



BIKAJI FOODS INTERNATIONAL LTD.

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Ref. No.: BFIL/SEC/2022-23/40

Date: January 30, 2023

To,

BSE Limited
Dept of Corporate Services
Phioze Jeejeebhoy Towers
Dalal Steet, Fort,
Mumbai 400 001, (Maharashtra)
Scrip Code: 543653

National Stock Exchange of India Limited
The Listing Department
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (East),
Mumbai 400 051, (Maharashtra)
Trading Symbol: BIKAJI

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call for quarter ended December 31,2022

In continuation of the letter Ref: BFIL/SEC/2022-23/32 dated January 21, 2023 and pursuant to Regulation 30 read with Point 15 of Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we wish to inform that an Earnings Conference Call with Investors and Analysts for the quarter and nine months ended on December 31, 2022 was conducted on January 27, 2023. Please find attached transcript of the same.

In compliance of the regulation 46 of the Listing regulation the transcript will also be made available on the website of the Company at www.bikaji.com.

You are requested to kindly take the same on record.

Thanking You,
Yours faithfully,

For Bikaji Foods International Limited

Rahul Joshi
Head – Legal and Company Secretary
Membership No. ACS33135

Encl.: As Above



“Bikaji Foods International Limited
Q3 FY ‘23 Earnings Conference Call”
January 27, 2023



MANAGEMENT: **MR. DEEPAK AGARWAL – MANAGING DIRECTOR –
BIKAJI FOODS INTERNATIONAL LIMITED
MR. RISHABH JAIN – CHIEF FINANCIAL OFFICER –
BIKAJI FOODS INTERNATIONAL LIMITED
MR. MANOJ VERMA – CHIEF OPERATING OFFICER –
BIKAJI FOODS INTERNATIONAL LIMITED**

MODERATOR: **MR. VIJAY GYANCHANDANI – S-ANCIAL
TECHNOLOGIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Bikaji Foods International Limited Q3 FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity, for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero, on your touchtone phone. Please note, that this conference is being recorded.

I now hand the conference over to Mr. Vijay Gyanchandani from S-Ancial Technologies Private Limited. Thank you, and over to you.

Vijay Gyanchandani: Thank you. Welcome to Bikaji Foods International Q3 FY '23 Earnings Conference Call. From the management, we have today Mr. Deepak Agarwal, Managing Director, Mr. Rishabh Jain, CFO, and Mr. Manoj Verma, COO. Now I request Mr. Deepak Agarwal to take us through the key opening remarks. After that, we can open the floor for the Q&A. Thank you, and over to you, sir.

Deepak Agarwal: Thank you, everyone. This brand is Bikaji is introduced in 1993 from my father, Bikaji name is inspired from the city Bikaner and Rao Bika, who was a King of Jodhpur and founded the Bikaner.

Before '93, we had a brand name Haldiram. Haldiram Bhujjiawala. Haldiram ji was my great grand-father who started this business in 1940, and he himself manufactures the Bhujia and sells at the one shop only. And then later on, the Bhujia is day-by-day is becoming famous from all the part of India. And Bhujia has a one special ingredient or two, three special ingredients. One is moong dal, and moong dal is only crop produced and farm near by the Bikaner and in Rajasthan itself. Whereas all other kind of pulses are crop, farm and from Argentina to Australia, but moong dal is only nearby Bikaner. That's why Bhujia is famous from the Bikaner.

Then my cousin grandfather shifted to Calcutta and some other parts of the countries. And everyone has started this legacy with the name of Haldiram Bhujjiawala. Then later on in '70s, my father generation has come, and my father are four brothers. So one of my elder uncle has shifted to Nagpur in 1972-'73, which is called today Haldiram's Nagpur. Then, second is my father. And then two of my younger uncle had shifted to Delhi in 1982-'83. So we just called today Haldiram's Delhi.

But later in late '80s and early '90s, there were some miss confusions about the territories and about the brands. So everyone has decided to be restricted with some territories and they have divided some part of North, South, East, West. But as my father was a visionary, and he never wanted to settle for a specific state or for a specific area, that's why he introduced his own brand that is called Bikaji. And today, we are the manufacturer of sweets, namkeen, different papad, frozen food and different categories.

In the Board, we have three family members. One is my father. Shri Ratanji, then is me, myself Deepak, then my wife is Shweta Agarwal, who is looks after all process, production, a Whole-time Director. And then we have a non-Executive Director and Sachin Bhatiya ji from the Lighthouse, Nidhi Ghuma from the IIFL, which is recently in the last two weeks she has a

resigned, and then we have a Siraj Azmat Chaudhry ji as an Independent Director, Richa ji. Siraj, on the Tata Consumer Board and as ex-Kargil Chairman and then Richa Manoj Goyal, she's the CS and Compliance and looks after and already on the Board of three to four listed companies. Mr. Pulkit Bachhawat from the Ahmedabad, who is as an Advisor of two, three companies and he is a CA. Nikhil Vora ji, he is from the Sixth Sense, and one of the finest investors amongst the new categories and new products companies. And Vipul Prakash ji is right now, the CEO of MakeMyTrip and had an experience in the sales of 20 years, in Lays.

