Foods & Inns

February 16, 2023

To,	To,
The General Manager, Department of Corporate Services, BSE Limited, P.J. Towers, Dalal Street, Mumbai – 400 001 Scrip Code: 507552	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Symbol: FOODSIN

Sub: Transcript of Analyst/ Investor Conference Call held on February 13, 2023 at 4:30 PM (IST)

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of conference call with Analyst/ Investor which was held on Monday, February 13, 2023 at 4:30 PM (IST).

You are requested to take note of the same.

Thank you.

Yours faithfully

For **FOODS AND INNS LIMITED**

Milan Bhupendra Dalal

Digitally signed by Milan Bhupendra Dalal
Date: 2023.02.16 11:31:00 +05'30'

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"Foods and Inns Limited

Q3 FY '23 Conference Call"

February 13, 2023

MANAGEMENT: **MR. BHUPENDRA DALAL – CHAIRMAN – FOODS AND INNS LIMITED**
MR. MILAN DALAL – MANAGING DIRECTOR – FOODS AND INNS LIMITED
MR. MOLOY SAHA – CHIEF EXECUTIVE OFFICER – FOODS AND INNS LIMITED
MR. ANAND KRISHNAN – CHIEF FINANCIAL OFFICER – FOODS AND INNS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '23 Conference Call of Foods and Inns Limited. 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 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. And the call will be restricted to one hour. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to the CFO of Foods and Inns Limited, Mr. Anand Krishnan. Thank you, and over to you, sir.

Anand Krishnan: Thank you so much, Faizan. Good evening, everyone. I'm Anand Krishnan, the CFO at Foods and Inns Limited. Thank you for joining us, and I extend a very warm welcome to all the participants to this historic conference call, the first ever hosted by our company. We have here with us our Chairman - Mr. Bhupendra Dalal, our Managing Director -Mr. Milan Dalal; and our CEO - Mr. Moloy Saha. I hope all of you had the opportunity to go through our published results and the investor notes shared on the stock exchanges.

We are extremely thrilled to post strong set of numbers for Q3 and nine months of FY '23. We would like to highlight that Q3 being a seasonally weak quarter historically has started showing signs of promise going ahead, majorly because of the shift in the positioning of advertisements of bottled juices by large beverage brands in India, from it being a summer heat quenching drink to a drink that can be had at any point of time in the day.

The growth can also be attributed to the launch of newer brands, deeper penetration of the branded player distribution network, launch of sub-brands for rural markets and electrification of rural India. On the 30th of December 2022, we submitted our first claim under the PLI scheme for the financial year FY '22, which is currently being reviewed by the Project Management Agency. In the month of January 2023, we received our first instalment of subsidy under the scheme of integrated cold chain and value addition for an amount of INR 2.11 crores out of a total sum of INR 8.89 crores.

We are also excited to launch our brownfield spray drying facility and greenfield tetra recart facility in March of 2023 as well as our second project joint venture beyond Mango by June of 2023. Last but not the least, our focus remains on delivering high-quality products and capitalizing on new opportunities to create long-term value for all stakeholders by keeping sustainable practices at the core.

On that note, I come to the end of the opening remarks and would like to ask the moderator to open the forum for any questions or suggestions that you all may have.

Moderator: The first question is from the line of Nirag Shah from Exemplar Investment.

Nirag Shah: Congratulations on posting exceptional set of number. My first query was regarding our EBITDA margin, if we look at our peers like Exotic Fruits, ABC Fruits and even smaller players like Devaraja Group, as also Jain Farm and Capricorn, before they had all their problem. So they all have been operating at double-digit EBITDA margins over last many years, but our margins are always lower than them. So my question was, since mango processing contributes similar percentage around 70% to 80% to the top line, except Jain Farm Fresh. So what they are doing differently, which we are not able to do? Or is it that they have some premium products? Or are of the value chain where we are not?

Anand Krishnan: Thank you for your question. So what we focus as a management is with respect to absolute gross margin per kg of a product. We do not focus on the EBITDA margins per se. Being a commodity, the prices of the raw material can actually vary, and most of our clients are on a cost-plus basis. So what we focus on, again, is only the absolute gross margin per kg. The product portfolio that we have is not similar to most of the peers that you have mentioned. We have a few other businesses that we are into because of which the EBITDA margins might not be comparable. And the margins, whatever you're talking about for Exotic or Devraja is basically historical margins. If you were to compare that with the current year margins of Foods and Inns, it will definitely not be comparable because of the volatility in commodity prices.

Nirag Shah: And my second question was regarding claiming of incentives under PLI scheme. So this year for calculation is FY '24, plus four years until FY '25, right? And we had a consolidated revenue of around INR 385 crores in FY '20, and in current FY '23, we will most probably be achieving around INR 800 crores-plus revenues. So is it that even if we don't grow our revenues or post slightly negative year-on-year driven you the FY '24 and FY '25 till we will be eligible for incentives because we satisfy that 10% CAGR requirement for base year or we need to grow our revenues incrementally year-on-year each year for that?

