



## **HINDUSTAN FOODS LIMITED**

A Vanity Case Group Company

A Government Recognised Star Export House

**Registered Office:** Office No. 3, Level 2, Centrium, Phoenix Market City,  
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Tel. No.: +91 22 6980 1700/01, CIN: L15139MH1984PLC316003

Company Scrip Code: 519126

Date: May 26, 2023

To,  
The General Manager  
Department of Corporate Services  
BSE Limited  
Floor 25, P. J. Towers, Dalal Street,  
Mumbai- 400 001.  
Tel: (022) 2272 1233 / 34

Through Online Listing Centre

Dear Sir/Madam,

**Sub: Transcript of Analyst/Investors conference call held on May 22, 2023**

**Ref: Pursuant to Regulation 30(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

With reference to our letter dated May 16, 2023 intimating you about the conference call with Analyst/Investors which was held on May 22, 2023, please find attached the transcript of the aforesaid conference call.

The above information will also be available on the website of the Company i.e. [www.hindustanfoodslimited.com](http://www.hindustanfoodslimited.com).

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully,

For **HINDUSTAN FOODS LIMITED**

**Bankim Purohit**  
**Company Secretary**  
**ACS 21865**

Encl: as above





“Hindustan Foods Limited  
Q4 FY '23 Earnings Conference Call”  
May 22, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the website of the company on 22<sup>nd</sup> May, 2023 will prevail.

**MANAGEMENT: MR. SAMEER KOTHARI – MANAGING DIRECTOR –  
HINDUSTAN FOODS LIMITED  
MR. GANESH ARGEKAR – EXECUTIVE DIRECTOR –  
HINDUSTAN FOODS LIMITED  
MR. MAYANK SAMDANI – GROUP CHIEF FINANCIAL  
OFFICER – HINDUSTAN FOODS LIMITED  
MR. VIMAL SOLANKI – HEAD OF CORPORATE  
COMMUNICATIONS – HINDUSTAN FOODS LIMITED  
MR. BANKIM PUROHIT – COMPANY SECRETARY –  
HINDUSTAN FOODS LIMITED**





**Moderator:**

Ladies and gentlemen, good day, and welcome to the Hindustan Foods Limited Q4 FY '23 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of the future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sameer Kothari, Managing Director of Hindustan Foods Limited. Thank you, and over to you, sir.

**Sameer Kothari:**

Thank you, Ryan. Good morning, and welcome everyone, to our Q4 FY '23 Earnings Conference Call. I'm joined on the call by Ganesh Argekar, who's our Executive Director; Mayank Samdani, who is our Group CFO; Viki Solanki, who's the Head of Corporate Communications; Bankim Purohit, our Company Secretary; and SGA, our Investor Relations adviser. I hope everyone has had a chance to go through our revised and updated earnings presentation, which was uploaded on the exchange and our company website.

This time, we had to upload the investor presentation twice since the first time we did it, we had a typo in one of our slides, which showed our PAT at INR88 crores instead of INR71 crores. On behalf of the entire team at HFL, I promise to strive to ensure that we don't make such mistakes, and we'll also try to meet this Freudian slip and aim for the higher profit soon.

Jokes apart, I am satisfied with the overall performance of the company in the last 12 months. We have closed the year with a record turnover and a record PAT. One of the key developments in this quarter have been our foray in the beverages segment, which started in 2019 with the acquisition of ATC Beverages, but has really started to take off now. I'm personally very bullish about this segment, and I'm looking forward to see how we can leverage this in the next couple of quarters.

In the meantime, I'm going to request Ganesh to talk about the various operational updates of this last quarter.

**Ganesh Argekar:**

Thank you, Sameer, and good morning, everyone. I would like to inform you that all our factories reported a stable operations and ice cream and the beverages factory started ramping up due to the onset of the summer season. While there was quarter-on-quarter top line number was subdued due to the fall in the commodity prices, the ramping up of all the factories have helped the financial performance of this quarter.





We have now started work on setting up a juice factory for a national player in Guwahati, and we expect it to start production by Q4 of next year. Additionally, we also teamed up with the largest multinationals in the industry to start manufacturing two of their brands at a facility in Mysuru. Our Soaps & Bars facility in Hyderabad has started commercial production from May, and we expect it to fully ramp up back Q3 of this financial year.