In our team, we have a professionals that is our Manoj Verma ji, who was in the last Mrs. Bectors and had a great experience in Cadbury's and other. And he looks after the sales marketing as a Chief Operating Officer, whereas Rishab Jain, who is of our CFO is with us from last 2015. And Rahul Joshi ji, is from the last one year, and we look after all the Legal and Compliances. And Shambhu Dayal ji, is with us from the last 30 years, and he looks after all the Finance, Accounts and Corporate Affairs.

In a small snapshot, I just would like to highlight that we are the third largest manufacturer in and ethnic snacks company in India. The largest manufacturer of Bikaneri Bhujia, among all the players in India, the second largest manufacturer of handmade papad after Lijjat. And with this handmade papad, we gave at least employment to more than 5,000 women's every month by making papad handmade. And we have almost around 500 direct distributors in India, almost 2,000 distributors are direct and indirect, strong export network more than 25 countries, and the CAGR is around 24%. The last FY '22 revenue was INR 1,600 crores.

And we have a huge range of snacks, which has snacks, papad, sweets, roasted namkeen, frozen food, many other different kinds of extruded snacks, chips, western snacks, so we cover almost all the kind of a products. And our core market is like Rajasthan, Assam, Bihar, North-East, and part of Hariyana, Punjab. And whereas our focusing market is like Uttar Pradesh, Delhi, near-by Delhi, Punjab, more of Haryana, Gujarat and Karnataka.

Recently, we have introduced a new product that is Khakras, you must be aware that this is a very big legacy of Gujarat. And now as the people are getting more healthier, and roasted namkeens and roasted things. So we have also introduced a multigrain bhujia, jwar mix and some other roasted namkeen as well. And we are taking -- introducing more better products.

Here, I would to highlight that we have five manufacturing locations. One is Bikaner. The another last year, we had opened in Guwahati, Assam, in South India, Tumkur, Muzaffarpur at Bihar and last just October, we have started as a contract manufacturing unit at Kanpur. Kolkata, also Kolkata city, where we have a CMU also and upcoming one is in Patna. So that you can see in the Indian map. So these all the manufacturing units where we manufacture all our western snacks, extruded snacks, namkeen and trying to be you reduce the logistic cost and enter into a focus markets.

So now for the sales and marketing distribution, I would like to invite Manoj ji for further.

Manoj Verma:

Thank you, Deepak ji. So as Mr. Deepak Agarwal spoke about our strategically located manufacturing units, which were existing and the ones which we started over the last 18 months. So each of the units some of which are outside Bikaner as well as within Bikaner start to support our core markets, the core markets for us are Rajasthan, Bihar and Assam, that's spread about 70% - 73% of our business comes in. And each state is pretty distant of far or from if you look at from Bikaner or Rajasthan. So as to support their sales and the kind of growth that we are witnessing there, we came up with plant in Guwahati for Assam. We came up with plant in Muzaffarpur, which is in Bihar and upcoming plant very soon coming up in Patna as well, which will complement our Bihar business.

Then as if we look at talking about our focus states. So focus states in the South are Karnataka and Telangana. So to support those these states, we now acquired the plant in Tumkur, which is second plant, what we call and for UP, which is one of the largest markets to support this, we came up with a plant in Kanpur.

Now talking about the Pan-India network, so a very strong brand across country with a strong presence in 25 states and four union territories Besides India, as we look at, we have our footprint across 25 countries with export revenue contribution of about 2.6%. If we look at our distribution network, so within India, we have a eight depots, 46 strong super distributor or super stockiest and a direct distributor base of about 507.

Despite as if we look at our footprint in terms of retail coverage. So it's about 2.6 lakh outlets, that's what we cover the directly. We are in process of automation and trying, we're not to put it up on our lat-long all in the system. So as I speak, we have about 136,000 listed outlets for which we have lat-long in company retail outlay. This is what is part of our strategy as going to increase our direct reach.

Talking about our marketing initiatives, we are amongst the largest vendor in the marketing investment within the category we play. So we are into all channels of communication or starting of radio. So across channels, the BigFM, RadioCity any of the radio channel we speak about we are present. When we talk about now, out of home, so which is about hoardings. Then doing BTS campaigns in the stores.

So it is very off-take and build our brand further. Shop-in-shop presence in modern trade outlets, for example, Reliance, then we also participate in the conferences and in the exhibitions, which happens overseas so as to complement our export business. We also spend on ATS programs like Kaun Banega Crorepati, we were present. We were associate sponsor for that, which is a national program. And besides this, there are a lot of other activities which could be stated as the print media and also sponsorship of certain movies which come up kind of – so our presence is strongly placed across.

Talking about our business performance. So if we look at our quarter performance, so the revenue growth quarter 3 over last year quarter 3, it's 15.6%. If we look at within the category, so our ethnic snacks as we look at has grown at 21.4%. Packaged sweet is 17%, degrown by

17.3%. Western Snack is grown by 23.8% and Papad has grown by 14.5%. Here, I would wish to take -- I want to take a pause and just now bring clarity.

That package foods has a huge component of seasonality and which is Diwali season. So if you look at this subdued growth is not because of any other reason other than the Diwali, this year was a little earlier than what it was a -- little later than what it was last year. So hence, there is a shift between quarter 2 and quarter 3 this year. Otherwise, when we look at our secondary numbers, so they are seamlessly in line with what we did in quarter 1, quarter 2 and quarter 3.

I would request Rishabh, to you through the revenue numbers.

