Foods & Inns

Date: 21st August, 2023

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

Dear Sir/ Madam,

Sub.: Transcript of Analyst/ Investor Conference Call held on Thursday, August 10, 2023 at 5.30 P.M. (IST)

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of conference call with Analyst/ Investor which was held on Thursday, August 10, 2023 at 5.30 P.M. (IST)

You are requested to take note of the same.

Thanking you,

Yours faithfully,

For **FOODS AND INNS LIMITED**

Ameya Tulshidas Masurkar

Ameya T. Masurkar
Company Secretary and Compliance Officer

Encl: As above

Foods & Inns Ltd.
Corporate Address: J. N. Heredia Marg, Hamilton House, 3rd floor, Ballard Estate, Mumbai - 400038
+91-22-22613102 | writetous@foodsandinns.com | www.foodsandinns.com | CIN No: L55200MH1967PLC013837
Registered Address: Udyog Bhavan, 2nd Floor, 29 Walchand Hirachand Marg, Ballard Estate, Mumbai 400038

“Foods & Inns Limited Q1 FY24 Earnings Conference Call”

August 10, 2023

MANAGEMENT: MR. MILAN DALAL – MANAGING DIRECTOR, FOODS & INNS LIMITED
MR. MOLOY SAHA - CEO, FOODS & INNS LIMITED
MR. ANAND KRISHNAN - CFO, FOODS & INNS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Foods & Inns Q1 FY24 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 the date of this call. These statements are not the guarantees of future performance and involve risk 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Milan Dalal - the Managing Director at Foods & Inns Limited. Thank you and over to you, sir.

Milan Dalal: Greetings to my fellow shareholders, analysts, well-wishers and prospective shareholders. Our last call was on May 18, 2023.

As the Managing Director, I would like to start with the announcement of another quarter of progressive growth ending June 30th, 2023, and would like to once again dedicate the same to my entire team, led by Mr. Moloy Saha - our CEO, Mr. Anand Krishnan - our CFO and many more in the team at various levels at the corporate office and at our production facilities and needless to mention, we are ably guided by our Chairman Sri. Bhupendra Dalal.

While most of you are aware of the business verticals of Foods & Inns, I would quickly take you through this quarter's achievements. Food processing, primarily we process mangoes, our company produced additional varieties this year and very happy to say we achieved a record production. We primarily cater to the juice manufacturers in India and in international markets. Logically, the concern and our anticipation is on tomatoes, the new gold. Let me clarify that while we have witnessed tremendous growth and that we continue to get encouraging inquiries for domestic and international companies, the production of tomato processing will only start in the month of October. We expect the prices to stabilize by then and also most of our contracts would be on cost plus basis. Happy to announce that we shall be ramping up our production facility of tomatoes in this financial year and not only cater to juice manufacturers, but multiple FMCGs for many other products, we will continue to achieve incremental volumes.

Next is our spray drying unit. With the new capacity going on stream, we have brought based our product mix and the update process with the brands are currently on. The new technology is giving us cost effective edge in the market. As far as the frozen foods division is concerned, our new facility at Vankal in Gujarat has been commissioned recently which will be beneficial to process fruits and vegetables at an optimum cost during peak season, which will give us an edge in this competitive market.

Kusum spices, we have experienced strict control on pesticides residue in spices in the gulf export market, which impacted our sales in Q1 Financial Year '23-24. We have started mitigating this challenge through various initiatives like sourcing from pesticide compliant certified farmers. Also, we are targeting multiple newer avenues in the export and domestic market to ensure growth in this segment. As far as our Tetra Recart facility at Vankal, Gujarat, it has been operationalized by end of March 2023 and for the current season production under our brand name Madhu for Mango Aamras was completed and we have launched the same in the Gujarat market. Further launches going ahead would be under the Ready to Eat segment with 6 SKUs ranging from soups to curries by October 2023 under the brand name Green Top.