Anand Krishnan: Okay. Good question. So basically, the base year sale is FY'19-20 sales. And there is a distinction between the total sales of the company and the eligible food sales under the scheme. So the eligible food scale under the scheme for us was INR 328-odd crores in FY '19- '20. So based on that, in the year FY'26-27, we have to achieve a number of INR 872 crores as eligible food sales. So if we were to take the current FY '22 eligible fruit sale number out of the total sales number, it stands at around INR 550-odd crores. We would have taken care of the next couple of years with respect to the growth. But FY '23 has been a higher growth number has compared to FY '22. So we would have taken care of number up to around FY '26 as such.

Nirag Shah: So even in incrementally, it was slightly negative growth, then it doesn't matter for the incentives to be cleaned, right?

Anand Krishnan: Yes, that's right. If we meet the CAGR minimum criteria that is required.

Nirag Shah: And lastly, with our current capacities and capex done until March '23 or June '23, what kind of maximum sales volume we can achieve over approximate 90,000 metric tons that we'll be achieving in FY '23?

Moloy Saha: This is Moloy Saha, CEO of Foods and Inns Limited. Yes, FY '23, we are expecting near to around 85,000 to 90,000 metric tons. The capex over two years ongoing and partly already completed major benefit we can see in FY '24 and FY '25 due to the seasonal nature of business.

Nirag Shah: No, I am talking about peak sales that we can achieve out of the capex we have done, or we will be doing until June '23? There is 1 lakh metric ton or 1,20,000 metric tons, maximum we can do?

Moloy Saha: So across all our businesses that we are actually talking about in which we have put up capex, I think we can achieve a turnover of around INR 1,700 crores to INR 1,800-odd crores, with respect to the capex that we'll be completing by June '23.

Moderator: The next question is from the line of Devesh Shrimali from DS Investment.

Devesh Shrimali: Coagulation for a good set of numbers. Partially, my questions have been answered. Just the additional part would be, if you could help us understand your aspirations in terms of growth and the growth quality. So let's say, if we take FY '23 as a base, how do you see ourselves as a company growing over three to four years? And what would be the product mix and margin profiles. I'm just looking at more broad range rather than a specific number?

Moloy Saha: This is Moloy Saha. Dev, a good question you asked. Growth trajectory, what you are looking into it. As you know, we are predominantly B2B player. And earlier, we are more concentrated on the Mango business. Over a period of time, we have diversified ourselves other than Mango, like Guava, Papaya, Tomato, Chilly, Garlic. We are also focusing on our spray dried powder product on our frozen products. So on the next few years, we are seeing that major growth comes from the non-mango business without compromising on the mango growth. Mango business is -- I can say it's a very good path here. And it's in auto mode, you can say. So there will be a normal growth we can expect, but we see huge opportunity on the non-mango business, specifically on the tomato.

Due to the geopolitical issue, I think India was earlier much dependent on import, but now India is more focusing on tomato processing in India itself and India required more than 60,000 to 70,000 metric tons of tomato paste for captive consumption. So considering and the opportunity we are having, we are trying to take advantage on non-mango business, as I say. And do you also see a lot of opportunity in the frozen business. Again, most of the export countries who use to take lot materials from China. We are seeing a lot of focus in India and opportunity for Indian frozen products also. So we'd like to take the maximum advantage of all these products.

So basically, with the objective that in four years' time, we would like to have an equal contribution from Mango business and non-mango business. That is our overall strategy.

Milan Dalal: Just to add, Milan Dalal here, MD, where he said what are the aspirations, the aspiration would be to have 100% capacity utilization.

Anand Krishnan: Also Mr. Devesh, with respect to numbers, I don't think we'll be in a position to quantify any of the forward projections because of the restrictions being a listed company, I'm sure you'd be aware of that. But with respect to growing the non-mango part of the business, we are completely focused as a management and want to get into more value-additive businesses, so that our margin profile can actually improve. But having said that, the tailwinds are maximum in the Mango business because as you would have read in the newspapers of late, the brand Maaza is being taken internationally by Coke. So a lot of tailwinds is what we actually see with respect to product mango itself, our core business.

Devesh Shrimali: Another tactical question would be that if you were to look at EMEA versus export from current to, three, four years out, when we are able to fully utilize capacity in all. How do you see India versus export as a mix? And how do you see margin profile differences between two?

Moloy Saha: Moloy here. Overall, India has its export in fact, not only for our company, for overall our industry, domestic demand is much higher than export demand. So overall, the contribution from Indian business will be greater than the export business. And -- but we can see good traction from the GCC, the result region, which may contribute a substantial portion in our export business. But India demand quite a huge opportunity at least, and India contributes a major part of our business in near future.