Rishabh Jain:

Thank you Manoj ji. So overall, on a revenue nine months basis, so we've grown at 24%-plus over a nine months. We closed the revenue of plus INR 1,500 crores compared to INR 1,200 crores, which we did in last year nine months. Our ethnic snacks has grown at 22.6% compared to last year. Packaged sweet has grown overall at 17.6%. So if you see in third quarter, we degrown in packaged sweet due to festive season. This year Diwali was in October versus last Diwali was in November.

But overall, when we see nine months numbers, we've grown at 17.6%. Western Snacks, so our major focus is in western style namkeen segment being that all the plants is supporting which two categories. So we've grown at 95%-plus in the western snacks category. Our papad segment is growing at 19%-plus. So across each category, we grew at double-digit numbers.

On a key quarterly highlights basis, so our revenue has grown 15.7%. On YTD basis, we're growing 24.2% EBITDA so we close the EBITDA close to INR 159 crores in nine months versus last year, we had done close to INR 92 crores in nine month numbers, and we grown at 114% compared to quarter 3 last year. And overall nine months basis, we've grown at 56.7%. On a PAT basis, we grown at 195%. So last year, we've done a PAT of close to INR 11 crores in quarter 3 versus this year, we done PAT of close INR 31.7 crores.

So basically, there are lot of effort which has been grown and also there was a reduction of few Edible oil prices, few moong dal prices. So there we increased the gross margin of close to 2.5%. If you see the gross margin was close to 28% versus quarter 3, we have gross margin has improved, and it has gone up to by 2% and then a gross margin 30%. This has been basically for two reasons. One Edible oil price, which has been moved down and other end of key products like moong dal that the prices have softened down. So there are also largely, we also engaged quarter 4, one of the big four, who is helping us to set up over RTM, set up our distribution system in the core and focus market.

Also one thing that I'd like to highlight that we have logical reason to merge Hanuman Agro into Bikaji Foods. So we invested close to INR 110 crores-plus in the form of CCD and CCPS. On 1st of January 2023, that company has become a subsidiary, and we acquired close the CCD has converted into equity shares and our holding was close to 99.65%.



In our last Board meeting, which is held on 25th of January, we had taken a decision of acquiring balance 10,000 shares from two shareholders of Hanuman Agro. And now this company will become 100% subsidiary of Bikaji Foods International Limited. Post this, we are targeting this merger to be completed by, September 2023 end. so this plant is basically produce Namkeen and Western snacks category. And the plant is have present capacity of close to 60 tons per day.

The benefit of merger is basically, there is no point keeping two companies as this is only a manufacturing company. And also there will be overlapping of managerial work overlapping of financial, technical, human resource work. So we are targeting to remove this. And also, there is a loss of GST because there is input, subsidy input, which are lying in that books of accounts, which will post merger, we can use this into our books.

Manoj Varma:

Yes. Talking about our long-term growth strategy, as we called out. So they are the four pillars, first and foremost is about to implement distinctive growth strategy for markets like core markets, focused market and other markets because same thing would not work in all geographies.

Second was to complement these a key set of states established strategically located new manufacturing facilities, which would help us grow both the topline and the bottom line. Third one, what we called out for ourselves is that we continue to build our brand and further strengthen it, hence, the continued marketing investments.

And last but not the least is move towards automation. So which is what we are in progress and what we are adding towards complete sales automation, and it's not just about sales automation. It is also automation across functions.

With this, I open the floor for questions or Q&A session.

Moderator:

We have the first question from the line of Abneesh Roy from Nuvama Institutional Equities.

Abneesh Roy:

My first question is on Western stack. It is highly competitive. So I wanted to understand why you want to be here, doesn't it dilute your brands in terms of being an Indian snack company?

Manoj Varma:

So one is if we look at the western snacks category is growing slightly faster than what the traditional snack is doing. Second thing is, if we look at the split between the certain states, for example, if I talk about Assam, which is our very strong state where we enjoy almost about 58%, 59% market share in traditional snack. But the size of Western snacks there is 65% is Western and the balance 35% traditional. So it's true for many other states. So while we continue to keep up our focus on traditional snacks, we didn't want to ignore or miss the opportunity on what we have for Western snack. Because end of the day, channel is broadly the same outlet is the same. It's only the product, and we did have the capability and capacity to produce that. So we didn't miss the opportunity.

Abneesh Roy:

My second question is on the papad business, you have done well. So it's highly commoditized. So what is working for us in this part of the business?