Now I would like to hand over the call to Mayank Samdani, our group CFO, to take you through the financial results. Thank you.

**Mayank Samdani:**

Thank you, Ganesh, and good morning, everybody. Our revenue increased by 13% to INR660 crores in Q4 FY '23 from INR580 crores in Q4 FY '22. However, our quarter-on-quarter growth was subdued due to the fall in the commodity prices. Our EBITDA grew by 56% to INR50 crores in Q4 FY '23 and our PAT increased by 66% to INR20 crores on the back of ramping up of our ice cream and beverages facilities.

We also delivered record breaking annual performance with the revenue increase by 27% to INR2,602 crores in FY '23. EBITDA growing by nearly 50%, to INR177 crores and PAT is increasing by nearly 59% to INR71 crores.

PBT has crossed the INR100 crores mark for the first time in the full year basis, and our financial performance has improved as some of our underutilized factories have ramped up. Our cash flow from operations also improved to nearly INR 100 Crores (erroneously spoken as INR300 crores), a near 3x increase over last year. Our EPS for FY '23 stood at INR6.31 versus INR3.96 in FY '22.

As we continue to invest in our capacities, our Gross Block is now at INR835 crores, which have been funded with the judicious mix of debt and equity. And thus, our net debt-to-equity ratio is around 1.18x to equity. As the Soaps and Bar lines, and ice cream factory start ramping up, we expect that the coming year to be better than the past.

With this, I would like to open the floor for questions. Thank you very much.

**Moderator:**

Our first question comes from Faisal Hawa with HG Hawa & Company. Please go ahead.

**Faisal Hawa:**

What is our target for '23, '24 as far as ROCE and ROE is concerned? And also, what is our target for capex to be made in this financial year? Second point is that are we looking at any kind of more acquisitions? And if so, what will be the ticket size of that acquisition?

**Sameer Kothari:**

Good morning, Faisal. In terms of our ROE, ROCE figures, I obviously can't give you any specific numbers. But given the ramping up of our facilities, etcetera, we expect that what we've been able to deliver for this year will continue to improve going ahead. However, that has to be caveated with the fact that we will continue to invest in greenfield as well as brownfield capex. That was your other question. Any ways you know that we've announced one acquisition of the Baddi facility, which is an investment of close to INR150-odd crores. That transaction, as



Mayank has mentioned in his blog, will be consummated in this financial year. We are hoping by Q3 of this financial year.

In addition to that, we've also announced a couple of new projects that we are looking at in terms of beverages setup. We will come back to you as soon as something is signed up. You know we've made the announcement for the Dabur facility, which is in Guwahati, which is an investment of around INR25-odd crores. And in addition to that, whatever other capex plans come in, we will definitely come back and tell you.

**Moderator:** Our next question comes from the line of Harit Kapoor with Investec. Please go ahead.

**Harit Kapoor:** Just had two questions to start with. One was on how do we kind of look at the revenue progression given the fall in commodity prices? So, would this reduction in commodity also impact just broadly the revenue growth for the next, say, 2, 3 quarters? And then probably kind of stabilize once it comes in the base? Obviously, I know that it does not affect your profitability or EBITDA growth, but just wanted to get a sense on how that trend would work?

**Mayank Samdani:** As we have mentioned earlier also and this time also that the commodity prices RMPM prices directly passed through. right? So, any decrease or increase in those prices will definitely affect our revenue to some bit. But as we have announced that to the new acquisitions and new greenfield-brownfield project, we expect that our revenue will be better next year than what it is now.

And we have already given a guidance of double the revenue to INR4,000 crores by April '25 and we were told in the earlier investor call that we will better it by some months or some year. So, we are hopeful that even though the commodity prices has been softened, our revenue growth will be on back of our new investments and new acquisitions.

**Harit Kapoor:** The second question was on the onset of the summer season for the ice cream and the juices business. I just wanted to get your sense if they have been kind of conflicting remarks on how the season has gone because of unseasonal rains, etcetera. But just wanted to get your sense on how things have picked up. And obviously, you guys are investing further in this space. So, I just wanted to get your sense of how the season has been so far?

**Sameer Kothari:** So, Harit, you're absolutely right. We are having conflicting reports and conflicting performances as far as both ice cream and beverages is concerned. While the summer started off early in the month of February, then we had unseasonal rains in March. And while we keep reading about heat wave, etcetera, across the country, we're also reading about unseasonal rains, hailstorms, etcetera, in some of the parts of the country.

