PFL/2024 **July 29, 2024**

To
BSE Ltd.
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Phiroze Jeejeebhoy Tower,
Dalal Street,
Mumbai – 400 001

National Stock Exchange of India Ltd.,
"Exchange Plaza",
Bandra-Kurla Complex,
Bandra (E),
Mumbai – 400 051

BSE Scrip Code: 500368

NSE Symbol: PATANJALI

Dear Sirs,

Sub.: Transcript of Earnings Conference Call Q1FY25 of Patanjali Foods Limited ("the Company')

This is in continuation to our earlier letter dated July 22, 2024 regarding audio recording of Q1FY25 earnings conference call held on July 22, 2024. Please find attached transcript of the said earnings conference call.

The aforesaid information will also be hosted on the website of the Company at www.patanjalifoods.com.

You are requested to take the same on record.

Yours faithfully,

For Patanjali Foods Limited

Ramji Lal Gupta
Digitally signed by Ramji Lal Gupta
Date: 2024.07.29 15:17:27 +05'30'

Ramji Lal Gupta
Company Secretary

Encl. As above

"Patanjali Foods Limited

Q1 FY '25 Earnings Conference Call"

July 22, 2024

E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on July 22, 2024, will prevail.

MANAGEMENT: **MR. SANJEEV ASTHANA – CHIEF EXECUTIVE OFFICER – PATANJALI FOODS LIMITED**
MR. KUMAR RAJESH – CHIEF FINANCIAL OFFICER – PATANJALI FOODS LIMITED
MR. PRIYENDU JHA – INVESTOR RELATION – PATANJALI FOODS LIMITED
MR. CHINTAN KOTAK – INVESTOR RELATION – PATANJALI FOODS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Patanjali Foods Limited Q1 FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjeev Asthana, CEO from Patanjali Foods Limited. Thank you, and over to you, sir.

Sanjeev Asthana: Thank you very much. Good morning. Welcome, and thank you for joining us today for Patanjali Foods Limited's call to discuss the results of Q1 FY '25. I am joined by the company's CFO, Mr. Kumar Rajesh, along with Mr. Priyendu Jha and Mr. Chintan Kotak from the IR team. The team from our Investor Relations advisor, our Strategic Growth Advisors is also here.

We have uploaded the results collateral on the stock exchange as well as the company's website for your reference. Please note that the call we will be referring to on stand-alone financials. I'm pleased to share that we've begun this fiscal on a favourable note with strong growth and profitability metrics.

During Q1 FY '25, the revenue from operations stood at INR7,173 crores. The total EBITDA stands at INR435 crores in the quarter, which is 105.2% growth over INR211.99 crores in Q1 of FY '24. On a sequential basis as well, if we exclude the adjustments related to the pre-redemption of preference shares as per IndAS, the Q1 FY '25 EBITDA has 4.8% growth from the quarter ending in March '24. Our PAT nearly tripled to INR262.91 crores on a year-on-year basis, while the PAT margin stood at 3.65%.

In the Edible Oils segment, after subdued performance for multiple quarters, there were signs of recovery since second half of FY '24. The uptrend continued during this quarter too. This segment recorded healthy margins of 4.35%, which is better than the standard margin range in the segment of between 2% and 4%. The performance of the Food & FMCG segment was also in line in the quarter 1 of FY '24. This segment contributed 26.77% to the total revenue, which is at similar levels in contribution in Q1 of FY '24. The performance details of the respective segments are covered later.

The revenue from Wind Turbine Power Generation segment during Q1 FY '25, stood at INR14.33 crores. The company fulfilled nearly 20% of its energy requirements from renewable sources.

A major highlight of the quarter was the initiation of the process of acquiring the Home & Personal Care business of Patanjali Ayurved Limited. The Board approved the valuation of the acquisition during the quarter and later on 1st of July 2024, it approved the acquisition of PAL's Home & Personal Care business on a slump sale basis at a cost of INR1,100 crores.

We are waiting for the CCI approval on this as well as the shareholders' approval. I believe it is a milestone transaction, which aligns with our company's desire to be a powerhouse in the FMCG space. This strategic expansion will help us improve the stability of our margin profile and open various avenues for future growth. Patanjali Foods has a proven track record of successful acquisition and subsequent business upscaling, and we believe that the successful execution of this acquisition will create incremental value for our stakeholders.

Speaking about the macro-environment, we see that the monsoon has hit the country evenly. We are optimistic for this to continue. With our already strong presence in hinterland, the company is positive about rural demand moving northwards in the coming quarter.

There is a steady urban consumption also, propelled by higher disposable incomes and a growing preference for premium products. Additionally, increasing health consciousness and evolving consumer lifestyles have further fueled the demand for premium FMCG products. Moreover, the expansion of e-commerce and quick commerce has provided an additional impetus to the sector.

Overall, as a company, we continue to execute on our strategic playbook by driving operational excellence, delivering innovative and premium products, and expanding our distribution footprint to build the foundation for high profitability and sustainable growth and create value for our shareholders.