- Rishabh Jain:** So, basically, we are the manufacturing handmade Papad and it's largely an organized segment. So we want to -- it's close to INR 8,000 crores market. And there is no organized player in this other than Lijjat Indus. So we want to use this into -- we want to make a big brand in Papad and we can take this business to -- I think we can double this in next three, four years. That's our target is.
- Abneesh Roy:** So that was my question. If it is that no other big organized share is there, what was the reason? Because if it was so easy, then other players would have entered, right?
- Rishabh Jain:** Yes. Right. But actually, it's basically largely a there are a few local players that always -- you will see papad is largely unorganized. And there are a few local players who are manufacturing -- who are making papad in-house and local. So that's how it's taking time, and we can be -- we are also working on the same to make this market more organized.
- Moderator:** We have the next question from the line of Shirish Pardeshi from Centrum Broking Limited.
- Shirish Pardeshi:** Just two questions. On the Hanuman Agro, now it's become 100% subsidiary. So maybe any one of you can give me in the help saying that what is it that we can expect in terms of revenues and synergies in terms of margin expansion over the next two to three years?
- Rishabh Jain:** So basically, Hanuman Agro, we've done an investment in the terms CCD and CCPS in last two, three years in Hanuman Agro. And basically, it will merge into Bikaji Foods and from a revenue perspective. So this company is having capacity close to 60 tons per day. We are targeting -- so at their full capacity can give turnover close to INR 300 crores, INR 350 crores type of thing. So we want to use this capacity and make the -- western style Namkeen business and -- so basically this plant will normally is largely served Rajasthan, Haryana, Punjab nearby by markets. And therefore, we want to build our revenues.
- Shirish Pardeshi:** So I was slightly getting confused. You did mention that 60 tons per day is the already capacity utilization is happening as on date, or its...
- Rishabh Jain:** No. It's total capacity, which we have right now.
- Shirish Pardeshi:** So what's the current production against this?
- Rishabh Jain:** So current production is close to 15 tons, 20 tons, 15 tons, 18 tons type of thing. Because this plant is recently installed.
- Shirish Pardeshi:** And when do you think you will reach the peak capacity here?
- Rishabh Jain:** See, we are targeting -- in the next four years, we want to reach a peak capacity. In Next three to four years
- Shirish Pardeshi:** My second and last question on the margin front. I did hear you in the morning on the media channel. Maybe just to fine tune, I mean, currently, directionally, all the raw material looks benign. And on a Q-o-Q, monthly basis, the palm oil prices are also correcting. So in the next



three to four quarters aspirationally, where would you like to settle in terms of gross margin and EBITDA margin?

Rishabh Jain: See, so gross margin, we want to -- so our target is initially to settle at -- so in first quarter, we had gross margin was close to 24%, which has come in around 30% in the last third quarter. And normally, this third quarter and fourth quarter, their fresh crop, so price is very low. So normally, if you see next four, five quarters, we want to settle at around 71% type of cost 28.59% have gross margin. So that's an area where we want to settle.

Shirish Pardeshi: And any word on EBITDA?

Rishabh Jain: So EBITDA, we want to maintain double-digit EBITDA. That's what our target is.

Moderator: We have the next question on the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor: Firstly, sir, what is our ad spend currently as a percentage of sales?

Rishabh Jain: So our ad spend is close to 1.6%, when we look at nine months numbers.

Saket Kapoor: And this is going to be the trajectory going ahead also?

Rishabh Jain: So our target is -- so we have planned the budget or close to 2% in our P&L. That's what we want to because the marketing has given a big boost in our brand perception. And it's also helping distributors and retailers to make a proper off-take. So we want to use this and we get close to 2% as a marketing project.

Saket Kapoor: And our contract with Big B is for what terms, sir?

Rishabh Jain: So our contract with Big B is will expire at around in October, basically October, September end or October first week this year, '23. So that's the way. And we will look into this where once the contract will come to and what we want to do as the next process.

Saket Kapoor: And sir, can you give me a ballpark number for what is our gross block? How much money has been invested in plant and machinery? And what is the capital work in progress?

Rishabh Jain: So basically, our gross block is close to INR 825 crores, INR 850 crores when we see nine months number, a gross block I'm telling, INR 820.

Saket Kapoor: INR 820 crores?

Rishabh Jain: Yes. Close to INR 820 crores. And for CWIP, CWIP there is close to INR 60 crores of CWIP is there, INR 66 crores.

Saket Kapoor: INR 60 crores is the capital work in progress.

Rishabh Jain: Yes, INR 66 crores.



- Saket Kapoor:** And when will that capitalized by March '23 or?
- Rishabh Jain:** No. That will capitalize by in next six to eight months. So we are working on frozen plant. That plant will come in the next six months. So once this plant will install, and commercial production will starts and then CWIP come into the normal gross block.
- Saket Kapoor:** And sir, last few more points. First, on this raw material basket, sir. What constitute the major raw materials? And what kind of integration do we have for them? And where are we sourcing the same?
- Rishabh Jain:** Yes. So our key raw material is largely edible oil then few pulses, like moong dal, chana dal, moong dal, few pulses, we are using a core namkeens and Bhujia. And normally, we are large - of course, edible oil, we are using a few oil we are importing like palm oil and cotton seed, it's a local production in Bikaner in Rajasthan.
- So these two oil we are using and then few pulses like moong dal is largely producing Bikaner, nearby Bikaner. And all the key pulses like, peanut moong dal is produced nearby Rajasthan itself. So we are using that same directly. We don't have any long-term contract as of now. But yes, we are procuring from largely mill owners directly.
- Saket Kapoor:** And the cooking oil is palm oil you mentioned?
- Rishabh Jain:** Cotton seed and palm.
- Saket Kapoor:** But that also raises some of the health issue parameters in the long run, sir Palm oil is as my understanding is not the best advisable for on a regular consumption basis. So what is the thought process of the management in terms, sir? We're calling it healthy snacks and ethnic snacks and then the palm oil consumption, what kind of -- what is our understanding on the same, sir?
- Deepak Agarwal:** So palm oil is not at all a bad oil or it is not an unhealthy oil. It is a refined oil and it imports from the different countries. And we use palm oil more into a western snacks and some of the light snacks whereas in Bhujia and in some core products, we use the cotton oil, which is available nearby Rajasthan and even in itself and Bikaner. And we use different-different oils as per the crop and as per the market and as per the timing behaves.
- Sometimes we if we get a good price and we get a good oil in groundnuts, but that groundnut and all the oils are refined oil and palm oil is mostly in highly consumable oil in use in India and especially by all the players like Lays to Balaji, Haldiram, us. And it is not at all an unhealthy oil.
- Saket Kapoor:** All right.
- Management:** Even all the categories and all the snacking categories and all the cream categories, everyone is using the palm oil. And the FSSAI and the government has a very strict rules, and they have a standard and norms with the same things we follow.