This, in addition to the fact that there is definitely some amount of rural stress in terms of demand, etcetera, has led to some softening in the demand of ice cream, beverages and the other summer seasonal products, while, of course, there is the seasonal boost to the volumes. I'm

hoping -- I'm guessing that everybody hoped for a much better season than what actually is happening.

**Moderator:** Our next question comes from Navin with NS Capital. Please go ahead.

**Navin:** Could you give more color on the beverages product line that we are getting into? Is it basically fruit juices, dairy or carbonated soft drinks? Where do you see this growing in percentage terms of our revenues going forward?

**Sameer Kothari:** Good morning, Naveen. We actually don't do dairy. We currently have 1 factory in Mysuru, which it does both juices as well as carbonated beverages. Like we mentioned earlier, we continue to work with a host of customers there. And in the previous quarter, we've signed up a couple of new brands for that factory as well.

In addition to that, we've announced the setting up of a juice line in Guwahati, and that's going to be a juice and not a carbonated beverages line. We are looking at both carbonated beverages as well as juice. We're currently not looking at dairy.

If you look at it from a purely sectoral perspective, we believe that beverage segment will continue to do well in the near couple of years. There is a capacity constraint, and there's some reorganization happening in terms of manufacturing capacities, divestments, etcetera, with some of the larger players in the industry.

And then, of course, all of us have read about the entry of the new players in this industry, which should definitely drive the per capita consumption if they're able to get their pricing, etcetera right. So, all in all, we are very bullish about the beverage segment. It will be too premature for me to talk about what kind of percentage of volumes or revenue we expect to get from this segment right now. And as you are aware, we are pretty agnostic as far as product categories is concerned. Having said that, we definitely expect that we will come back to you guys with some developments in this segment sooner rather than later.

**Navin:** My next question is on a broad view of the contract manufacturing landscape, how we see competitive intensity in the projects or products that you are entering or pitching for in India? Because we don't hear any other listed players in this segment. So, I just wanted to get a feel of how much competition is there for you? Is it a straight sell wherever you're getting into, or how does it work, Sameer?

**Sameer Kothari:** I wish Naveen it was a straight sell wherever we enter into. Unfortunately, while you don't hear about the competition, the competition does keep us awake every day. So, and this is something that I've touched upon in my previous calls as well, that while we are the largest representative of this industry, it is not that we are the only ones in this industry. We are probably the most organized and the most diversified player in the country. And that does not mean that we do not have competition. We have competition from very able players who specialize either in one

industry, let's say, beverages, who specialize in one geography or in some cases, who specialize or have a very close relationship with one customer.

We, on the other hand, are agnostic as far as product location is concerned, as far as geography is concerned and as far as customer is concerned. So, one way of looking at it is that we are very diversified. The other way of looking at it is that we have to face competition from all these 3 guys, right, whether they are in terms of industry experts or location experts or customer closeness kind of a competitor. So yes, it is a very competitive field.

Most of our competitors, however, are not as organized and may not have the kind of scale that we do. And that's a slight competitive advantage, which we've been leveraging in the last few years, and we believe we'll be able to leverage it for the next few years as well.

**Navin:** Thanks for the great summary, Sameer. And congrats for all the work that you are doing and to the team.

**Moderator:** Our next question comes from Nikhil Porwal with PIA. Please go ahead.

**Nikhil Porwal:** Sameer and team, congrats on a great set. I had a few questions. So first one is out of the capex that has already announced, how much has been spent so far?

**Sameer Kothari:** Yes, Nikhil, I'm going to ask Mayank to answer this question for you.

**Mayank Samdani:** We announced quite a few capex in last year. One is our bar plant, which is we started on that, first phase is already commercialized. Half of it is already been spent and half is yet to be spent.

Our next acquisition of Baddi, we have just given some advance to that because of some statutory requirements, we are waiting for the statutory approvals to come in. And as Sameer told you that by Q2, Q3, we will be able to close the transaction. So, we have to pay that in that time.

Also, we have announced ice cream facility Phase 2 also -- which is completed and the commercialization has already started. So, this is the major announcement, which we do.

**Nikhil Porwal:** Okay, so the cash flow statement until March end, does it already capture the capex for the ice cream facility, I think that was closely 75...