Distribution expansion and new product launches as per evolving consumer preference continue to be our pillars for growth. Innovation and premiumization is the driving force behind broadening our array of products to serve both the value and premium segments of the market. These strategic growth drivers collectively aim to strengthen our market position and sustain growth in the FMCG market.

Coming on to the details of the segmental performance. In the edible oils segment, the company booked revenue of INR 5,330.33 crores. EBITDA of the segment was INR 231.63 crores as compared to the EBITDA loss of 99.61 crores in Q1 of FY24. The revenue from edible oils was on a lower side due to downward pricing pressure during the quarter. Further, there was a slight dip in the demand for edible oils. This happened mainly due to the unfavorable weather conditions. Multiple regions witnessed adverse effects of the intense heatwaves which impacted the edible oils sales to a large extent.

Despite all this, the segment performed robustly with high gains in profitability. This is mainly because of stable price regime in the market and active strategies of price risk mitigation that we pursued. We continue to see an improvement in sales of branded Edible Oil which constituted around 79.54% of the total Edible Oil sales for Q1 FY'25. Premium Oil range under the Nutrela brand continues to grow on a year-on-year basis.

The first quarter of FY25 saw both upward and downward price movements in the cash markets. Specifically, we observed a price correction of approximately 10% in April, followed by steadier movements in May and June. Palm oil showed no divergence between futures and physical prices. Conversely, a 7% divergence was noted in soya oil, primarily attributed to a decline in futures prices. During Q1, for the soya oil, the basis movement was negative, which favored physical stock, leading to a deliberate reduction in hedging activities. Conversely, the basis movement for palm oil remained nearly neutral, where we maintained an average hedge volume of 30%.

We recognize that the oil market is sensitive to price movements. Thus, we have varied sound risk management strategies in place. Our Hedging decisions are based on robust fundamental and technical research. We optimally leverage opportunities by establishing new sub-accounts for strategic management positions. Furthermore, we achieved natural hedging by continuously adjusting our positions in response to market dynamics.

Further, to overcome the inherent price sensitivity of edible oils, we are aggressively expanding our footprint in the oil palm plantation business. The oil palm plantation sector has an important opportunity for Patanjali Foods to attain lasting success. In the first quarter, we increased our cultivated land further to 75,667 hectares. Rapid agricultural expansions are being executed in collaboration with the farmers at large scale. We are conducting farmer training and exposure workshops in new areas.

Coming to the Food & FMCG Segment. We achieved revenues of INR 1,953.55 crores in line with the performance in the same quarter in the previous year. The quarter-on-quarter revenue declined by INR 751 crores primarily due to to the drop in the food business for various reasons. There was a spike in the year-end to INR2,148 crores in the previous quarter, which was a year-end inventory buildup by the distributors.

During the quarter, the segment recorded an EBITDA of INR184.05 crores at a margin of 9.42% compared to EBITDA of INR360.77 crores in year-on-year basis in Q1 of FY '24. The EBITDA margin is aligned, but there was a decline in the food business. In Biscuits, Soya Proteins and Nutraceuticals, there was increased better performance and increase in EBITDA as well.

I'm specifically coming to the Foods business to give greater clarity on the -- and convert that into 2 parts. The Foods business margin was 19.6%, driven by 52% of Indian foods, which are high-margin businesses that we have. This was in Q1 of FY '24. In Q1 FY '25, the consumer staples rose to 70%, temporarily lowering the margins. Recovery is expected in the next quarter with increased sales of higher-margin products.

Q1 of FY '25, the revenue was INR1,351 crores. The consumer staples categories was INR946 crores, where the margin typically is between 3% and 4%. The Indian food sales dropped to INR405 crores from INR662 crores, affecting overall margin due to the high inventory and seasonal factors. This margin is expected to stabilize at 11% next quarter as high-margin products recovered in Q4.

In the Biscuits business, the quarterly revenue grew by 9.41% year-on-year from INR381 crores of last year versus INR417 crores in Q1 of FY '25. The premium range of our health biscuits and Patanjali Tea continues to exhibit encouraging results. The margin increased from 10.1% to 19.1% in Q1 mainly due to reduced inventory costs in the raw material, both in terms of the wheat and palm oil and sugar, the prices were softer and the freight cost efficiency that was attained on account of the operational efficiency and the new solar installation that we have in the energy cost savings.

In the soya chunk categories, the Nutrela sales, we observed steady growth of 4.37% to 7,746 metric tons during the quarter. Nutrela maintained a healthy margin and continues to grow and drive its business. The Nutraceuticals achieved a run rate of INR14 crores during the quarter, which is on the higher-margin territory, we are expecting to close the year in between INR100 crores and INR125 crores in FY '25. We have complete restabilization of the business that we worked on.

In the Nutraceutical, it's a reworking of the strategies that is being worked out alongside the other strategies that the company is working on. The company remains resolute in its dedication to enhancing its brand building initiatives. Various endeavours have been carried out for Nutrela, Mahakosh and Sunrich. The brand teams engaged in active campaigns during IPL, while reaching the viewership, a high viewership of several crores over the TVCs.