Saket Kapoor: Sir, one small point, sir, how have been the utilization of the cash that we raised in the IPO. And lastly, sir, when we look at your story, definitely it's a consumer-driven story going ahead. And there's a lot of very strong brand recognition all across your branding.

But when we look at the investment point of view for investors, what is left on the table for investors to take comfort from? When we look at your story in the marketplace yes, market capital is commanding, what is the comfort investors who are looking in your growth story should get from going ahead even at these valuations? What is the differentiating factor that we can command a market cap closer to about \$1 billion in this snacks business? So the differentiating factor, if you could?

Management: So point number one. We did not raise any money, direct -- primary money in the IPO, it was all secondary money. So largely these companies, a good cash -- company. The company doesn't require fund for growth. Company can easily do all the investment by its own cash accrual. And number two, so from investor perspective. So largely, see, it's a completely investors call. But yes, from a company perspective, there is very few consumer companies growing at 20%-plus CAGR from the last six, seven years.

From an EBITDA perspective also, if you see other listed player and non-listed player, so we are commanding good EBITDA. So this year, we had an EBITDA of close plus 10%, but you will see last two quarters we done EBITDA of 11% second quarter in last quarter, third quarter done EBITDA of close to 10.4%. Where you will see the gross margin has improved by close to 2%, so we done a growth of 30%. So from an EBITDA perspective, we done reasonably strong numbers from a topline and bottom line perspective. And also this industry is very big.

So you will see these industries they are where serving like ethnic snacks, sweet, papad. This industry close to INR 1.4 crores market value, largely more than 50% is unorganized. So there is a big market and where we -- which we want to use and there's a big growth opportunity, which we want to use. So that's the growth opportunity which we want. And we have made a reasonably good brand. So this brand is highly recognizable. Amitabh Bachhan is our Brand Ambassador and the one other -- so that's it from the point, Manoj, if you want to...

Manoj Verma: So the end-way here is to shift from unorganized to organized. Even today, as we speak, 50% of this category, almost 50% is unorganized. So that's again an opportunity where in creating a brand, getting a right distribution, expanding it to all corners of the country and on the globe. So we see as an organization a huge growth opportunity.

Moderator: We have the next question from the line of Rahul Ranade from Goldman Sachs Asset Management.

Rahul Ranade: Just one question or couple of questions rather from my side. Can you help us in terms of volume growth you would have done for the quarter or even nine months if that's possible across different businesses?



- Rishabh Jain:** Yes, so we've done on YTD basis nine months. We've done a value growth of close to 24% and volume growth we've done a close to plus 16%, and across each category we've done double digit volume growth, be it ethnic snacks, be it Western snacks, we've double-digit volume growth.
- Rahul Ranade:** So roughly 10%, 11%, like volume at 4%, 5% of pricing is the way we should think about it.
- Rishabh Jain:** So this industry in nine months is grown at -- so overall industry, when we see as an industry data, this industry is growing at close to 15% around and we've grown at 24%-plus. So we are largely 1.5x, 1.6x of what industry is growing.
- Rahul Ranade:** And just one book-keeping question. So in the presentation, if I look at it, revenue from operations and I try to add-up the revenues from the four categories that we talk about, there is some marginal difference that is left over. Is it some miscellaneous category of products that we should look at it like that?
- Rishabh Jain:** There is miscellaneous category. We have a restaurant in Bombay. And there are a few miscellaneous category, which we'll add into this. There is a difference between this. That's very small.
- Rahul Ranade:** Yes, it's a marginal difference. That was that. And lastly, sir, I just wanted to understand in terms of growth. So let's say, a volume growth, we would have done around 16% YTD. Obviously, we would have had this benefit of a June quarter of last year being poor. So on the normalized basis, what would the volume growth would think of going forward?
- Rishabh Jain:** So see, of course, we cannot comment on future numbers, but yes, overall when this industry is growing at 15%, 16% and that's what the data industry experts are giving, we also want to work with this, like what we are doing in the last five, six years. And one more thing, so in next 15 to 18 months, we are looking at more volume driven growth compared to price driven growth. What we are seeing in last 18 to 24 months.
- Manoj Verma:** So if you look at quarter 1 growth, volume growth was also around 13%, 14% kind of a stuff. Certainly quarter 2 was high for whatever reason. But going forward, as Rishabh said, I think that's the volume growth which we certainly can look upon.
- Rahul Ranade:** And pricing obviously varies depending on what RM scenario you are in. And depending on how much we have to pass through. But kind of a mid-teens volume growth is the way we can look at it going forward also. Given the fact that we'll be focusing more on distribution efforts also, probably that's a fair way to look at it?
- Rishabh Jain:** Yes.
- Manoj Verma:** Yes.
- Rahul Ranade:** And just on the retail outlets, I just missed that point. Did we say 2.6 lakh is the retail in coverage right now?