**Mayank Samdani:** It also captures the CWIP also of the plant, which is not commercialized until 31st March.

**Nikhil Porwal:** So how confident are you about the debt situation currently? Because see, last year, we were at close to INR100 crores in cash flows. And I'm assuming this year it will be higher, including higher utilization for capex already done, the Baddi facility has close to INR140-odd crores of payments left. And that would come -- over and above that, you would also have some greenfield facility that you would announce probably sometime during the year. So how do you fund all this?

**Sameer Kothari:**

So, Nikhil, this is Sameer again. In terms of our Baddi acquisition, we've actually mentioned this before that we've already got financial closure, Mayank has been able to work with banks, etcetera, to be able to get the debt in place. Like we've mentioned in our call as well as in our investor presentation, we expect to close the transaction by Q3 -- Q2, Q3 of this financial year.

In terms of the other projects, we continue to look at how things go. In terms of the macro environment, getting debt for us is not as much of a problem, primarily because we had very strong counterparties with whom we are entering into the agreement. They are probably multinational companies who are the largest in the world in their field or are very, very strong financially. And as we've mentioned before, the contracts that we enter into with them are extremely strong. So as a result, the banks are extremely comfortable giving us debt on these projects. And as you can see from the amount of debt that we've raised; we actually prefer raising debt anyway.

Overall, as a company, our debt-equity ratio, however, is only at 1.18. We believe that there is still some scope for us to be able to raise that further.

**Nikhil Porwal:**

Got it. Would it be possible to know what would be a comfortable range that you guys look at internally for debt-to-equity?

**Sameer Kothari:**

So, at a project level, depending on the counterparty, etcetera, we basically look at debt-equity of nearly as much as 2:1 at a project level. However, at a corporate level, we have certain other guardrails, which our Board has put in. For example, if we have a dedicated contract versus a shared manufacturing facility, if we have an acquisition where a large part of the capacity is already underwritten by our principal or not. And as a result, the weighted average of all these guardrails that our Board has put in, we're basically looking at around 1 to 1.25 as far as the debt-equity is concerned.

**Nikhil Porwal:**

So, can you tell me your thought process on when you look at acquisitions and entering new categories? So generally, are these ROCE accretive? Or are you just looking at expanding scale in general?

**Sameer Kothari:**

Nikhil, they are not ROC accretive. I don't know why we would do being in the business now. So, let me then spend a couple of minutes on this, right? We do not make acquisitions just for the sake of getting into new products, etcetera. We have a very clear thought out policy as far as acquisitions are concerned and there are a couple of ways that we look at acquisitions. We look at acquisitions either as a dedicated manufacturing facility, in which case, even when we acquire a facility, a large part of our capacity or maybe even 100% of our capacity is already sold to a particular principle.

If you look at our acquisition of Jammu that was the kind of arrangement that we did. We acquired the facility from Reckitt Benckiser and we continued manufacturing the products for



them. If you look at our facility -- or if you look at our acquisition in Baddi, even there, a large part of our capacity is already underwritten by Reckitt from whom we are acquiring this facility.

The second, in case of this acquisition, the way we look at it, frankly, the amount of money that we pay for this acquisition generally falls within the ROE, ROCE target that we have for any kind of an acquisition. And it is pretty much a sale and leaseback as far as our principles are concerned. The second type of acquisition that we look at is where we acquired facilities, which are either in distress, or facilities where the current promoters do not want to continue business, etcetera.

And there, those facilities may not have a confirmed business. Our ATC Beverages acquisition was something like that. We acquired the business where the existing promoters wanted to go out of the business -- wanted to not continue the business, and the company was going out of business because their existing customer had signed up with a large player and then wouldn't want to manufacture with them anymore.

We acquired that facility without the guarantee of any business. And in case of these kind of acquisitions, what we try and do is we try and ensure that the price at which HFL acquires these assets is very low and will end up helping our -- or improving our ROE ROCEs. However, there's no guarantee and in case of ATC, we've seen that. We acquired the facility in 2019, and then unfortunately, COVID happened for 2 years and we ended up losing money in ATC. However, in this year and the coming couple of years, we are confident that our ROE, ROCE as far as the ATC acquisition is concerned, will be much better than what HFL posts as a company as a whole, and we will make up the money that we've lost in those 2 years.

So, when it comes to acquisition of shared facilities, the objective is very very clear. Buy an asset which is valued at a distressed kind of value and then try and utilize our sales pipeline, our relationships with other customers to pump-in more business into that asset. So that's the way we would look at it.