As part of strategy for risks related to supply chain, the company has also initiated a dedicated supply chain there for key commodities like wheat, spices and guar gum etcetera. Acknowledging the best HR practices at the organization, we were also recognized as the Best Employer by the Golden Globe's Tiger HR awards at Malaysia during the quarter.

With this, I conclude my opening remarks and the floor is now open for Q&A. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Bharat Shah from ASK Investment Managers Limited. Please go ahead.

Bharat Shah: Two questions. One is on the Food business that you referred to. So, what I could understand, correct me if I'm wrong, Biscuits business, both in turnover as well as margins has improved. Also, that is the case with the Nutrela business, both top line as well as margins have been in sync with our plan. What you referred to as the Food business and what you subsequently explained, I could understand that you are looking at it in two parts: Indian or specialty foods, Indian ethnic kind of foods and the consumer staples.

So, which -- what are these two activities that you are referring to? Can you please explain each of those two parts? What are the underlying products that you are referring to? And what is affected like in March quarter where margins were kind of low compared to traditionally both margins we have enjoyed and what we think we need to have, compared to that the March quarter also was weak. June quarter also has been weak.

So, if you can explain what is linked to this? And finally, what is the outlook on both of these activities in the food business, so that one can get a better picture ahead. You referred to something about 11% margin that I couldn't fully comprehend?

Sanjeev Asthana: So, Bharat bhai, you'll allow me a couple of minutes to explain because this is a very important question. And so, I will explain. There are two categorizations in the Foods business that we have. One is, that we refer to as Indian Foods, which includes like Cow Ghee, which includes like Chyawanprash, Honey, medicated juices and specialty products, which typically fall in that category.

The second business is consumer staples, which are, in general, tend to be lower-margin businesses, where it includes rice, atta, pulses, wheat products, dry fruits. It includes spices. It includes -- it is a whole list based on suji, maida, sugar, salt. So, these are very large categories that we have, which comprises of the consumer staples. So, this is how it comprises. We have further segregated, for the clarity of everyone here on the call, as to how sequentially it has moved over on a year-on-year basis.

And sequentially, in the previous quarters, how this has moved and what exactly was the reason for this change in the margin dropping on this business for this particular quarter and why it's an aberration, which is going to get sorted out quickly. So overall, I'll explain that in Q1 of '24, our specialty foods were INR706 crores and the consumer staples were INR646 crores.

The total revenue on that was INR1,352 crores. In sequential Q4 of '24, our Indian Foods was INR662 crores and consumer staples had a big spike to INR1,486 crores. In the Q1 of '25, which is the current quarter that we're discussing, the Indian specialty foods was INR405 crores. There is a substantial drop of nearly INR257 crores, and consumer staples was INR945 crores, which was almost a drop of INR541 crores.

So, there are two reasons for that drop and then I'll come to the margin construct as well. So one is that the year-end inventory build-up typically by the distributors and retail segment that is there, we typically had driven the prices up substantially. So, consumer staples, while it's an important category for us, both in terms of the revenue and the margin that it generates.

It is not that it is being pushed aggressively, but there was a high demand period that we saw in the Q4 of '24, where we saw that there was an aggressive buying which was happening on various accounts, basically, there's an expectation of the shortage, there's an expectation with the retailers and distributors are building up their inventories. There was an aggressive buying which we saw across the spectrum, which had pushed up the sales to INR1,486 crores.

This -- during this quarter, I'm explaining staples for, then I'll come to the Indian foods. The drop that we saw was after the inventory overhang - a) the heat was very high in this quarter under discussion in the Q1 of '25, there was high sales inventory that I've already explained. The inventory overhang was there. So basically, the business came closer to normalized run rate of, I would imagine, in the consumer staples.

And while I don't want to put my -- sort of put my numbers out to say this is precisely it will be, there can be variation of 10% to 15%. But typically, I would imagine that going forward, this business would have a run rate of anywhere between INR900 crores to INR1,100 crores. And occasionally, there may be windows in which this may drop and occasions, there will be windows in which it will go up.

This also -- consumer staples is another dimension on the margin side that in certain quarters, because of the purchase cost of the inventory, there may be variation. It will not be massive variations like Edible Oil. But typically, we will tend to have variations which can happen. So, depending on the cost of inventory that you hold, depending how the market is willing to price it, there may be variations of anywhere between 200 to 300 basis points then we can clearly witness the change, which can occur in the consumer staples business.

So, for example, in this quarter, the margins that we made on the consumer staples were 3%. We did about INR28 crores on the consumer staple business and this was versus a very high margin because we have the lower margin construct that we had in the Q1 of last year, the margin was closer to 10%, and that gave us a margin. And then the previous quarter, this margin was closer to 6% in the Q4 of '24. Now I'll come to the Indian food specialties. And so, I'll come first to the why this drop of INR257 crores happened?

We saw a large drop in the Ghee business of INR161 crores. We saw the Herbs business declining by INR70 crores and the others, there was a margin decline of INR26 crores. Ghee have gone to the drawing board because it is -- the aberration is a little larger. One reason which is being explained and worked out is on account of the large buildup that they had in the year-end and the inventory, which typically tends to get evacuated over next -- typically between 30 to 45 days.