- Manoj Verma:** No. So I said yes, I mean our direct reach is about 2.6 lakh outlets. But, we are in process of rolling out our DMS. So what we are doing is we are getting them listed with lat-long mapping also as well. So if I talk about our listed number of outlets, it's about 1.36 lakh outlets, which years back was about 86,000 that's where we started from. But yes, the number where we reach directly across is 2.6 lakhs outlets. So I clarify this.
- Rahul Ranade:** So 2.6 is direct out of that 1.36 is covered by DMS. That's the way to look at it.
- Manoj Verma:** That's from automation is 1.36 lakhs outlets, right. Our reach, if you look at across country, would be about 8.5 to 9 lakhs outlets.
- Rahul Ranade:** And where would this number go to three years out? What's the number we can look at across these direct and also in terms of overall? What would the internet target be?
- Manoj Verma:** So by end of -- next two years if we look at to our direct reach of these on DMS automation reach would be about 2.5 lakh outlets. That's where we'll reach. And our indirect distribution should be somewhere close to about 11.5 to 12 lakh outlets. That's what is the target we carry forward.
- Rahul Ranade:** The corresponding number for which is 8.5 now should go to 12.5.
- Manoj Verma:** 11.5 to 12, yes. Because that's the indirect, uncontrolled coverage, but that's the number we driving now.
- Rahul Ranade:** So just in terms of reach itself, in the next two years, we are almost adding around 40% in terms of reach, right? If I were to take 8.5 and compare it to 11.5, we are adding around 40% in terms of reach. So that that itself is a decent volume growth driver to think of it that way?
- Manoj Verma:** I think that will not be a very fair way to look at it. Because what happens is that, even today our reach in the core states which contributes to about 72%, 73% is very high. So our reach is going to come from focus states. Their throughput may not be exactly same what it is in the core states. But yes, I think if you look at over two years, that's the volume growth or the value growth which we expect and distribution would be one of the key drivers. That's what is the identified growth strategy is.
- Rahul Ranade:** And out of this 8.5 to 9 lakh in terms of overall reach, how much would be in our core states currently? And how much would be in focus states? Just wanted to understand the ramp-up for that to happen in the focus states.
- Manoj Verma:** Yes, out of 8.5, about 6.6 would be in core states only, which is the largest, followed by focus states, which is about 1.1 and the rest is others.
- Rahul Ranade:** And the incremental addition in terms of reach will happen both in core and focus is it, where we are adding 3.5 lakhs to 4 lakhs outlets that will happen across both core and focus or more tilted towards focus?

- Manoj Verma:** It will be more towards focus, because core if I look at just to put a number on table. So Rajasthan has about 4.2 lakh outlets as a universe, of which we are already present in about 3.2 lakh outlets, which is almost about 70%, 75% kind of reach. So there scope is not as much. Now, there are certain states where our numeric distribution is not even 5%. So that's where is the higher opportunity. So focus will get us more stores.
- Rahul Ranade:** So 75% of our distribution is bringing in 75% of our sales, right? So the throughput at least for now seems to be fairly comparable between core and focus then. Wouldn't that be a correct way to think about it?
- Manoj Verma:** Could be, but if you look at that way concentrated. If you look at size of market what we are servicing to. So universe if you look at it about say 8 million outlets is the universe. Of this universe or if this 80 lakh outlets it's only 12.5 lakh outlets which are sitting in these core states. Right, so that is over indexed. So the opportunity on the focus is far-far high. So currently this is incidentally what numbers are talked away, its talking to each other. 75% distribution and 75% of business. But this will shift, distribution will go up and business will not be exactly in line with that. Because focus state, we'll not have as much throughput initially.
- Rahul Ranade:** And sir, this last question from my side on Hanuman Agro, I missed the current capacity utilization on that. What would that be in terms? You said that it can ramp-up to 60 tons per day. But what is it currently?
- Rishabh Jain:** So its total capacity is 60 tons per day, but their current capacity utilization is around 30%, 35%. 33%.
- Moderator:** We have the next question from the line of Gaurav Jogani from Axis Capital.
- Gaurav Jogani:** Sir, my question with regards to this particular quarter. If we see gross margins have expanded around 300 bps on a Q-o-Q basis from 27% to 30% now, while we haven't seen the commensurate increase in the EBITDA margins and that is largely because of the other expense increases. So if you can help us out, what are these line items about and are we sustainable going ahead or you know there is some one-off in this?
- Rishabh Jain:** Yes, Gaurav. So basically, you're right. So gross margin has increased from close to 250 basis points and our EBITDA basically is in second quarter was close to 11%, which has reduced to 10.4%. So what has happened so all this Diwali was in October mid, so our major ad-spend was in October, which has come in second quarter. So our ad-spend average was close to 1.4%, 1.5% in first six months. So it has increased to plus 3% in third quarter. So it has largely beaten our ad budget. But you see on average basis, we had -- nine months number. Our ad spend was close to 1.6%.
- Gaurav Jogani:** There was this incremental ad spend, which got bunched up in Q3, and which is why your margins got impacted. Is that the right way to understand it?
- Rishabh Jain:** Right.