You are right that any -- we generally don't look at acquisitions just for the sake of growth. But I should not even say generally, we never look at acquisitions just for the sake of growth. We've acquired AeroCare, which was a facility which is doing color cosmetics. And again, there, we had a back-to-back arrangement where 100% of our capacity was already sold out. So that's the way we would look at it. So yes, I would hope that any acquisitions that we do even in the future will continue to be accretive to ROE, ROCE numbers, yes.

**Nikhil Porwal:**

And what would be the guidance on tax rate going forward? Like it has consistently paid at or about 30%. So, when do we start expecting this to come down?

**Mayank Samdani:**

We have told this Nikhil, told earlier that we are in the largest tax bracket today because of our MAT credit. And now our MAT credit has been utilized. So next year, we will come down to the lower tax regime, which is 25% plus surcharge on sale. So, from next year, you will see that

tax rate coming down. And also, because one of our subsidiaries are -- is in the greenfield where government has allowed for the 15% tax rate. So that has started ramping up. And you will see that the tax rate will substantially come down from next year. Next year, FY '23 -- '24, yes. So, because our MAT credit has been utilized, so we can now shift to the lower tax regime.

**Nikhil Porwal:** Got it. And do you -- have you already utilized the tax loss that you had accumulated at ATC or acquired in the ATC?

**Mayank Samdani:** Yes, yes, we have done it.

**Nikhil Porwal:** So next question was, when I look at the difference between the consol and stand-alone numbers, the top line comes to close to INR200 crores, INR220-odd crores. So, what has not contributed significantly in the last year? I take it that the difference in the ice cream facility, the Scholl facility and Aerocare.

**Mayank Samdani:** Yes. Nikhil, Scholl we have taken from July. So, it is only 9 months of business. Ice cream facility is ramping up and the season started from January, February and then as Sameer told that there are some unseasonal rain and all. So, the ice cream facility is just started. And Aerocare is doing just fine as we had anticipated.

**Sameer Kothari:** Sorry, Nikhil I will just give somewhat a little bit more color around that. Actually, you're right that in terms of the consol, which should have posted better numbers than what we actually did -- and I kind of mentioned that in 1 of my statements saying that we missed our target, which we have guided for. And this is on the back of a couple of things. One, like Mayank pointed out, the ice cream season though it started off strong in the month of February, it kind of tapered out in March. We expect this quarter to be stronger. But again, the seasonal variations are not giving us an opportunity to give a very clear guideline in terms of where it's ending up, but it's hopefully definitely going to be better than the previous quarter.

And in addition to that, Scholl, as mentioned is only 9 months. AeroCare on the other hand, is a consistent business. I think we've ramped it up well, and we will continue to deliver this number throughout now.

**Nikhil Porwal:** And in terms of ice cream and beverages business, would it be possible to know the breakup of revenue in terms of let's say, if the total revenue during the year is 100%. So Q4 and Q1 contributes how much of that?

**Sameer Kothari:** Frankly, you have better players to look at this question and get the answer from much larger listed players than us who's entire business comes only from beverage -- but from a seasonality perspective, my guess would be that the first 6 months account for nearly 60-odd-percent or 65% of the business. Of course, it also makes a difference in terms of where the factories are located. Our beverage business factory currently is located in the South. South tends to have hotter weather even during the off season. On the other hand, our ice cream business is located up

North, where we believe that the summer will extend till June, July or maybe even August. And then you will have a complete ramp down in terms of the capacity and production.

So, I would say it's just personal anecdotes right now, I would be hesitant to give you a clear number in terms of what we expect going ahead.

**Nikhil Porwal:** Last 2 questions, I'm sorry if I'm taking a lot of time. So, when it comes to a contract, when you commercialize the factory and when the utilization is low, do you still make the EBITDA that you're supposed to make in that quarter? Or is the accounting done on an annual basis?

**Mayank Samdani:** In some of the cases, the accounting is done on the yearly basis and in case of the seasonal product that accounting is surely done on the yearly basis because in season time, it is more and in off season times, it is less. Generally, we have the contract, which is done in a yearly basis some contracts are done in quarterly basis also.

**Nikhil Porwal:** See I'm just asking this because when I look at the difference between consol and stand-alone, the margins look far higher than the stand-alone business. So, what contributed to this? Is it the beverages business that is doing this?