It took a lot longer on account of exceptional heat that the North India witnessed and several regions of the country. Herbs on account of, again, pretty much the reason explanation is on the heat side. And likewise, we had some other minor drops in Chyawanprash and Honey, etcetera, which is not significant, so minor order. So this was INR257 crores. We are -- we believe that this course correction will happen pretty quickly in this quarter itself. We have already seen the green shoots of recovery in the month of July and I'm expecting that we will see this coming back to normalized basis as we move forward in this quarter.

Coming to the margin construct on the business. Because of this drop, the margin in this quarter for the Indian specialty foods is 15.8% margin we made INR64 crores on a base sale of INR405 crores. We -- in the previous quarter the same margin which is Q4 of '24 was INR138 crores was at a margin of 20.8%. So the higher -- the fixed cost, the advertising cost, the certain other elements because of the lower sales revenue on the Indian specialty foods because it went up that was the reason.

So broadly, going forward the plan is as follows. We would segregate for the better communication, more transparent communication that how the Indian foods -- Indian specialty foods or how they are performing and how the consumer staples are performing. Our focus is on both. It's not that we are doing one at the cost of the other. Thirdly, we want to make sure that the higher margin business of Indian foods does way better and -- but equally we are focused on consumer staples because not only we find it of strategic importance to us, but also gives us a very healthy basket for distribution and retail side which we are able to push and work through.

So this was broadly a long answer to your short question. I hope if sort of have been able to explain what you have asked.

Bharat Shah: Thank you Asthana. Just a follow-up on that. Essentially what I understood was that other than biscuit and our proteins the Nutrela business and nutraceutical business the rest of the food is either the ethnic specialty which is a higher margin and the staples which are low margin, single-digit margin kind of business. So two things happened in the quarter and the consideration in June '24.

One that the mix was adverse, it was more loaded in favor of the staples and secondly because of the adverse and reduced turnover for the specialty ethnic foods, the overall margin further suffered because of the negative operating leverage. Second, what I -- correct me if I'm wrong. What you are saying is essentially both the mix and the margin therefore should come back pretty quickly. Is this aberration due to inventory buildup as well as the strong heat wave which affected categories like Chyavanprash and others. Is that what my understanding correct?

Sanjeev Asthana: Absolutely right.

Bharat Shah: Okay. And INR900 crores to INR1,100 crores turnover per quarter you mentioned. So what you're talking about is ethnic Indian specialty would have normalized INR900 crores to INR1,000 crores, INR1,100 crores turnover because I couldn't fully comprehend that.

Sanjeev Asthana: So I will explain that, Bharat. So what I was saying is I was talking more for the consumer staples the normalized revenue base should be anywhere between INR900 crores to INR1,100 crores. It could be in some quarters it could go higher and in some quarters it could be lower because that is very supply demand driven and I mean depending on how those stocks are moving.

The normalized turnover of the Indian specialty foods should be typically in the range of INR600 crores to INR700 crores is the broad ballpark range that we are expecting which we want to grow sequentially.

Bharat Shah: I see. And margin just to reiterate what we have discussed many times over the calls normal biscuit margin should be 15% to 17% range. Our Nutrela business I think is 17% to 19% range. Ethnic Indian food that you referred to would -- what kind of margin profile about 15%, 16% -- what kind of margin profile one should...

Sanjeev Asthana: Bharat just a slight correction. The biscuits margins have steadily increased. So I will just -- so this quarter was some benefit came on account of the raw material. Typically, we are saying that the biscuits margin will be in the range of about 12% and they will steadily increase as the volumes grow.

And second is Nutrela is 16% to 18% margin is -- that depends on soybean prices, but 16% to 18% margin is the rest assured number. We broadly have seen that without change typically it tends to keep that margin. In the specialty foods segment our margin profile is 15% to 16% at the -- in the within the foods category. And in the consumer staples category, the range while this quarter it has dropped otherwise we are steadily maintaining between 4% and 6%, but typically it will be between 4% to 6% we should be able to manage in the consumer staples category.

Bharat Shah: Thank you Asthanaji. One last thing on nutraceutical, of course, compared to last year quarter turnover looks very low, but it was discussed in the last call I think we are -- we have revamped our nutraceutical strategy. So sequentially it has improved, but would you like to highlight what are the stakes and what is the direction in which that business should be headed ?

Sanjeev Asthana: Yes, absolutely. So in nutraceuticals what we have done is that, a), we are having a complete revamp in terms of the packaging, the go-to-market strategy of both through the new channels like D2C and e-commerce. The target this year is that while last year was -- we went through ups and downs significantly, but new product launches we've done. We have done six product launches recently in the last quarter. We launched gummies.

We launched new sort of variance of our vitamin powders that we have we launched those. We came out in terms of working on the channel I spoke about. And looking at ensuring that we achieved our target ballpark range what we have said for INR125 crores of revenue this year at 25% margin is what we should achieve. There is a reasonable confidence because of the cost base and as we increase the revenues this margin will keep on improving.