Anand Krishnan: Just to elaborate on this point with respect to numbers, up until FY '21, 60% to 70% of our revenue used to come from the export markets and around 30% to 40% used to come from the domestic markets as such. But as we speak of FY '23 nine-month performance, our export sales contributed only 43% of the total revenue and the domestic sales has contributed to around 57% of the total revenue. So that's how the sales is fungible between domestic and exports, and we take opportunistic calls to sell in the market where the realization is better.

Devesh Shrimali: And the last one was connected to your previous answer. I heard that we have about 90,000 metric tons capacity and after expansion will get to 130 or 140, did I get that right? Or...

Anand Krishnan: So I mean, we do have that number of expansion, but then there is a proposition wherein we might expand internally depending upon the demand in the market. So we wouldn't like to comment on the capacity because of some competitive restrictions.

Moderator: The next question is from the line of Kapil Ahuja from Logo Fashion Textiles.

Kapil Ahuja: Congratulations for the good set of numbers and for the successful allotment of preferential share allotment, I would like to know regarding this joint venture of pectin. So what is the top line that you are going to achieve from this pectin financial year '23 24And what will be the gross margins for it because this -- I assume this raw material would be in-house from the Mango waste?

Management: Thank you for your question, Mr. Kapil. As I mentioned in the starting part of the call, we might not be able to give you forward projections with respect to any part of our business. But with respect to the kind of gross margins that we can actually achieve, it's -- I mean, double-digit -- I mean, north of 50% sort of a gross margin basically because of the in-house raw materials that we are going to be using as such.

Kapil Ahuja: And when can we expect the production to begin?

Anand Krishnan: June of 2023.

Kapil Ahuja: In June '23. So the pectin oil and butters, these will be all the three segments? Or it would be cumulative one segment?

Anand Krishnan: Only pectin as of now, that is stage 1 for us. So once that project is successful, then we will actually step on to Project two, wherein we'll be making the other CBE that is cocoa-butter equivalent out of it. And then we also want to make pectin out of other fruits and vegetables apart from Mango that we are actually planning to do as of now.

Kapil Ahuja: So you'll not be able to give any vague numbers also for the revenue that will derive in '23-'24?

Anand Krishnan: Sure. So what I'll do is that I'll give you a broad number of what the import parity price for Pectin is. Our Pectin capacity is 150 metric tons as of now. It's an easily expandable capacity. But then with the capacity we have as of now of 150 metric tons and considering the import parity price for Pectin is around INR 1,000 a kg to INR 1,500 a kg - you can do the math to get the potential.

Kapil Ahuja: And sir, secondly, for the Tetra Recart machinery. So this is on stream?

Anand Krishnan: The machine is already on stream, but the commercial production has not yet started because we are yet to put up the ETP facility in Vankal, which is a greenfield facility as such. So by March, the ETP facility should also be ready and it should commence commercial production.

Kapil Ahuja: So sure, you will be doing just the packaging in this for the third parties or you will be going for your own a small package for consumers also for Mango and Guava or Pinapple?

Moloy Saha: It is a Hybrid Model. We are looking to expand business in retail in our own brands as well as we're also working on the co-packing.

Kapil Ahuja: So because I've read that you were doing some testing for Amul also?

Moloy Saha: I won't be able to comment on this, but we are working with many big brands. And once the production starts more news on this will be out. At this stage, I won't be able to tell much about this.

Kapil Ahuja: You just told me that there's a huge opportunity in tomato processing. So this tomato processing happens around a year or it happens also like mango for some particular season or particular months?

Moloy Saha: Tomato is winter crop. In India, tomato -- our processing industry is available from mid-October onwards and till March. So that is the cross situation. Tomato are good in India every year, may not be like that. Last year was not so good, but alternate year in agriculture commodities, we have experienced that alternate are always a good year.

Kapil Ahuja: And sir, there was a huge equity dilution of 40%. So I expect there would be no more equity dilution?

Milan Dalal: Milin Dalal here. Currently, no further plans. This is taking care of midterm to long-term requirement. And this is anything in the form of warrant, we get the infusion over tranches within the next 18 months.

Moderator: The next question is from the line of Sanjay Shah from KSA Securities.

Sanjay Shah: So my question, Milan bhai, was to you. Can you please explain us the business in detail about this spread, dried powder, frozen food and even Kusum Spices. It will help us to understand the growth trajectory of our company and how company can be looked forward on that perspective?

Milan Dalal: Yes, Sanjay bhai, thank you. So apart from our pulping division, traditionally, rather this company has initial business 50 years ago in spray drying. It used to do spray drying of egg powder. And after the takeover in the next five to seven years, we had moved into fruit powders and now the facility from Chembur at Mumbai, where we monetize the land has now been shifted to Nashik, and we are running it at a 100% capacity. We do multiple fruits and vegetables powder, including the latest being honey powder, showing us great potential.