**Sameer Kothari:** So, in case -- so the beverages business would be in the stand-alone, right? That has been merged into HFL already. One of the things that has happened is the beverage business till last year in fact, even till the last quarter, was actually a millstone around our neck, it was making losses, that has stopped. So, the margin profile has changed a little bit because of that. The Scholl business is actually a healthcare business, and the Scholl business has a slightly better margin than our regular FMCG products, etcetera.

And that's leading to some disparity between the margins at the stand-alone versus the consolidated numbers. And the third, of course, is the ice cream business. And you're absolutely right that in case of the ice cream business, during the season, you will see a better margin profile. And then during the off season, you will see that margin profile being averaged out to our regular numbers from here. So, you will see some timing difference at the consol level, especially as far as ice cream is concerned.

**Nikhil Porwal:** One last question is I think based on the capex that you've already announced, you will be reaching INR4,000 crores or crossing INR4,000-odd crores in top line. But you have another 2 fiscal years now to start looking at larger projects. And it's been long that we've heard any large greenfield or brownfield expansion from you guys, when we expect that? And how does the deal pipeline look like now?

**Sameer Kothari:** Nikhil, you should be on our board. You are as... It is being long that we've heard of an announcement from us sounds exactly like what our board is selling up? But incidentally, no. The bluffy announcement happened this last quarter and INR150 crores investment. So, it's not small by any stretch of imagination. As I mentioned, we are very, very bullish about what we

are doing in the beverage segment, and hopefully, we'll come back to you sooner rather than later as far as any announcements in greenfield on beverages is concerned.

Overall, you're right that based on the projects that we've announced, it looks like we should be able to achieve our target sooner, and we mentioned this as well. And we continue to invest money and grow. We continue to look at new projects. So hopefully, we'll come back to you within the next quarter of some revised numbers in terms of both capex as well as top line.

**Moderator:** Our next question comes from Akhil Parekh with Centrum Stock Broking. Please go ahead.

**Akhil Parekh:** Congratulations to the team for delivering a decent set of numbers in a very challenging time. My first question is on -- if you can throw some color on the partnership with India's 2 largest beverage companies that we have highlighted in our press release, probably in terms of nature of contract, what kind of products potential and maybe the longevity of the contract.

**Sameer Kothari:** So, Akhil, this is -- obviously, we can't give you the names or the brands, etcetera. We generally try to avoid doing that. The only reason we put this in the press release was personally and as a company, we feel that this is a big win for us and especially the good omen as far as our future in beverages is concerned. It is a dedicated or a take-or-pay kind of a contract for our existing Mysuru facility. We will be manufacturing 2 types of carbonated beverages for this principle, and we have a long-term contract with them.

We believe that this should be the first step towards building our relationship with them both with a national player that we are starting the product for, which is juice in Guwahati and the multinational player that we are starting in Mysuru. Both of them are new customer wins for us in this quarter. And given that both of them have extremely large players in the beverage segment, we are quite bullish about being able to do more business with them.

**Akhil Parekh:** And the second contract in Guwahati for Dabur, is this the first time we have entered into partnership with Dabur?

**Sameer Kothari:** So, Akhil, Mayank is kicking me underneath the table for having named out the customer. But yes, this is the first time that we signed up with this customer.

**Akhil Parekh:** Okay. Okay. And any FMCG wins we have had over last 1 year, FY '23. Because we largely know HUL, Reckitt and now Dabur and probably some other large FMCG player, but any big wins in last 1 year?

**Sameer Kothari:** So, Akhil, in fact we are not supposed to even name this customer. We generally try to avoid giving out names of our customers and winning business is technically, our day-to-day life, right? This is what we do for a living. It would be stupid for us to come back to the market every time we win a contract or we win a customer. In this case, we went a little overboard primarily because it was a new segment for us. And we believe that after having faced the embarrassment

of losses in ATC for 2 years, I thought I ought to brag a little bit about the fact that leverages is finally taking off for us.

But otherwise, we are generally not to give out names of customers. I can only tell you that we are working with practically most of the large FMCG companies in the country, including the smaller guys, D2C brands, e-commerce guys, retail players who are launching FMCG brands, etcetera. We are working with all of them.

**Akhil Parekh:** Okay. Okay. Do you mention this private label brands or D2C brands continuous to be a round of error at this point of the time even in for the next 2 years' perspective?