Having covered all the verticals, I have two other important aspects to be informed, one is that we had announced fundraise for an opportunity that we were evaluating; however, the same has been deferred for now. Last but not the least, while I had given some insight on the journey of the company for the last 45 years and that of my co-promoter, since the last call, Mrs. Pallavi Dhupelia has resigned from the Board of Directors and also sent in her letter of depromoterisation, of which the compliance process as per the regulation is being done. As per our estimate, the process will further take 90 to 100 days until we get the final approval. As already mentioned, the sale of shares by co-promoter will have no impact on the working of the company and that I will lead the matters of strengthening on all fronts required for the success of the company.

With this, I would ask my team to in case they want to add anything further before we could start up with the Q&A session. Thank you.

Anand Krishnan: Good evening, ladies and gentlemen. I am Anand Krishnan – the CFO of Foods & Inns Limited. Thank you for joining us and I extend a very warm welcome to all the participants of our Q1 FY24 Investor Conference Call.

Each quarter is a chapter, a stepping stone towards our collective vision of success. And let me assure you, the pages that we are about to turn, hold promises of intrigue, growth, and transformation. We hope that the strategic decisions we are taking as a team is shaping not just the future of our company, but the very landscape of our industry. Financial numbers alone can't capture the full essence of what we are doing as a team. It's the stories behind those numbers that truly define our triumphs and challenges. Stories of tireless teams working around the clock, of audacious ideas that dared to challenge the status quo, and of the resilient spirit that carried us through unforeseen storms. As we move ahead, we promise to take calculated risks and as we celebrate our victories, we're also laying the groundwork for what comes next.

We received our first claim under the PLI scheme for an amount of Rs.9.71crs for FY'22 and we will be submitting our claims for FY'23 soon.

I hope all of you had the opportunity to go through our published results and the Investor Note shared on the stock exchanges.

We are extremely thrilled to post strong set of numbers once again. Domestic demand was slightly weak in Q1 of FY'24 due to unseasonal rains in the North. But we see demand regaining ground as we speak and have crushed around 40% more mango pulp than what we did in the last mango season. Tomato pulp demand is showing promising signs and we are planning to put up a concentrate plant to cater to the demand.

Our Pectin project JV (Beyond Mango) is slightly delayed due to trial and error on a few ancillary machineries, and we expect to launch it before end of September 2023.

As I come to the end of my opening remark, I would like to thank each one of you for your unwavering support, unyielding trust, and your invaluable presence on this call. Now I request the moderator to open the forum for any questions or suggestions that you all may have.

Thankyou.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Sriram R, an Individual Investor. Please go ahead.

Sriram R: I have two questions. One is, if you can give the market size of mango processing in the country and your current market share that would be helpful and also if you can give a split between the mango and what would that split be let us say 5 years from now where do you see yourself**?**

Moloy Saha: We couldn't hear you clearly on the entire set of questions, but if I get your questions right, partially current market share is what you have actually asked. So it is slightly a tricky question for us to answer, but having said that, it is basically product wise. So Coca-Cola has a brand called as Maaza for which we almost supply, say somewhere between 40% to 50% of their requirement as such and the other balance is actually serviced by a few other clients. For Pepsi, we service around 20% of their requirement as such as of today, so it is a slightly tricky question to say as to what the market share is, but I can assure you that we are one of the largest along with the few other competitors in the market as such. Second, with respect to your mango and non-mango split question, 82% of our revenues actually came from mango pulping in FY23. The other pulps all put together, I think was around 85% or 88%. So that is the mango and non-mango split. Ideally as a business, we want to reduce the dependency on mango and want to reduce the percentage share to the total sales to somewhere around 50%-60%, but then having said that, we see a lot of tailwinds for the mango pulping because of this the share is actually increasing, so if you go to see your numbers few years before, maybe 92% of our revenue used to come from mango, now we have diversified to a lot of other pulps and a few other businesses which have helped us get the share down.

Sriram R: And sir, on the margin side, can you elaborate like which one has the higher margin?

Moloy Saha: Now most of the products actually have similar margins, but mango being the dominant share of our pulping business, we strategically take calls on a few other pulping that we actually do to do on a marginal cost basis as such. It is all what we can actually offer as a basket to the customers.

Moderator: Thank you. The next question comes from the line of Ashutosh Garud from Ambit Wealth PMS. Please go ahead.