With the success of the spray drying unit, we have put up a 100% expansion of our facilities, which is will go on stream by March of this year, giving us and there is enough order book position to take care of the capacity expansion. Frozen food, again, has seen a business of the company as a joint venture to start with, then as a subsidiary, now it's a merged entity. And we have done a lot of product mix changes, layout changes and everything and then now we have perfected apart from doing white label jobs. We are also have just test marketed and launched some products into the domestic market frozen, and we seem to be seeing a good amount of traction.

As far as the spices was concerned, this was an acquisition in the year 2019. It is a 50-year-old brand and running ongoing business was available, and we took over bit of drawback, thanks to the COVID, but we have come over that time. And we see a lot of scope from the unorganized sector getting into the organized sector. And though we may be a small player, we have enough scope in slowly and steadily penetrating our presence in multiple markets.

Sanjay Shah: So sir, it is a huge potential as far as spices are concerned, it is a INR 40,000 crores market yourselves as mentioned. So how do we see that? Are we going for a contract manufacturing or we are going to sell in our own name as a Kusum Spices?

Milan Dalal: Kusum Spices, currently, the plans are to go 100% into our own brand. That gives us a great leverage. The EBITDA margins are higher and doing it. What we are doing is a bit of R&D, as we know that the taste buds into different parts of India are there are tremendous variations, and we are trying to improvise or have localized SKU not to unnecessarily increase too many SKUs. At the same time, some of the universal SKUs, where we would be -- other than the pure CTC, that's the Chilly, Turmeric, Coriander, where the margins can be a bit thin, but specialized Salad and some innovative products, and we hope to expand our presence slowly and steadily from the city of Mumbai to the Western zone.

And having also said that there is a tremendous export potential. And we are now all set my team just tells me that we have now have the US FDA certification in place. And BRC and go, whatever is required, so we should be now ready to serve the Indian diet for around the world.

Sanjay Shah: Sir, can you say something about our brand called Green Top? Can you highlight what is the brand about and what we are doing on that?

Moloy Saha: This is Moloy Saha. Green Top – as a brand, we are just doing a test market in India, more focusing on frozen snacks and frozen vegetable. We have already launched few products in HoReCa market as well as GT. Now we are exploring in the modern trade. We are trying to lift the product in chain stores, and we hope that so far, the traction of the product quite good, we are getting repeated orders. And we need to do a lot of work on this, and we are quite hopeful that over a period of time, a couple of years, we can be a good position with such frozen products in Indian market.

Moderator: The next question is from the line of Deepak Chokhani from Trade Capital.

Deepak Chokhani: I have two, three questions. First question is the capex largely done? And are we planning any more capex in the mango pulp business? And any M&A opportunities we think for?

Anand Krishnan: So majorly, the capex is almost done, should be completed by March of '23. There will be some spill-overs which should actually end by June or July of FY '23. So this additional capex is with respect to the growth that we actually envisage coming in to the business verticals of the company. We won't be able to give you exact numbers with respect to the sales growth expected with respect to the capex put up or any details of the projections.

Deepak Chokhani: But broadly, the capex is done?

Management: Yes.

Deepak Chokhani: The next question is, can you give the PLI incentive breakup for the next three, four years? Or will it be largely back ended? And what will be the accounting for this? Will it be shown as other income? So if you can just throw some light on that, please?

Anand Krishnan: Sure. It will be accounted as other income, and tthe formula is actually available on the scheme document itself, wherein there is a variability based on -- I mean, the quantum of sales that we actually achieve, if it is at the base level of 10% CAGR, then the incentive number is something and the maximum of incentives that we get is capped at growth rate of 15% CAGR. So at the number of 15% CAGR growth, the maximum sum of incentives that we actually get is around INR 145 crores to INR 148 crores as of now.

Deepak Chokhani: Basically, yes, I've seen that. I want to know the breakup of that INR 145 crores over the next three, four years per year?

Anand Krishnan: I am currently opening the schedule and will come back to you. Maybe by that point of time, you can just ask the next question.

Deepak Chokhani: There was other income of INR 5 crores in December financials, which was TDR-related, can you explain us follows that, please?

Milan Dalal: Milan Dala here. Basically, we had a company land in Chembur, which we monetized about four years ago by selling it to Purvankara, Bangalore-based real estate developer. Having said that, we had a 1/3 stake in the road adjoining the plot entrance, which is now converted as DP road and that the three co-owners of that road were eligible to convert it into TDR and that each one of them has monetized them, processed it, sold and monetized and that is approximately INR 5.15 crores has been the income INR 5 crores was taken in last quarter. One agreement remained to be signed, which is being taken in this quarter. So it's a onetime event under the…

Anand Krishnan: So Deepak, coming back to the question on incentives. So I don't have the breakup in hand right now. So maybe I can take this question off-line with you. Over a period of time, it's actually ballooning, basically because of the sales growth that actually happens. That's how the incentives are structured. But any way you can find this formula in the scheme documents and the base number of eligible sales for us is INR 328-odd crores.