Potentially certain margin products are way higher, but on a blended basis between low margin, high margin products in nutraceuticals we are targeting 25% of margin. And this year we will at the end of the year I'm reasonably confident that we should have between anywhere between INR100 crores to INR125 crores of revenues coming out of the nutraceuticals. It's early days, but it is showing a definite trend towards upper trend and we are progressing in that direction satisfactorily.

Bharat Shah: And what kind of longer-term growth rate we should assume on this business have some INR100 crores, INR125 crores in the current year onwards?

Sanjeev Asthana: So we should expect 25% of growth because once the momentum gets established because of all the changes that have happened in the last 4 quarters and we should expect between 20% and 25% growth rate that we are targeting in nutraceutical range because one of the key drivers of that will be both not only the domestic market, but the export market as well.

Bharat Shah: Thank you Asthanaji.

Sanjeev Asthana: Thank you Bharat bhai. Thank you so much.

Moderator: Thank you. The next question is from the line of Dhiraj Mistry from Antique Stock Broking. Please go ahead.

Dhiraj Mistry: Hi, good morning sir. Sir first question is on cost line items. So there is -- in this quarter there's a lot of volatility where other expenditure depreciation interest have reduced by 15% to 20% and employee cost has increased by almost 50%. Can you give rationale for that and what can we expect on a steady state business?

Sanjeev Asthana: Dhirajji, I would give it to our CFO to answer that question.

Kumar Rajesh: Yes. So Dhiraj bhai just I would like to explain the employee cost has been increased due to the allocation of cost on account of ESOP which was earlier also in the previous quarter it was allocated for one month only and this quarter it was allocated for a full three months and it amounts to near about INR30 crores. That's why it has been increased employee cost.

Dhiraj Mistry: And depreciation and other expenditure reason for the drop?

Kumar Rajesh: In case of depreciation basically last -- in the last quarter we have done the year-end exercise. And in the year-end exercise we have just impaired certain closed plants to the tune of near about INR30 crores that's why this has been reduced because this quarter -- this is the first quarter so hence it is not required in this quarter. Further, the other expenditure basically reduced in the ordinary course of business because of reduction of sales.

Dhiraj Mistry: Okay. So can we expect for depreciation and employee cost this quarter run rate should be maintained for another three to four quarters?

Kumar Rajesh: Yes. Depreciation is near about INR58 crores to INR60 crores this is a normal, subject to some additions, some additional depreciation due to addition in the fixed assets or some retirement of assets that is very minimal amount of retirement. So run rate is near about INR58 crores to INR60 crores and employee cost is obviously will be maintained.

Dhiraj Mistry: Got it. And Asthanaji can you run me through -- if I -- sorry if I missed out this, so what could be the EBITDA for food business, biscuit, nutrela and nutraceutical for this quarter?

Sanjeev Asthana: So nutraceuticals is marginally negative and because it's still not covering the cost. The biscuits business is INR81 crores of EBITDA and nutrela is INR16 crores. Food as we talked, the consumer staples and Indian ethnic foods together is INR92 crores and the total is INR184 crores.

Dhiraj Mistry: Got it. Okay. That's it from my side. Thank you.

Sanjeev Asthana: Thank you Dhiraj.

Moderator: Thank you. The next question is from the line of Piyush Bangar from Vijit Global Securities Private Limited.

Piyush Bangar: Very good morning Mr. Asthana. I have a couple of questions around palm plantation. Am I audible?

Sanjeev Asthana: Yes, you are audible. Please go ahead.

Piyush Bangar: So my first question is how much land procurement rights we have right now and out of which how much land we have already acquired?

Sanjeev Asthana: So in terms of the allocation of land which is subject to the government saying that this district or otherwise you have to do, we've got very large 600,000 hectares of land that is available to us. In across North Eastern five states Arunachal, Tripura, Mizoram, Assam and Nagaland. And similarly, if I include Telangana, Andhra Pradesh, Karnataka and Tamil Nadu and other some few minor states, the total land available is 600,000 hectares of which we have crossed 75,000 hectares that we have planted already. So the issue is not in terms of how much land really is made available because that is available.

The way plantation business works is that how you're reaching out to the farmers, how many farmers are getting converted, how much of nurseries have been put up to be available to give the saplings to the farmers. And over a period of time to be consistently working to ensure that the farmers continue to plant and sort of bring their land under the oil palm cultivation.

Now this particular thing this year is a year of substantial change. We are anticipating that while the target is 25,000 hectares, you'll see that how it plays out because it's subject to the farmers coming on stream and doing it. So from 75,000, we will certainly move closer to 100,000 in next three to four quarters. And thereafter, it will continue to expand at a very rapid fire pace. And that is what the status on the land products.

We have 42 nurseries. We have all the available sapling, the seedlings which are available in terms of giving to the farmers. And there's a palm mill sort of construction is going on at Arunachal Pradesh that completed almost, the Mizoram mill is coming on stream. We are expanding our capacity with Peddapuram and Ambapuram.

We are scouting for land site in Telangana. We might be expanding our Ambapuram facility to Vizag. So there's a lot of work which is going on. And it is going to reflect both in terms of the numbers that we have in the planted area as well as in terms of the broader increase that we'll have sequentially each year in terms of new areas, which were already zero to three years of age, which we keep under fruiting.