**Sameer Kothari:** Unfortunately, yes, Akhil. I think you know that the D2C brands as a segment itself is going to go through a little bit of appealable in the next couple of years. So, from that perspective, I do see a mean reversion in favour of the traditional FMCG brands, etcetera. So yes, for us, while we continue to be bullish about the D2C segment as a whole, it will continue to be a rounding of error for us, at least in the near term.

**Akhil Parekh:** Sure. Two more questions from my side. One is on the Aero facility. We are already doing good and kind of a peak. Would you be able to highlight on the Scholl India? Where do we stand in terms of capacity utilization or what kind of peak sales, we should expect from this? And just a clarification on the Baddi facility, we said it will start contributing to our sales from the third quarter, right?

**Sameer Kothari:** So yes, the Baddi facility subject to getting the government permissions, we expect to start from Q2 or Q3. As you can appreciate, it's difficult for us to give you an exact date because until we get the permissions in place, we are just unable to give you any kind of a definite deadline. We expect somewhere between Q2 and Q3 given that we are already halfway through Q2. It probably looks more like Q3 or -- Q2, yes, It's my mistake -- then definitely Q2, not Q3.

And in terms of the IGK facility, which is the Scholl facility, so we have -- it's an anchor tenant model for us, where a certain part of capacity is guaranteed by Scholl. However, the total capacity utilization for that site is quite low. And while we will continue to make money out of the capacity which is being guaranteed by Scholl, I think the growth potential in that size is very, very large. The product segment is very niche.

We basically are dealing with foot care products, and there are not many players as far as foot care is concerned. In India, actually, there are very, very few. Even internationally, there are not as many. So, while it is taking us some time in terms of being able to ramp up our capacity utilization there, we are quite bullish that we should be able to ramp up Scholl much more than what we are currently doing.

**Akhil Parekh:** Okay. But these products are for the domestic market? Or -- I thought it was for the export market?

- Sameer Kothari:** Currently, what we're doing for Scholl is only for exports. However, the site can, of course, do for domestic as well.
- Akhil Parekh:** And lastly, the Gross Block that we have mentioned in our presentation of INR850 crores, so I'm assuming in case at the peak capacity utilization, it can achieve much more than INR4,000 crores of the top line, right? Is that understanding, correct?
- Sameer Kothari:** Akhil, so like we said unable to give you a definite guidance in terms of the top line numbers, what we've said is that the INR4,000 crores figure which we have given last year for achievement in FY '25, given the pipeline that we have and given some of the announcements that we've made, we believe that we should be able to get to that number earlier. And we should be able to exceed our FY '25 number definitely.
- Moderator:** Our next question comes from CA Vipul Makwana, an Investor. Please go ahead.
- CA Vipul Makwana:** Just wanted to ask what are the asset turns for the new acquisition we did -- for Baddi facility?
- Mayank Samdani:** Vinod , we don't give the asset terms because it is different in different cases, some where the mechanization is high, the asset turns is low and there where the mechanization is low, the asset turns is more. Also -- it also depends on how much capex you are doing in that plant and what type of the billing arrangement you have. So generally, we don't give factory-to-factory, but our asset turns tend to be in between 3x to 4x -- on a longer company level basis.
- CA Vipul Makwana:** Okay. And how -- when do we reach the peak utilization from the time we commercialize -- is it 6 months, 9 months? Or do we have confirmed contracts and then only we will go for commercialization?
- Mayank Samdani:** As Sameer told you that Baddi acquisition, we are taking it over from Reckitt and we have a large part of our capacity base is granted by Reckitt itself. So large part is already for them. And for the rest of part, we are working on getting the new customer there.
- CA Vipul Makwana:** And finally, this ROCE, I'm pretty sure, Sameer is a chartered accountant as myself. So, ROCE and ROI numbers must be very well aware of this business. So, this broad perspective going ahead also, like what will be the ROCE trend? Just a round ballpark would be fine for the next 5 years. I'm not looking at the short-term headwinds of whatever it comes out right now, but just a broad ballpark during a 5-year period ROCE, ROE trend.
- Sameer Kothari:** **Vipul**, in the CA final, CAPM chapter was the most difficult one. So frankly, if you ask me. And just recently, one of the directors on the board, and I got into this academic discussion about what is a good ROCE number, and the gentleman in question said that in the Indian conditions, 20% is what a good ROCE number should be. So, I would say that that's what we are trying for. However, of course, it keeps varying especially because if you look at our evolution, right, we've been very, very bullish and aggressive in terms of investments. And while Mayank talked to you

about the Baddi factory where we are buying an asset and it will get into production right away. That's not actually true for all of our greenfield projects.