Ashutosh Garud: So just wanted some clarification, because in your presentation you mentioned that the tonnage is down by 21%, but yet we have seen a growth on the revenue, so if you can explain the pricing and volume spread as far as the current revenue for the quarter is concerned and also in the opening commentary, you mentioned about some 40% growth in your volume, so just wanted to understand, how could we link this, were you talking about the current month or what exactly that 40% growth was this year?

Moloy Saha: This is Moloy Saha. So, Mr. Ashutosh, the first question you are having that we have mentioned that you have a reduction in the bulk tonnage for the Q1 is correct, there is a degrowth in the volume and one of the major reason is that Northern part of India having unseasonal rain, which affected the overall beverage industry in India this year for the first 3 months. However, we are able to get 30% growth in the revenue. There are two reasons, one is that being agricultural commodities, our price depends on the raw material of the particular season. In 2022 mango season, price was standard, Indian moderate price was there and that product sold in Q1 of 2023 that means April to June 2021 whatever we have produced the price was little moderate and that product sold in April to June 2022, whereas in 2022 mango season we have seen a crop failure, especially in the southern variety and the totapuri price had almost doubled, so since we are the cost plus model, so our final product price also has doubled. So in current year Q1, whatever product we have sold that has been processed in last year and hence the realization is higher. So this is the one of the reasons. Second important is that we have some product mix changes in the sense earlier we didn't have much exposure on tomato paste, but since 2 years we are really concentrating on the tomato processing and this year in our Q1 substantial quantity also from the tomato and tomato is having a high realizable value compared to other product like we sell chili, garlic, ginger which are all low realizable value, whereas tomato is a very high realizable value. These are the two major reasons where you got a revenue growth of 30% in spite of tonnage reduction by 21%. And secondly, 40% what you talked, 40% is basically the higher production. Mango season is just over. It is from mid of April till first week of August. During this year, we have produced 40% higher than last year, now this product likely to dispatch in next 12 to 15 months period where we can see some good volume and which will be helping for the higher revenue. Hope it clarified.

Ashutosh Garud: So just wanted to sense that so mango as such being perishable commodity, so how does this happen basically you procure mango during the season and then the production keeps happening because I presumed the produced finished goods has a much more shelf life, would that be a fair assumption and how much would that be, if you can throw some light on the cycle from raw material to finished goods?

Moloy Saha: Yes. We buy raw material, as you rightly said, we buy raw mangoes that is green mango and then we took around 5 to 7 days for ripening process. There the ripening process is taking place and within 7 days we have to process mangoes and packed in aseptically filled technological packaging or canned technology. There are two technologies available for the mango which is having 24-month shelf life. So again I am highlighting raw mango which we bought, it has to process within 7 days after ripening and then filled in aseptically or can filled which is having a 24-month shelf life.

Ashutosh Garud: Basically the raw mango, the production of pulp would happen only during these 3-4 months is what I understand?

Moloy Saha: Yes, absolutely correct.

Moderator: Thank you. The next question comes from the line of Amit Gori from Investore. Please go ahead.

Amit Gori: My question is related to the announcement, I guess this was last year announcement wherein we were about to take a factory on lease from Andhra Pradesh government, so can you please give us any details on that? What is the current status on this one?

Anand Krishnan: This is Anand here. So last year we were in dialogue with the Andhra Pradesh government to secure a factory on this scheme, but subsequently, the government itself actually did not go through with the proposal as such. So as of now, it is completely in abeyance.

Amit Gori: And also what are your B2C further plans, as we currently know in your earlier announcement regarding certain products, but if you can just throw a little light on 1 or 2 years prospective?

Moloy Saha: We have focused our entire strategy into three brands that we want to actually grow. One is the Kusum brand that we actually acquired in October of 2019, second is the Green Top brand wherein we are going to be selling our frozen fruits and vegetables as well as the Tetra Recart based products ready to eat, ready to cook products that we are going to be launching soon. So we have decided on 6 SKUs under our Ready to Cook segment as such as of now, and the third is basically Madhu brand, so Madhu is something that we have already launched this year under Tetra Recart packaging within the mango pulp is already in the shelf within the Gujarat market. The next 6 months, we will actually see a few other say, tomato pulp and a few other things actually coming up there. So this is what we actually have in the B2C market. I will just hand over the line to our CEO in case he has anything else to add.