Piyush Bangar: Okay. As you said that we have already planned 75,000 hectares, and we will plan about 25,000 in upcoming two, three quarters. Can you please guide how much we are expected to plant in the upcoming three to four years…?

Sanjeev Asthana: Yes. So target is very clear that we will have at the end of four years or it could get extended, we'll have 0.5 million hectares of land which will be under cultivation. Now in these matters, giving very precise numbers typically is a challenge because the farmers tend to have their own sequencing of how they bring it on stream, the way sort of we work. But in four years' time, I think it's safe to assume that we will have close to 0.5 million hectares of land, which will be planted.

Piyush Bangar: Okay. My another question is we have major land rights from Northeast region. So do we have any kind of safety issues or something like that?

Sanjeev Asthana: Sorry, your voice broke. I didn't get your question on the Northeast to what you're saying.

Piyush Bangar: Okay. I'm saying that in Northeast, we are facing some kind of instability. So do we have any kind of safety issues there?

Sanjeev Asthana: No, there's no problem. I think that it's isolated to only one state where we don't have any operations. So in general, from the instability front, we have no such problems and it's going apace. It can take time because farmers and producers are looking at in a particular way of how they gravitate the governments have to be very supportive. So that is there which is the main reason that many a times, this control does not lie with us in terms of how fast it will get planted, but I'm reasonably confident that the number that I spoke about in four years' time, we should be very close to that number.

Piyush Bangar: Great. That's a good set of numbers. So another small thing which I want to add to this is how much yield per hectare we are expecting from the plantations?

Sanjeev Asthana: So typically, right now, what we're getting is about 2 tons of CPO, crude palm oil that we get, and this should go up only because the germplasm that we get, the quality of seeds that we're getting is becoming increasing. So for example, last year, we had 102,000 tons of crude palm oil that we were able to extract. And if you multiply that with about 5.3x, 5.4x, we will get the FFB, it's just typically about 0.5 million tons of fresh fuel bunches that we get -- we got last year.

So this should sequentially improve only because I think the quality overall is improving, the varietals of the tree that are getting planted are becoming more lesser in height. So there are more dwarf varieties. So I'm expecting that we should certainly targeting that we should get closer to 2.5 tons. Otherwise, in Malaysia and Indonesia, if you go, the fields are giving up to 3.5 tons as well. So some ideal growing conditions like Andhra sector, we should get closer to 3.5. But on an average, our target is we should get closer to 2.5 tons of crude palm oil per hectare.

Piyush Bangar: Great. My last question about the palm plantation that do we need to open any new vesting sites with plant and machinery for this upcoming project? And if yes, then how much capital expenses are expected with the timelines?

Sanjeev Asthana: So for example, we have got one site which is under construction right now in Arunachal Pradesh at Pasighat, Niglok. So that investment is very low because it is 5 tons per hour gross capacity.

So that investment is about INR25 crores. We are going to put up a new mill in Mizoram by next year until that capex will come up.

But in terms of the large-scale sort of capex is more back-ended for us, which is going to be in the -- in Assam, in Andhra Pradesh and Telangana, which I'm anticipating that after three years when the crop size becomes larger, then we'll have sort of almost I'm expecting INR800 crores to INR1,000 crores of capex we'll have. So it's very back ended in year three and year four is when that capacity will come up.

Otherwise, these are smaller expenditures that we have, both in the city and the smaller mills that we are putting up both as part of an obligation that we have to the trade government of the farmers as well as the fresh field bunches which are coming, should not go waste. So that we are ensuring that we're putting up smaller capacities in Arunachal, Mizoram in that sequence. And if required, we'll be putting up in Assam as well. But that probably is going to be closer to later next year, not at this time.

Moderator: The next question is from the line of Payal Shah from Billion Securities.

Payal Shah: I have one question. Can you give some color into Q1 performance for the Home and Personal Care business, which we are acquiring?

Sanjeev Asthana: So I would not be able to give you that right now because that probably is going to come later. I can give you some sense about the overall business is that what exactly does it comprise of? So right now, what we have is that -- I'm giving you the annual numbers, I may not be able to give a favor of exact Q1 numbers simply because right now, it's not available with us.

We do about INR1,345 crores of revenue annual -- this is last year's number on dental care side, INR1,345 crores. We did skin care business of INR725 crores. We did home care business of INR410 crores and we did hair care business of INR291 crores. So this is the revenue overall that we did on an annualized basis. So yes, I don't know that I have been able to answer your question. I think this was the annualized.

Payal Shah: Sir, any details on the on Dant Kanti performance if you have, that would be quite helpful.

Sanjeev Asthana: Sorry, any which one performance?

Payal Shah: Dant Kanti.

Sanjeev Asthana: Yes. So Dant Kanti, as I mentioned, it's INR1,345 crores is the revenue. In terms of the margin sort of profile is quite high. It's close to 40% plus. And plus, we've recently launched sort of new variants in active fresh, etcetera, with new brand ambassadors and Tiger Shroff and Tamannaah Bhatia. So those ads are in the air, the distribution products are there, and there is a reasonably good response that we're getting in the marketplace. So yes, I think I will be able to give you only this much and not because we don't want to, but just that simply that's not available to the level of detail you might be seeking.