Deepak Chokhani: So my last question is, you did mention that the mango pulp business, many of the local brands -- the brands are going international. So are there any plans to expand our capacity in the mango pulp? Or do you think the current capacities are enough for the next three, four years?

Moloy Saha: We don't keep our eye shut, we are continuously looking at the opportunity. As and when appropriate opportunity comes, we definitely encash and try to expand our business.

Deepak Chokhani: That's from the M&A side, right?

Moloy Saha: Not only M&A, on the capacity expansion also. As the market progress based on the market demand because every year, we do thorough research and analysis on the future couple of your demand on the export as well as domestic market. And based on our outcome, we take a call how to expand our business, what level we should go. And that exercise is an ongoing process. So as of today, it will be very difficult for us to give any answer on what type of expansion we're looking. But yes, we are quite open and bullish about the market.

Deepak Chokhani: Just one last question related to the incentive. This is a question to Anand. So Anand, in terms of the debt, we have around INR 200 crores, INR 250 crores right now. And more or less, if we -- in the best case scenario, we'll get INR 150 crores incentives. So the way I see is largely this might be used to repay the debt. How do you see the debt for the next two years? Will it go down? Will it remain the same? Or any thoughts on that?

Anand Krishnan: We are trying to grow the business, and this is a working capital-intensive business as such. The idea of raising equity money in the company was also to support growth. We see a lot of opportunities. And based on how things pan out in the next couple of years, you might take a call on either reducing debt or chasing growth.

Moderator: The next question is from the line of Avinash Nahata from Parami Financial Services.

Avinash Nahata: A couple of questions from my side. First of all, the communication on the exchange, the tonnage is 63 and 73 for nine months. So is it standalone and all put together consolidated?

Anand Krishnan: Sorry, I didn't quite get your question. Can you repeat, please?

Avinash Nahata: There is a mention of 63,000 tons and 73,000 tons at two places, tonnage sold.

Anand Krishnan: It's on the basis of standalone.

Avinash Nahata: Standalone and consol, right?

Anand Krishnan: So you take the number that has been published in the investor note.

Avinash Nahata: The investor note carries both the numbers, 63,000 tons and 73,000 tons.

Anand Krishnan: Just give me a second. Let me just open it and...

Avinash Nahata: I'll just tell you specifically. So under standalone, you guys have mentioned 63,000 tons. And after post as there is a mention of there is a table, it shows -- and similarly for quarter, there is 16,200 tons and 17,000 tons.

Anand Krishnan: Right. So what we are talking about 63,000 tons is the pulp sales tonnage. So we have different businesses, right? One is the pulp business, second is the frozen food business. Third is the spray dried business and all. So we have mentioned about the pulp sales in the first part of the investor presentation that we have put up. In the table that you're actually mentioning the tonnage refers to total tonnage of the company as such.

Avinash Nahata: So when it reads 73,000 tons, which new 63,000 is the pulp tonnage and 10,000 is everything else put together, right?

Anand Krishnan: That's right.

Avinash Nahata: The second question is like just extrapolating this 73,000 tons into 12 months, anything between 90,000 to 95,000 tons. So will it be possible to share what kind of capacity we own and what kind of business done on a lease basis?

Anand Krishnan: So this a competitive data, which we do not want to disclose on a con call.

Avinash Nahata: Can you just indicate a broad number, whether 20%, 30%, 40% or a band that is what is outsourced...

Anand Krishnan: We don't want to discuss about this on a concall.

Avinash Nahata: Second is relating to the PLI. When you're saying the base is INR 328 crores and the achievable turnover eligibility rate INR 27 crores by '26-'27, are there any qualitative filters, this talks just about the CAGR growth. So are there any quantitative, quantitative filters, caveats, which comes in the way?

Anand Krishnan: The only other caveat is that we have to complete our capex of INR 78-odd crores that we had committed under the scheme by March of 2023. And whatever we had committed the capex has to be commercially operationalized by then. That's the only thing.

Avinash Nahata: INR 78 crores by March '23, which we have already spent?

Anand Krishnan: So we are very close to that number, and we should be able to complete that by March.

Avinash Nahata: This question is for Mr. Moloy. You spoke about tomato tonnage. You mentioned a number of 60,000 tons. So you were talking about the import number?

Moloy Saha: No. 60,000 tons India consumption I'm talking about.

Avinash Nahata: And you're saying that out of this consumption, there's a decent amount of imports.

Moloy Saha: Before pre-COVID, out of it, I should say, more than 65% is to be import. Now import is almost a negligible level, 95% to 98% now India producing with a lot of capacity expanded in last three, four years.

Avinash Nahata: And give us some sense on like for us, Mango is a very steady state thing. So our sourcing of tomato is different from sourcing of Mango. So how far we have penetrated into this because markets are also, while tomato is a widespread market and Mango is still, I mean, it's available. But I mean just give us a sense on sourcing of tomato when you have highlighted this tomato tonnage?