Moloy Saha: We see a good response in our frozen category. We have launched around 7 or 8 months ago and I think the market response is quite encouraging. We are getting a lot of repeat orders and we are now started focusing on this segment. Mainly, we are doing in Mumbai or New Mumbai region, but over a period of time we may extend that in other states too, but good news that we are getting a good response on our frozen category.

Amit Gori: Sir, if I can ask one last question, what is the status of the preference allotment, we have read the announcement that certain allotments have not come in and what is the plan going forward?

Milan Dalal: So I think not to confuse yourself, there was a fresh announcement which we discussed at our Board to come in with the capital raise that has been deferred, but the previous issue of warrants of which 30% was received in December of 2022 and the investors have the option available for a period of 18 months to subscribe and they are in the process. Some have started partially converting them into equity and balance within a period of totally 18 months of the issue, which would be somewhere around June of 2024, we would expect them to subscribe.

Amit Gori: So the fresh announcement is for another warrant, you mean to do?

Milan Dalal: Which is being deferred, so nothing more is happening other than the previous warrant issue.

Moderator: Thank you. The next question comes from the line of Mini from Market cord Research Private Limited. Please go ahead.

Mini: Sir, my question is, can you specify what factor is related to a higher profit before tax and which of them are one-off cases and which are both permanent in nature? And how has the PLI subsidy accounted in the books and being used?

Anand Krishnan: So PBT is a factor of our higher realization and the operating leverage that we actually got in the current quarter. That is number one. Having said that, our PBT will not be affected because both of our prices are pass through in nature and pricing is generally on a gross margin per KG is what we try and target. So internally we have a margin set for each and every product that we sell. So PBT is going to be a function of the increased volume as well as the gross margin per KG that we are going to be realizing in the current quarter or the current year as such. There have been more one-off cases that we have actually had and with respect to your last question on PLI, we received our sanction letter on the 7th of July 2023 and it is going to be accounted in Q2 of our results as such.

Mini: One last question before I come back, can you talk more about the Tetra Recart capacity, which has been operationalized and the utilization percentage and have you got any external orders?

Moloy Saha: Tetra Recart, we are really as a company we are excited on this product. We have started commercial run in the month of March. We have covered the mango season. We packed good volume of mangoes and recently we launched in Ahmedabad, Baroda, Saurashtra, Ahmedabad, few region. we have launched about 5 days before as a product called Aamras and so far the response quite good. People are liking the product. We are quite bullish on this. The next category what we are looking RTE, ready to eat. The packaging development is almost done. We are expecting the packaging in the month of September, so next launch will be I think sometime around mid-October or November will be the next, so total SKUs will be launching around, one is already done and another 6, so that is our one brand. Apart from that, we are also in active dialogue with few big brands to have copacking on their behalf. So the trial and the sampling process is on. This takes little time being a B2B, so we believe that the entire process will take another 4-5 months and packaging development also takes a couple of months. So I believe that we will have some good sales or revenue in the Q4 that is January to March of 2024 and these are the period when you have to do all the trial-erros, sampling and from next financial year, I believe that we will have a bigger chunk of share in this category. But the good part is that product compared with the Retort, is the technology which is already available in India quite a long time, and the new technology in Tetra Recart, this product, quality, taste far better than the normal Retort technology. So that is why we feel that it is a good market and response is also quite good.

Anand Krishnan: I would just like to add a couple of points here. The advantages of Tetra Recart is also that it is rectangular in shape because of which it is 20% or 25% more efficient to store whether it is in retail shelves or in transport containers as such. Secondly, 50% or 58% of its total materials which are actually used to pack Tetra Recart is recyclable. So both these are major advantages that we would actually have going forward as such and not to mention the ease of opening a Tetra Recart as compared to ease of opening a tin can.

Mini: But you talked about the percentage realization of the capacity which you have done by using for your own brands?