- Gaurav Jogani:** With regards to your gross margin, we have now started to hit that 30% mark right now. And going ahead, we will also be doing a lot of Western snacks, which I believe that the EBIT margin dilutive, given, that this new category kind of that you're entering into. So in this light, how should we look at the overall gross margins going ahead? Should we be able to maintain these levels or, there is some challenge which might be which we might see ahead?
- Rishabh Jain:** Gaurav, so basically, we want to maintain this. But ultimately, we are targeting gross margin plus 28.5%. That's what we are targeting for next at least two, three quarters. That's our target. Because few crops which are at its lowest level right now, which will increase in next three, four quarters because normally their crop season is in December, January, February, that's what crop season is. So for next six months, first and second quarter of next year, these prices will increase, few prices will increase. But yes, we are also taking price rise, but we are targeting 28.5%, 29%-plus gross margin, that's our target.
- Gaurav Jogani:** Is there a possibility, given the fact that you have now good knowledge of these raw material prices, given you've been dealing with them since quite a long time. So do we take a hedge on these raw materials or buy some cover so that we are protected for adverse moment on these raw materials?
- Rishabh Jain:** So normally, we are not storing anything or not doing any contract farming type of thing. But yes, we are largely doing some small purchase for next six months, five, six months. But that is very small from 25%, 30% requirement. Whereas we are normally purchasing on spot. On spot means, we are normally doing, giving purchase orders close to, 100 to 60 days type of thing. That's what we are doing purchase orders for key commodities.
- Moderator:** We have the next question from the line of Sachin Bobade from Dolat Capital.
- Sachin Bobade:** I have one question related to logistics. So when you say, you are getting into new states or entering in a new state, I assume that it is for all products including Bikaner bhujia and everything. So in that case, I just wanted to understand how this logistics work here? So you travel -- your goods travel from Bikaner to other states. In that case, what is the incremental cost that is required or incremental increase in cost for this logistics?
- Rishabh Jain:** So currently, our logistic cost close to 3.8%. But overall, ultimately, we'll see, when we have made all the plant like, in Muzaffarpur in Guwahati in Kanpur, so objective -- where we will manufacture western styles Namkeen category, these two category will largely manufacture in all the plants. So our target is to keep -- improve more efficiency, and we will largely produce only two category will normally bhujia, Papad and sweet the three categories will always produce in Bikaneri. That's what target is right now. And these two category will manufacture across all plants of India. So overall, on a spend basis, our logistic costs, we're targeting to keep the same, because western snacks have more logistic costs, but as we are manufacturing in the nearby locations, so we want to keep the -- we want to try to do the same, 3.6%, 3.8% of the logistics cost, that what we have taken a budget.



- Sachin Bobade:** But when you travel like, for example from Bikaner to Karnataka for Bhujia or states in southern sides, the cost won't increase much because you have to manufacture in Bikaner and then transport?
- Rishabh Jain:** When you see when we are manufacturing chips or western snacks, namkeen so largely...
- Sachin Bobade:** No sir, I am not talking about other products only about bhujia?
- Rishabh Jain:** So bhujia, that cost will remain same. We are transferee – we manufacture here in Bikaner only, we'll sell to all part of India. So, Bhujia sweets that will be manufactured here. That logistics cost will remain same. Like for Karnataka also, our logistics cost will be same. Like in Assam or in Bihar, logistics cost will be what we have right now.
- Moderator:** We have the next question from the line of Pratit Vajani from Union Mutual Fund.
- Pratit Vajani:** I have slightly long-term question, question on slightly long-term. So we've seen your gross margin from 40% 42% going down to 39%. And now you're doing the quarterly basis 30% -- what is your long-term gross margin target?
- Rishabh Jain:** So on long-term gross margin target. So see, currently, we are at 30%. We want to sustain this for at least next three quarter, four quarters. And overall, our gross margin target is we want to increase to 2%, 3% more. But yes, in the next three quarter, four quarters, we want to maintain this. Between 29% to 30%. That's our target is.
- Pratit Vajani:** So with the geographic expansion also this will be sustainable is what you mean to say, right?
- Rishabh Jain:** Yes, because with the geographic expansion, we are also making expansion at plant level. Like, we have installed a plant in Guwahati to cater for the North East market. In Bihar, we have two plants that came up. Like in UP also, we took focus market. Our plant had started in August month. So we also strengthen our backend operation.
- Moderator:** We have the next question from the line of Abneesh Roy from Nuvama Institutional Equities.
- Abneesh Roy:** A few follow-up questions. One is on positioning and pricing. How do you compare with Haldiram's? Because ultimately both are strong brands and in many markets you will be competing also. So for example, if now there is some deflation, who takes the price cuts first? Is there one leader and rest of the players follow that in the coming days?
- Manoj Verma:** So how it works is that it's either or. One of us would take the lead. Sometimes they are ahead of us and sometimes we are ahead of them. Talking in terms of price parity, so we are more or less in line with what Haldiram is. And although, we spend more on branding, therefore we don't want to be in any way under indexed to the base of the brand. In terms of yes, for our focus states where we are weak, what we do is that we offer a couple of percentage, a percentage higher than what Haldiram would be doing. So that's the stimulus for the retailer to sell our brand there in the store.



Abneesh Roy: No, but there will be flip side in your strong states, there could be another player who wants to enter or existing players would also want to do the same 2% lower which you mentioned in your focus states. Doesn't that happen? Then what do you do?