In case of our greenfield project, the gestation period could be as much as 6 to 8 months. And if you look at our capital work in progress at any given point of time, we continue to have a substantial amount of money invested in capital work in progress. And then even after it shifts into, let's say, capex, it takes us around 3, 4, or 5 months to ramp up. However, if you look at our target as such for a particular project, etcetera, we've mentioned this before as well that our ROE numbers, we generally try to pitch for projects with a range of between 16% to 22%. And we are very, very seized off and aware of these numbers, and we evaluate each and every proposal only on the metric of ROE and ROCE.

**CA Vipul Makwana:** Last one final question. Everything looking good right now for us going ahead business. What could hamper our progress in the next few quarters or months? What are the negatives? Just a view on that. What could go wrong, basically?

**Sameer Kothari:** Sure. As you are aware, we are a manufacturing organization. And I've mentioned this again before that one of the biggest things that could go wrong is execution, right? Our customers bank on us on being able to produce the right quality of the product, the right quantity of the product and at the right time. Any screw up on that can affect us in a very, very large way. I'm sure you and everyone else on the call read the article about Wistron earlier today morning in Economic Times where they have decided to wind up their operation in India and sell the factory to TATA.

So as a contract manufacturer, it's extremely important for us to be able to service the customer well. And if there is any problem from that perspective, it can lead to major issues, right? So, execution is, I would say, the biggest thing that we have to watch out for.

**Moderator:** Our next question comes from Faisal Hawa with HG Hawa & Company. Please go ahead.

**Faisal Hawa:** Sameer, I mean, the whole contract manufacturing model has now come into the absolute forefront with Reliance trying to contract manufacture most products and sell it through their distribution channel. Do you feel that this will cause our MNC customers also to now whether increase contracting as a percentage of their total revenue and will cause them to reduce their costs here and concentrate more on marketing that we can take on Reliance more effectively?

**Sameer Kothari:** So my short answer Faisal is I certainly hope so and I hope the other customers are also listening to what you're saying -- and the fact of the matter is you're absolutely right with the growth of D2C brands like Mama Earth or even retail sales like Reliance, etcetera, we will rely more and more on contract manufacturing. We do believe that the potential for contract manufacturing is quite high. And given the fact that we have the first-mover advantage, we do believe that we should be able to leverage this potential for that.

**Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Vimal Solanki, Head, Emerging Business and Corporate Communications, for closing comments.



**Vimal Solanki:**

Thank you, Ryan. At Hindustan Foods, we are not only focused on the growth of our business, but also on sustainability and enriching our societies through our CSR activity. Your company's CSR vision is centred on becoming a benchmark of ethical business practices in the region while prioritizing social environmental responsibilities as a core component of our strategy and activities. By synergizing our regular business operations with innovative and creative approaches to CSR, we strive to make meaningful contributions to the nation building.

HFL in collaboration with BAIF institute for sustainable livelihoods and development has identified, 3 villages in Mahbubnagar district of Telangana to implement a village development program. The project aims to provide basic amenities in government schools, including construction of kitchen, toilets, mid-day meals shed, etcetera. It also includes installation of solar street lights, computers, printers, projectors, and infrastructure to enhance the learning environment. This relationship with BAIF has now been extended to the geographies around our UP facility, that is ice cream facility and children plans as well.

Ladies and gentlemen, I take this opportunity to thank everyone for joining on this call. We are delighted with HFL's performance for the year. It has been in line with the company's objective and commitments, and we are on track to meet our immediate and long-term goals. We are confident our greenfield and brownfield initiatives in the beverage sector will bring in the required froth and freeze to our performances. As the new acquisitions and projects start shaping up, we are assured of accomplishing the INR4,000 crores target by FY 2025.

Thank you again for taking out time today. I hope we have been able to address all your queries. For any further information, kindly get in touch with us or SGA, our Investor Relations advisors.

Wishing everyone a cheerful and breezy summer afternoon. Stay healthy, stay safe. Thank you so much.

**Moderator:**

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