Anand Krishnan: As of now, it is not the right time for us to give you the capacity utilization of the same because as our CEO said, we are doing a lot of test marketing as in a lot of R&D with respect to what the outsourced guys want and what we can actually produce, so maybe the next year onwards is the best time to actually give you an idea of what the capacity utilization can be.

Mini: Last question, in the previous con-calls, you have talked about pectin production, right there has been higher realization, can you talk more about in terms of what actually has been realized in terms of pectin production?

Anand Krishnan: So in my opening remark, I mentioned that pectin project is slightly delayed because of a few machineries which have not yet come from our machine supplier and we are expecting to start production of pectin by end of September. Having said that this raw material season we have already captured the raw material which is actually required for manufacturing of pectin and we think we should be able to manufacture that from September, October this year.

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

Alisha Mahawla: So in the previous call, we were targeting for 25%-30% volume growth for the current year, Q1 has not gone as per plan, are we still sticking to hoping for 20% plus volume growth for this year?

Moloy Saha: Yes, you are correct, in the previous call we had anticipated around 25%-30% volume growth, but since we spoke there are a lot of weather changes, weather pattern changes, so beverage industry not growing as expected, but when you are speaking to the brands, since they have expanded their capacity, we are quite hopeful that in next 9 months' time or 8 months' time we will be able to recover substantially. As of today, it is very difficult for us to say what will be our volume growth, but we are quite confident that we will be able to make up in next 8 months period.

Anand Krishnan: Alisha, we would like to add something here, wherein the contracts which are signed with our larger brands basically are always honored. It is a question of when the call off actually happens, so whatever they are committed for will be definitely taken up. It is just a matter of which quarter it will be taken up. That is how it is.

Alisha Mahawla: And how are the prices of mangoes this year versus last year? Because last year the crop failure like you mentioned, so how has the season been this year in terms of cultivation harvest or pricing?

Moloy Saha: Mango pricing this year, if you know the varieties of mango, one of the major variety which is very premium variety called Alphonso. Alphonso, this year in Ratnagiri region that is Konkan region crop failed, so that puts a lot of pressure in the other market like Gujarat is a big Alphonso market as well as Bangalore, also some Alphonso available. So hence overall price on raw material has gone up by almost 18% to 20% on the Alphonso, whereas other variety which has basically covered the volume, Totapuri is one of the major varieties which all the industries processing that has bumper crop you can say and price is almost half compared to last year. So these are the mix. So in the Alphonso products, we have a higher realization, so in Totapuri we have a lower realization compared to last year, but our cost structure is cost plus model. So hence there is no risk for us whether price go up or price go down, margin product it.

Alisha Mahawla: And in our mango pulp business, what would be the mix of Totapuri and Alphonso mangoes be?

Moloy Saha: In the volume wise, Totapuri contribute more than 60% and whereas if you see the value, Alphonso is a high value item, it contribute more than 30% of the value, whereas Totapuri the volume is 60%, the value comes around 40%.

Alisha Mahawla: And what is our current capacity on the pulp side and is there any capacity expansion that we have done or we plan to do?

Moloy Saha: In a year, we generally process around 300,000 metric tons of fruits and vegetables. This is including our own in-house production as well as contract manufacturing. Yes, there are some capacity expansion exercise is going on, especially on the tomato processing. So basically we are trying to expand our in-house capacity and less dependency on the contract manufacturing, but the way the brands are showing growth in next 3 years, I think we need to continue the contract manufacturing. We just can't reduce that, however, there some in-house capacity expansion is going on which will give us around 15,000 to 20,000 metric ton additional capacity from next year, in-house.

Alisha Mahawla: This is only the makeup processing and overall?

Moloy Saha: I am talking of overall, it is overall, mango plus tomato.

Alisha Mahawla: And what are we spending for this?

Moloy Saha: It is under the final negotiation, but it should be around Rs. 25 crores.

Alisha Mahawla: And just quick clarification, the pulp mango plus non-mango is 85% of the revenue, the remaining 15% will be the B2C which is Kusum plus Tetra Recart plus Madhu and the other brand, is my understanding correct?