Moloy Saha: Okay. Good question. Our frozen business, I'll just give a background, since 1995, we have started frozen vegetable business. Now when we are processing for vegetables, we compulsorily had to tie up with the farmers and do a proper contact terms. So we are already tying up with farmers. We know them, and we are regularly doing the contract coming from vegetables. With such experience, it is really helpful for us to grow our business in the tomato.

So today, Tomato basically a contract forming business, if you tie up with farmers for proper variety, in advance before the crop harvest, then you are in the business. So we are doing the same thing. So there is no issue for us with our horticulture experience, we are able to manage. The only thing we have done, we have expanded our strength and expanded our base in -- like as you rightly said, we have quite experienced in the mango. Similarly, we have expanded our strength in the tomato growing a year also.

Avinash Nahata: You are saying that you already used to do dry tomato and you were sourcing tomato as part of dried business?

Moloy Saha: No, not dried tomato. I'm talking about we used to do a lot of frozen vegetables. For that contract framing is necessary. So with that experience, we have expanded or added a category of raw materials have of tomato that's I'm trying to highlight. So we are already experiencing the contracts coming, so we just expanded that scope.

Avinash Nahata: Anand, back to you. So when we are saying, we understand this is a working capital-intensive business. So when we are saying INR 800 crores, INR 900 crores of turnover all put together, I'm not talking about PLI specific, but all put together. Now given the new equity infusion we have in our company and the non-mango part of business growing and the geographical diversification from the export side. So what according to you will be the working capital growing on a yearly basis. I mean, utilized working capital for the whole year? Can take a number, INR 900 crores or INR 1,000 crores, whatever, I mean or in terms of number of days, whatever?

Moloy Saha: That's why these mango, non-mango business mixing is really helping to ease out the working capital requirement. As you know, if you depend on a single product, you have to invest on the working capital during season time and you need to wait to realize over a period of next 12 months to 15 months. Since we are doing multiple products, like, Guava, Papaya, Tomato frozen, which have probably have a lesser working capital period because the movement of the goods is much better than Mango products. So realization is relation cycle is much better than the exclusive mango business. So that's helping us to ease out the working capital requirement.

Avinash Nahata: Sir, give us some sense of the number as to other INR 900 crores of business, I mean, what kind of working capital will be utilized for the company? Because you have equity infusion we had, and there is a lot of moving parts in the company now.

Moloy Saha: So as I told you, if it is a INR 900 crores business. Then ballpark figure, I can say, you should have around 30% debt working capital requirement, you should have it.

Avinash Nahata: And my last question, on the pectin plant, Anand, you had mentioned, INR 1,000 to INR 1,500 per kg, so this is a INR 20 crores kind of on a fully utilized basis, correct on a yearly basis?

Anand Krishnan: So as I told you, I have already given you the input parity price and the capacity...

Avinash Nahata: As a INR 1,500, what you mentioned for a 150 metric tons. So I'm just clarifying what we...

Anand Krishnan: Yes, INR 1,000 per kg to INR 1,500 per kg is what the import parity price is as of today.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: Sir, first by, we just wanted to understand on the seasonality part, I mean, in our business, I mean, what is the kind of seasonality do we see in our business?

Moloy Saha: Okay. Mango, let's say, I mean, what are the products we are processing, like Mango is a major product which you're processing mango between mid-April to mid-August, is the mango period, Guava starts from August on and off till January. It's not that the throughout that period everyday Guava available, but there is a spill someday 15 days there the gap. Again, it will be available like that. Tomato available from October till March throughout the period, we'll get it. And other products like Papaya on and off, you'll get it between September till March. Chilly, we'll be getting around January till April, Garlic, Ginger a couple of months in sometime in October, November, like that. Most of the seasons are like that. So each of the products, you have a window, say between 30 days to 90 days.

Deepak Poddar: And so in terms of quarterly, I mean, which are the best quarters, I mean, in general?

Milan Dalal: Just to add up on the seasonality, let me be clear that we should -- for our company, we should bifurcate into mango and non-mango. When we are doing Mango in that four months, there is nothing else that we would take up for any processing available or not available. But in the non-mango, it definitely makes sense in whatever days, whatever capacities we are fully able to do.

As far as the sales is concerned, Anand will give in detail, but generally, it's on the basis of the consumption traditionally, as it was seen that it was the summer months where the consumption is more, but the whole pattern is changing with it being an all-year round aspirational India penetrating into Tier 2, Tier 3 cities. It's almost becoming a all year-round product for which our ingredients are used.

And lastly but not the least, people are also becoming quite conscious. Currently, yes, I don't know for times to come. Post-COVID, the shift on to more natural products.

Anand Krishnan: Historically, Q4 and Q1 were our strongest quarters, but if you were to see the last two years, Q2 has actually exceeded in terms of performance as compared to Q1. So the trend is changing, but historically, that was the case. And Q3 was the weakest, historically.