Moderator: The next question is from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi: Just to continue on the newly acquired business, what I wanted to understand, do you think another one to two quarters of the business will get fully integrated? And what are the steps which we are taking? And meaningfully, if we are banking on the distribution expansion for the newly acquired business, do you think within three to four quarters, we will be up and running fully?

Sanjeev Asthana: Are you talking about the HPC business or…?

Shirish Pardeshi: Yes.

Sanjeev Asthana: Okay. Yes, so I think one is that the timeline is obviously the regulatory approvals, we'll have to wait. We are hoping that in the normal course between -- in four weeks' time, we should be getting that, maybe four weeks, maybe six weeks at max. It will take some time for the full value to sort of accrue. We were estimating that it should add at least 100 basis -- 100 to 200 basis points to the margin construct with a better distribution efficiency in other way. It should take certainly between three to four quarters for the full integration to happen and sort of smooth forward.

But the fact remains that whether it's going to be -- whether it's a distribution side, whether it is in terms of the -- some bit of rationalization or substantial rationalization that we're aiming for at the ground level on the organizational structure that we have in the cost base that we will have a certain degree of the marketing activities that we could consolidate and convert that into more structured sort of way between food and non-food side.

So yes, I'm reasonably confident that the integration will happen, it will take its time. But certainly that it will benefit from the next financial year for sure. And hopefully, the last quarter of this year, we should start seeing the benefits of -- some early sort of benefits starting to accrue to the company.

Shirish Pardeshi: Okay. Now why I'm asking this question, historically, I think if you can help me to understand. Our food and FMCG business contribution in the South was lowest. Will this complement in a medium to long term? Or how one should look at it?

Sanjeev Asthana: Look, clearly there is a distinct sort of that we need to improve certain regions where a lot of company effort is going on to develop and build that up. So for example, the strength, if I were to sequentially move in different products. So South we need to certainly work on and get better. And we can be confident that the HPC business having wider appeal, I think we should see the benefits of that accruing it South.

But having said that, it's not that South, for example, our Ruchi Gold Palm Oil is a high-selling brand in the country, most of it sells in South. A lot of our businesses like, for example, the biscuit business is expanding very rapidly in southern part of the country. So it's not that it's a one size fits all.

But yes, the Indian ethnic foods category, if I were to look at, some of them -- a lot of them are very -- both in terms of the traditional usage or otherwise that they're more centered in North and Western part of the country and Central India and less than South. So I think that variation we witnessed often -- but synergies overall, it's not just South, but I think overall, in the -- within the country itself, at a national level, it should give us the better fit.

Shirish Pardeshi: Sure. My second question on the biscuit segment. You mentioned that INR417 crores what we have reported has grown about 9.4%. I just need to have a little more qualitative aspect. What is the volume growth and is there any price decrease we have taken in this quarter?

Sanjeev Asthana: Yes. I had the volume growth here with me in terms -- so we haven't taken any price decrease at all. So I think the broader adjustment has been a lot more in terms of the grammage. And that adjustment happened because clearly, the price pressures have been there and existing to the market with the larger sort of point that we have. So basis that we work.

But overall, it has tended to grow and I'm trying to pull out on the biscuit side, our volumes have grown a bit. Our volumes are also growing consistently and we are seeing the revenue growth as well. But the settlement adjustment has been lot more on the grammage side and pack size changes, etcetera, which has tended to help the biscuit growth.

Shirish Pardeshi: So will it be at least 200 to 300 basis points higher than the revenue growth in value terms?

Sanjeev Asthana: Sorry, what is the question? Can you speak a little louder?

Shirish Pardeshi: No, I'm asking the volume growth, what you've reported 9.4% value growth, the volume would be at least 200 to 300 basis points higher than what you were reporting?

Sanjeev Asthana: Definitely. So volumes are consistently growing and so typically, the volumes at quarter-on-quarter is growing and -- which is there. And so to that extent, we would say that, for example, like versus a very high pace of growth that we saw. And this quarter was, of course, one of the slower quarters typically. I think that now it's going to pick up pace. So typically, I would say that, yes, 2% to 3% will be the volume and rest of it will be coming on the value side.

Shirish Pardeshi: Sure. My last question, you mentioned that there was a price decline in the edible oil. In the medium term, I would expect the prices are firming up. So if you can help us to understand what are you building in second half? Is there price increases or this price deceleration will still continue?

Sanjeev Asthana: So it's actually the jury is out. That's something that is happening right now, because a much more macro pointer, but the oil itself is not having too much of surplus oil, these mandates on account of biodiesel, etc. Which is both in the U.S. and Brazil and what we've seen in Indonesia, they're moving towards B40 next year.

So the availability of the edible oil in general for the global markets is becoming lesser and lesser progressively, whether that reflects back in the price increase, we don't know. It looks reasonably stable for the moment, and I'm hoping that it stays that way. Because if the prices were to go up, it tends to immediately have an impact on the margin profile in our range of businesses that we're not only just that, but even on the business also.