Moloy Saha: No, B2B today will be say 95%, B2C is 5%, maybe less than 5%. So we have just started B2C, so it will take time. So I think the way beverage industry is going in India, our B2B sale is growing in a phenomenal phase, so to match that pace for the B2C is a real challenge, but yes, our focus is on B2C too. So we are not seeing what will be the overall percentage in our B2B and B2C, but we are focusing on the absolute terms that how much should be our B2C in next 5 years. So that is the way we are working on it.

Anand Krishnan: So basically as a company, we would like to grow in B2B as well as B2C - in both.

Moderator: Thank you. The next question comes from the line of Rusmik Oza from 9 Rays Equiresearch. Please go ahead.

Rusmik Oza: I have three questions, one was on the CAPEX, if you can just guide us what will be the total CAPEX in this fiscal year and next fiscal year and how is the funding done for that?

Anand Krishnan: So the total CAPEX should be around Rs. 40-Rs. 50 odd crores and the CAPEX is already funded in the form of equity that we have raised as such unless we want to do something else with respect to opportunities that we are evaluating in the market.

Rusmik Oza: And for next fiscally, what could be the CAPEX for the FY25?

Anand Krishnan: Next fiscal year, we haven't planned on any CAPEX except for the spray drying part of it or the tomato processing part of it that we will do.

Rusmik Oza: And this Rs. 40-Rs. 50 core CAPEX actually, if you can just quantify what could be the contribution in terms of revenue coming from this CAPEX?

Anand Krishnan: The minimum revenue mix that we are actually looking at is the asset turn of around 3x minimum. So that is our ballpark thumb rule when we evaluate any project.

Rusmik Oza: And a small clarification, this PLI benefit of Rs. 9.71 crore, this will come in reflect in the Q2 numbers, right?

Anand Krishnan: Correct.

Rusmik Oza: And for this year, what kind of PLI benefits that we will be filing and which will come next fiscal year?

Anand Krishnan: So roughly around Rs. 20 odd crores and we expect that to come by end of March 2024.

Rusmik Oza: This year itself it will come in you are saying?

Anand Krishnan: Yes, that is right. We are expecting that, but I cannot commit anything with respect to what we can get from the government side.

Rusmik Oza: And since there is a little bit of uncertain relations Q1 we had a lower tonnage, but revenue was very strong, any guidance you would like to give this fiscal year, what kind of revenue guidance or growth you are looking in this fiscal year on the revenue side?

Moloy Saha: The realization and the sales growth that we are expecting. Realization, as I told you, for on the mango side, some mango variety realization will be higher, some mango variety, realization will be lower, but volume we are expecting to go around 15% to 20% in annualized basis.

Rusmik Oza: So for Q1, we did revenue for around Rs. 283 crores, what could be the total revenue for the full year we are looking at if you have any guidance?

Moloy Saha: Difficult for us, as my colleague Anand has already communicated that we are having the confirmed order. Now it depends what the customer takes every quarter, every month, so that estimation will be difficult at this stage, but I think as a company we are in a right pace on the revenue growth. So I think after Q2 only we will be in a better position to tell you what will be our estimated annual volume.

Moderator: Thank you. The next question comes from the line of Sriram R, an Individual Investor. Please go ahead.

Sriram R: I just want some clarification on the capacity, you said 300 metric tons per day?

Moloy Saha: 3,00,000 metric ton annually – raw material processing.

Sriram R: And what is the split between mango and non-mango business?

Anand Krishnan: Mango is around 80%, non-mango is around 20%.

Sriram R: And sir, just one thing, in the last 5 years if I take, your operating cash flow on the aggregate is still negative and your debt levels are at Rs. 350 crores, I just want to know what is your plan to improve cash flow?

Anand Krishnan: Even though me telling this that we should be looked upon as an NBFC is not the right way, but that is actually the spirit of the industry as we speak today, wherein we serve as the bankers for the larger brands wherein we pulp during the peak mango season and store inventory for them and the call off happens at any point of time during the year as such. So in effect, we are holding inventory for them and we lend to them right, so both of the bank and NBFCs have an operating cash flow which is negative. Having said that, what other things that you need to take note is basically last year the raw material prices were much on the higher end as compared to what the normal season was because of which our investment into our working capital was also much higher because we hold inventory for them, but as we enter into this particular year, we have seen the raw material prices coming down for at least, Totapuri which contributes a lot to our volume and we can actually expect the operating cash flow to be positive this year.

