf: Not necessarily because we are majorly expanding in the confectionary and Chocolate business so definitely it will not remain the Cosmetic business. Again we are focusing also simultaneously but the volume in the food business is extremely high compared to the natural Cosmetics of the world.

Mayur Parkeria: Sir, this breakup you gave from revenue, rupees, crores or from the volume perspective?

Ashok Jain: Breakup is based on volume sir.

Mayur Parkeria: Okay, and how will it be in the revenue side?

Ashish Saraf: Revenue will be same around 90%, 92% is the Chocolate and depending on the further markets.

Management: Revenue in the food will definitely increase because Cosmetics growth is steady, food growth is quite high.

Mayur Parkeria: Okay, sir, thank you so much and wish you all the best.

Moderator: Thank you very much. The next question is from the line of Jagat Yagnik from Prince Enterprise. Please go ahead.

Jagat Yagnik: Hello sir, congratulations for commissioning this plant and now the company has become fully integrated organization to provide end-to-end solutions?

Ashish Saraf: Thank you sir.

Jagat Yagnik: My question is around when I was looking at all the numbers. So for next three quarters it looks like our EBITDA shall be in the range of around 30% actually if I try to extrapolate all the numbers. So is my assumption in the right direction or do you see something else?

Ekta Soni: So sir, we already reported the growth, If you see last financial year the company reported 17% EBITDA margin. In the first quarter we already have reported 20% margin. There is already an increase of 3% in the margin. Of course there will be an improvement but whatever we have guided, already guided you, we have guided you on the blended level. So we will try to maintain that as of now and if things progresses we are going to update you in the coming quarters.

Jagat Yagnik: And second part of my question was around the raw material. Will it be possible for the company to continuously procure the raw material as the capacities are going up now?

Ashish Saraf: Yes sir, basically these are coming from the natural forests of India and West Africa. And till now last 20-15 years we have been doing the same and we are hopeful that we will be keeping on doing the same. There is no as such, we don't see any acidic threat in this. And the volumes available for both our products are in millions of tons of Sal in India or Shea in Africa or even Mango Kernel in India. So we are quite sure unless and until there is a major natural calamity or something.

Jagat Yagnik: Okay, so we have the ability to go forward and increase our capacities in longer time horizon if my understanding is correct as the market is also pretty big.

Ashish Saraf: Yes, we can do it.

Jagat Yagnik: Okay, can you give some kind of guidance over a longer period of time, revenue growth guidance, is it going to be in the range of 30%-40% or something around that?

Ashish Saraf: We cannot share the figures here but we are very positive and we see a bright future.

Jagat Yagnik: Okay. Once again congratulations to our company and great work which you all have done. Congratulations and wishing you all the best.

Ashish Saraf: Thank you.

Moderator: Thank you very much. Ladies and gentlemen owing to time constraints this was the last question for today's call. I would now like to hand the conference over to the management for closing comments.

Ashish Saraf: So it was, I again, once again thank all the participants and Manorama family members for their valuable time for attending the unique Manorama business model and for the first earnings phone call. The company continues to establish itself as a leading and reliable player committed to meeting the growing demand for sustainable cocoa butter equivalents specialty fats and butters.

And our major thrust on our research and development in place, we remain the preferred partner all over the world for supplying exotic fats and butters to our existing and new customers worldwide and in the domestic markets. In case if you have any further queries kindly write us on email or connect with our investor relations Ernst & Young. I sincerely once again thank everyone. I wish you a great day and we look forward to seeing you next time. Thank you.

Moderator: On behalf of Manorama Industries that concludes this conference. Thank you for joining us and you may now disconnect your lines.