So typically, that's what we are tending to sort of deal with. And likewise, I'm saying that, for example, on the other commodity side, maybe unrelated, but import very important that I'm expecting that the wheat (52.15), for example, government has come with stock control orders, but there is a clear cut sign that there will be a high spike in demand and the wheat prices will go up.

So all these elements tend to add to the pressure on the pricing for various other products also, our categories. So we'll have to see. But broadly, I think this quarter, it should remain stable. Thereafter, we'll have to see that how -- but then India starts to Harvest the Soybeans and other range of oilseed winter oilseeds come. So we should be okay for the moment.

Shirish Pardeshi: Thank you and all the best, sir.

Sanjeev Asthana: Thank you.

Moderator: Thank you. The next question is from the line of Niranjan Jain from Trust Security. Please go ahead.

Niranjan Jain: So on to your reserves, being so that there is some

Moderator: May I request you to rejoin the queue?

Niranjan Jain: Okay.

Moderator: The next follow-up question is from the line of Piyush Bangar from Vijit Global Securities Pvt Ltd. Please go ahead.

Piyush Bangar: Okay. So again, I had something around palm plantation only. So my question is exactly how we are managing to supply routes to crushing factories? And the transportation fall-around factories, like what kind of transportation would be going through?

Sanjeev Asthana: No. So the farmers bring the FFB to the plant, to the oil units. And if the responsibility lies largely with the farmers to bring it -- we help them, but they bring me to the factory gate.

Piyush Bangar: Okay. So exactly what will be the major mode of transportation? Is it by road or railways?

Sanjeev Asthana: No, by truck only because they are smaller farmers, typically, which will have 2 and 3 hectares of the plantation. So they will hire a truck, if it's very in the close vicinity, tractor, trolley, and they will bring it, but never moves by rail at all.

Piyush Bangar: Okay. My second question is, at the palm oil mill, we get a mulk as a by-product which is also can be used in production of biofuels. So do you have any plans in future to produce biofuel to something in this category?

Sanjeev Asthana: No. So we are doing that already. So the husk that sector that is used, which is being used in the Boiler. So it's got very high calorific value, and that is being used not only the Boilers at our own plant. But also in the refineries, which are close by, our own refinery. So we're moving it towards that. So any by-product that is there, the biomarks that's available that is getting used. And where if we don't have the use, there's a ready market available for that, which will get utilized. So there's zero wastage on that front.

Piyush Bangar: Thanks for the opportunity.

Moderator: Thank you. The next question is from the line of Niranjan Jain from Trust Security. Please go ahead.

Niranjan Jain: Am I audible?

Sanjeev Asthana: Yes, I think if you take off the speaker phone, it will be much better. It's slightly our third line.

Niranjan Jain: So my question is a little bit simple. What is the reason for increasing the oil margin? Because compared to last quarter negative is almost is almost INR100 crores, now it is almost INR232 crores. Is there a branded profitability or maybe there is some other reasons? And second question is, what is the volume growth in this business comparable to year-on-year period?

Sanjeev Asthana: No. There's -- I'll explain that to you. I'll give you the breakup also. So in this quarter, INR232 crores is comprising of 2 parts. One is that the refining and branding that we have that is INR185 crores and INR47 crores is on account of the oil palm plantation business. In the last year, when we had -- it was negative INR144 crores for the refining and branded segment and INR46 crores plus in the palm plantation side business.

So that's why it was INR98 crores negative. So the reasons are both as we had witnessed in the Q1 of last year, Q1 '24, was that the prices were extremely volatile. We had higher price inventory, the hedges did not work well and the Indian market was not willing to pay. So that's why these are negative of INR144 crores that we witnessed. As I mentioned during the call also, the prices are much more stable.

So when the stability in prices is there, there's a marginal part of it, if you're carrying the inventory on a structured basis because the premium that we have on a branded segment that we have, that allows us to make a more regular margin. So as a company, which typically tends to carry -- has to buy these products ahead of time, ahead of the sale. We always would like stable market regime to be earning consistent and regular margin.

Niranjan Jain: And what about the volume growth? Do you see any volume growth on the oil segment?

Sanjeev Asthana: Yes, I'll explain to you. So for example, in the Q1, our volume in the edible oil segment actually compared to the Q4 of '24 has dropped by 50,000 tons because this is typically -- is about 10% drop because this typically is a low demand season. Summer months, a lot of demand, for example, goes down. And the marriages are not there. The functions and festivals are not there..

So our exact volume, I'll share with you. The Q4 of '24, we were 638,000 tons of sales that we did. This quarter, we did sales of 574,000 tons.

Niranjan Jain: And what about the Q1 FY'24?

Sanjeev Asthana: Q1 FY'24, the volumes were 622,000 tons.

Niranjan Jain: Okay, thank you.

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

Sanjeev Asthana: Yes. So thank you very much for this session. With this, we'll conclude the call. And if you have any other queries, you can contact SGA our Investor Relations Advisor. Thank you very much, and everyone, have a good day.

Moderator: On behalf of Patanjali Foods Limited, we conclude this conference. Thank you for joining us, and you may now disconnect your lines.