Deepak Poddar: Third quarter is the weakest. And my second question is on your, I mean, aspiration for next three years. I think you mentioned we want to have 100% kind of capacity utilization. And I mean, our peak revenue can be post this expansion could be -- can be about INR 1,700 crores to INR 1,800 crores. So I mean by FY '26, three years, that is the revenue level that we would aspire to reach maybe what, INR 1,700 to INR 1,800 kind of a revenue?

Anand Krishnan: So, we will not be in a position to actually guide you with that what we will be achieving in the next two or three years because that would be like a forward projection that we'll be making. But I mean, we are committed to utilizing our in-house capacities fully and go under observed manufacturing outside in case there is more demand coming through.

Deepak Poddar: And what sort of sustainable margin or business can see, I mean, on a medium-term basis?

Anand Krishnan: So again, margin, I already explained in the opening remarks that we are targeting improving absolute gross margin per kg per product on a YoY basis rather than any gross margin percentage or an EBITDA margin percentage at the company level being a commodity driven business.

Deepak Poddar: So I might have missed that amount. So what is that gross margin per kg we are looking at?

Anand Krishnan: So it depends on product-to-product. So Totapuri, would have X, Alphonso would have Y. And whatever gets reported in the financial statement is a blend of all the businesses that we actually do. So we wouldn't like to talk about the gross margin per kg on a con call because of competitive reasons.

Moderator: The next question is from the line of Nirag Shah from Exemplar Investment.

Nirag Shah: Wanted to understand structure of our contract that we enter into with our major customers, mainly in pulp segment, are they monthly, yearly or more long-term in nature wherein, yearly off-take of certain amount is guaranteed?

Moloy Saha: It's all yearly contract. We'll get an indicative volume before season starts. And during the season period, we analyze the contract, but a for supply over a period of 12 to 15 months period. But we're also in discussion with a few big customers for a long-term contract. The reason is that for a better visibility or clarity on the capacity expansion.

Nirag Shah: That's what I was asking was, for example, Jain Farm Fresh is there. It is giving the contract order book, which it is having, like INR 994 crores and all. So that's what I was asking it is the long-term nature or like that?

Moloy Saha: It's all on yearly contract. As of today, all yearly contracts, but we are trying, as I told you, we are talking to customers for more than one year contract.

Nirag Shah: And do we have a data of contribution of Top 5 and Top 10 customers to over revenues?

Moloy Saha: Readily not available.

Nirag Shah: And if I look at our realization difference between domestic and export segment, in export, we are able to sell at an average 50%-plus premium as compared to domestic market. Is it a difference in product mix? Or are we having, as you said, yearly arrangements in place with domestic majors like Pepsi and Coca-Cola, so we need to sell or produce at lower rates in domestic market?

Moloy Saha: No, not like that. Its realization depends on holding period. Realization depend on storage temperature. So each contract is a little unique based on their actual requirement. So it may not be a correct statement to have any comparison on that unless we will deep dive on the contract. So, but more or less, whether it's a domestic or the export, all are having different-different factors and then we finalize the price.

Moderator: The next question is from the line of Rohit Ohri from Progressive Shares.

Rohit Ohri: Couple of questions. The first one being, the Board has approved the incorporation of a whole-owned subsidiary, can you share some more details on that? Or what is that related to? Is it pectin business, Tetra Recart or something else that you're looking at?

Milan Dalal: So currently, what you have reading in our disclosure that we wanted, our Kusum Spices, which is a partnership company, owned 99.99% by Foods & Inns Ltd., because that was how the setup was available and under the best advice for a takeover of a partnership company. But being in the corporate world and being a listed company, it always makes sense to make it a corporate entity. And hence, we would be starting, the brands are anyway owned by Foods and Inns. So we propose to get into the -- our spices business. And as and when the opportunities come up with the other condiments, which is where the ingredients are going to be spices and ready-to-eat sauces, etcetera, with most of our in-house products. We have proposed to set up this 100% subsidiary.

Rohit Ohri: Second question is for Tetra Recart. The contract, which is exclusive contract. So how long is that? And post that, will you be looking at contract manufacturing for some big FMCG giant?

Moloy Saha: There is no contract as such on this line, but machinery, we are the only ones having the same. So basically, the entire technology, which is controlled by Tetra Pack, they have transferred to us for running in India. So initially, we'll be running on that. And as I think I've already replied to some of other question that we are looking in our own brand as well as co-packing, it's a hybrid model. So as we'll see, we'll study the market and take a corrective action as we progress.

Rohit Ohri: My last question is that one of the KRA is to focus on asset-light models for expansion. So are you looking at some more acquisitions, if at all you're looking at, then which segment are you looking at? And what kind of spend do you anticipate for the sale?

Moloy Saha: We are not exactly able to give you this reply as of now. But our eyes are open. As and when there's opportunity, we are definitely exploring and which will be in line with our business and which can give value addition in our overall company's growth. That's the way we are looking at.

Rohit Ohri: So you'll be looking at some technical tie-ups, is it?