Manoj Verma: No, see, at the end of the day, whosoever be the leader in the focus state, what we are aspiring to be, we are aspiring to be a challenger brand. Not that we are looking to be leaders in those states. So, let's say, Haldiram enjoys a 50% market share. 50% is governed by the rest of the company and it's a fragmented category. If you look at top 3, top 4 companies put together will also be about say 60%, 65%. 35% is the share which is completely fragmented stuff. So, our phase 1 would be to get each share from them as well and also try and see that what best can we get out of the leader is.

Abneesh Roy: My second question is on the q-commerce and the e-commerce. So definitely your category is impulse category, which is quite well placed on the q-commerce. So could you tell us when I see the key q-commerce sites, how do you place, are there some other players who are much ahead of you? I understand the number one player which you I've been highlighting in this call. But how are you placed in the q-commerce and e-commerce?

Manoj Verma: So we certainly see just q-comm as a upcoming big opportunity and I think that how consumer are getting ease and therefore, this business is only going to grow. So in terms of our presence, we are present across all q-com channels. The thing is that it's about making your presence there in the channel at all points in time. And that's the task our sales team is working towards, that how we can ensure our fill rate, improve our fill rate in these channels. That's the opportunity what we are working on.

Abneesh Roy: Final question. We have seen the larger listed FMCG players do their own D2C websites and also they have been aggressive on the M&A they have been acquiring B2C startups. Of course in the healthy snacks also we have seen many B2C startups launch. Of course now the liquidity has dried-off. So there is a bloodbath in the lot of these. Would you evaluate some of these because it will lead to good learning also or you think in your category better to do it through the third party?

Manoj Verma: No, so B2C if you are talking about, we also have a very website where in we service directly to the consumer as well. So that's there and the team is promoting that stuff. So you will see that it will only go up. Also the category we are in which involves a huge logistics cost. So practically, it would not be possible for all consumer so or for us to cater the larger geography or larger consumers of that. But yet, in terms of present, like all most of the other companies or our competitors do, we also have our own channel there.

Abneesh Roy: And are you divulging numbers, how much is q-commerce, how much is e-commerce?

Manoj Verma: So e-comm, q-comm is pretty small and subset of our modern trade business. If I was to give you a number, it's about 8%, 9% which comes from modern trade and of which is a subset which is q-comm is pretty small. It would be say about 15%, 20% of modern trade.



- Abneesh Roy:** And e-commerce?
- Manoj Verma:** E-comm and q-comm put together, I am saying. That's what it is.
- Abneesh Roy:** Then so it is pretty small versus the rest of the FMCG then it is much smaller.
- Manoj Verma:** Yes, it is pretty small, see you know if you look at the cost – see, unless and until someone buys more than INR 300 these even q-comm channel also start charging. So therefore, for these bulky product or low density product, it will eventually grow for now, it's more of a convenience which consumer looks for and hence companies are to be present. So they cannot make a choice on that.
- Moderator:** We have the next question from the line of Pankaj P from FundsPro.
- Pankaj Pachariya:** My question is like the growth we have on Y-o-Y, how much percentage is coming from our core states? How much percentage is coming from our focus states? Can you elaborate on it?
- Manoj Verma:** So, our presence in the core state continues to be as about 28% growth is coming from our core states, followed by focus states which is about 24% and others as we said that it's our footprint there that contributes to the later part of it. It's about 19% there.
- Pankaj Pachariya:** And the second question is that, and we are incentivizing like, retailers in the focus states, what companies are planning to do in our core states to maintain the same level of market share, leadership position in the market in the core states?
- Manoj Verma:** So I'm pleased to inform that we continue to look at last two years, year-on-year, we are gaining share in our core states. So that speaks the power of our brand. What we are doing is, that's what in fact when I was talking about part of our strategy, we are looking at these core focus and other states differently. And different intervention. So in focus state our growth strategy is to spread, to increase our reach because that's where the growth will come from initially. In our core state, what we are doing is, we are doing about upgrading, selling high value packs. We have identified focus as SKUs, basically that's nothing but an endeavour to how to improve our gross margin. So this is about premiumization. So focus on these products is far high. We are also expanding our direct reach in core markets. So to go down top state 5,000-plus in these markets as well. So these would be the drivers for core states.
- Pankaj Pachariya:** And last question from my end, sir. Like, we have a Bikaji exclusive franchisees, we see in most of the cities and the numbers which we are presenting as a retail outlet, can you bifurcate that small grocery shop, how many, how much they are and how many like that exclusive Bikaji franchisee in that number?
- Rishabh Jain:** Yes, so basically, we are very limited Bikaji, we are not into -- Bikaji, giving any franchises to any person. Largely all, we have one store in Bombay which is a type of Haldiram outlet. That's it. And we have just a branded store, very limited like 30-40 that's it. Largely all are pure distribution business.



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Manoj Verma: So those branded stores are also part of our marketing investment, what we do basically. Otherwise, no, we are not into model and nor do we think about it in at least next couple of years.

Moderator: Thank you. That was the last question. I would now like to hand it over to the management for closing comments.

Manoj Verma: Thank you, everyone, for joining us on the call. Besides this, if any of you have any kind of questions can come through our bankers or can reach out to us. We'll be happy to take. Thank you once again.

Rishabh Jain: Thank you, very much.

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