Moloy Saha: Many things won't be able to give a technical tie-up about non-technical strategic, all the options, we explore continuously. And if you feel it's a match our expectation or given the value-addition in our business system, yes, we are ready to look into it.

Moderator: The next question is from the line of Arvind Kothari from Niveshaay.

Arvind Kothari: I'm relatively new to this company. I just wanted to understand that the equity infusion that has happened, the capex for that, as you were alluding to, is in the similar product line. So how going forward, you plan to ramp that up? And what kind of sales numbers can we look from full utilization of the capital that you would be deploying?

Anand Krishnan: So again, with respect to sales projection is something that we'll not be in a position to actually give you any details. But with respect to the capex that we have committed under the PLI scheme, which is a public knowledge, is around INR 78-odd crores. Other CWIP details have already been put up in the annual report that we have disclosed in FY '22.

Arvind Kothari: And these would be similar margin products or better margin products?

Anand Krishnan: It depends from product-to-product, but Tetra Recart should ideally have a better margin profile than what the Mango business has as of today?

Moderator: The next question is from the line of Devank Bhateja, an Individual Investor.

Devank Bhateja: Yes, sir, congrats on the numbers, sir. So I wanted to understand that while we want to transition to more-and-more non-mango revenue streams. So what is leading the client to prefer us over other existing players? So is it the scale? Is it a long-standing relations or anything you could share on this front?

Anand Krishnan: So basically, the company has been in operation since 50-plus years. And most of our clients, the larger client whether it be Pepsi, Coke or Unilever have been with us since more than 20-plus years as such. So the long-standing relationship is an anti-barrier to a lot of other smaller unorganized players. And what we are working towards is to get away from the commoditized business by following a lot of sustainable practices, and we are trying to get top dollar for the product that we actually sell to all these larger brands under sustainability.

Devank Bhateja: So this requires for new revenue stream is internal? Or does it come from clients also in some cases? Or is it a mix of good?

Anand Krishnan: It's a mix of both.

Devank Bhateja: And sir, what makes us enter a new market segment. So like you said, in some cases, it would be led by client. But then would it be the ROC or the gross margin that the scale of opportunity, what makes us enter a new market?

Anand Krishnan: So with respect to new market, are you talking about geographical market or with respect to product?

Devank Bhateja: No, so something like Guava, you mentioned, Tomato, you mentioned, Papaya you mentioned that kind of thing?

Anand Krishnan: So initially, if you see our business, four years ago, 92% of the revenue used to actually come from the product mango. Last year, if you see in FY '22, we ended that at around 78-odd% from the product Mango. mango is the seasonal fruit and it is processed only between April to July or August in India. So our factories were ghost factories during the non-mango season. So to better absorb the fixed overhead cost is why we actually got into the other products. And going forward, we hope to actually establish the other products and gain market share in that as well.

Milan Dalal: To answer more precisely, Milan Dalal here. Basically, our processing units where the similar capabilities are there is the products that we go after. We cannot do certain type of products. And obviously, we shall not be going after that. But to make the best utilization of the current mango processing units, in which we can do the other products is what is the concentration.

Devank Bhateja: And sir, you mentioned, you have a few brands also in the B2C segment. So let's say, over the long term, do we want to be a B2B company? Or do we have expectations for the B2C segment also? Are we just testing the market how the response is?

Moloy Saha: Basically, B2B company as you rightly said - our focus will remain in B2B. However, we are looking for opportunity in B2C, if you see our spice company, which we bought in 2019. So that is a B2C market. So with our existing product portfolio in frozen category, we are already testing market with the B2C. So we would like to explore in B2C market also, but B2B will be our primary focus.

Devank Bhateja: Sir, my question is that in the B2C segment also, do we have some prior understanding with our existing clients that we are not going to cannibalize their existing markets?

Moloy Saha: We are, definitely, there has to be a clear understanding. So we'll not be penetrating any B2C market, where you are predominantly present in the B2B. So that's very clear.

Devank Bhateja: And sir, historically, if I look at your EBITDA margins, the best ever margins we have done is around 12%, so over the next four, five years, can we expect to do this aspirationally maybe 14%, 15% or just more than 12%. If you could?

Moloy Saha: We won't be able to comment on that future projection, but our efforts are on for improved profitability -- that much we can say. It basically, in our business is basically a volume business.

If you do more volume, your absorption of overhead is much better, and that's the way you're looking for.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Anand Krishnan for closing comments. Thank you, and over to you, sir.

Anand Krishnan: Thank you very much, Faizan. I hope we have been able to answer most of your questions satisfactorily. This being the very first conference call hosted by our company. We request all of you to be patient and give the management some time to get accustomed to this mode of stakeholder interaction and become more investor friendly. Should you need any further clarifications or would like to know more about the company, please feel free to write to us. Thank you once again. Goodbye.

Moderator: Thank you. Ladies and gentlemen, on behalf of Foods and Inns Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.