Sriram R: And sir, regarding the debt level, do we expect the same, Rs. 350 crores?

Anand Krishnan: No, with the increased production, obviously working capital that has to go up.

Moderator: Thank you. The next question comes from the line of Rushil Selarka from Pioneer Wealth. Please go ahead.

Rushil Selarka: Sir, my question is that we have seen an increase in finance cost, so is it like due to that we have to borrow as our working capital days were higher?

Moloy Saha: The question is that as we mentioned that our overall production for this year is much higher than last year, so it is working capital incentive business. Basically, you have to produce 80% of your revenue within 3 months' time. So you need cash for that. So that is the reason why the overall interest cost has increased, but if you see the annualized basis, it will come down. Percentage will be quite moderate.

Moderator: Thank you. The next question comes from the line of Neeraj, an Individual Investor. Please go ahead.

Neeraj: I wanted to know regarding the deployed warrants that you have talked about recently, so that is deferred or that is cancelled?

Anand Krishnan: Sorry, I didn't get your question deferred with respect to what?

Neeraj: Borrowings you said recently you announced warrants and now it is in back burner now, so we wanted to check, will you come with another equity raising plan going forward if some opportunity comes or we should not expect any more dilution apart from the warrants which are issued in December 2022?

Anand Krishnan: So we have no plans as of now. So it is too early for us to comment. We were looking at an opportunity which did not materialize because of which we had to pull off on the equity warrants that we were contemplating, but having said that, it depends upon any good opportunity that comes up in the market, which will actually add value to all of us.

Neeraj: Sir, in last call you mentioned that for the low promoter only you are looking at various options, so any concrete plan on that side?

Milan Dalal: So plans definitely, we still have a year to go - not a year, but until June of next year, so yes there are some plans and at an appropriate time the announcement would be made.

Neeraj: I just want to check will it be dilutive or not those plan?

Anand Krishnan: So as of now, basically with respect to dilution, it cannot happen because even if one promoter sells the other promoter cannot actually invest into the company, at least through a dilutive method or a preferential warrant method. So it could be nondilutive or whatever. It depends upon the circumstances.

Moderator: Thank you. The next question comes from the line of Ashutosh Garud from Ambit Wealth PMS, please go ahead.

Ashutosh Garud: So you mentioned having 40%-50% in some plant and 10% to 20% in some other plants market share, so who would be your competitor?

Anand Krishnan: Jain irrigation is one of our largest competitors in the listed space. So in the unlisted space, there was the erstwhile Capricorn which has been brought over by some player called as VM Foods. They have been bought over through NCLT, but apart from that there are a few others, one is ABC Fruits in the unlisted space, second is Gala Fruits, which is there, third is Exotic.

Ashutosh Garud: So on the revenue breakup, just wanted to understand when you say 80%-85% for mango pulp, there are some business segments which you have mentioned in your press release or presentation, so this fruit and vegetable pulp would be the one where you would be having 80%-85% of the revenues coming from, is that a fair assumption?

Anand Krishnan: So the entire pulping division would have slightly more say around 85% to 88%, but in FY23, if I am not wrong, we ended up with mango pulp at around 82%. In FY22, the same mango pulp was at 78%. So the idea is to actually not degrow that business, but we are seeing a lot of tailwinds in the mango pulping business because of which the whole business is growing. We want to diversify.

Ashutosh Garud: So the rest of the segment, like spray, diet powders, frozen food that will all contribute to the balance 15% off is what I understand, right?

Anand Krishnan: Correct. That is right.

Ashutosh Garud: And on the client front, so basically your entire pulping production would be supplied to the FMCG guys, would that be a fair assumption?

Anand Krishnan: Yes, the branded guys.

Ashutosh Garud: And is there any unorganized sector from your competition in this particular segment, would there be a large share of unorganized players operating into this or will this fairly organized amongst 4 to 6 players?

Moloy Saha: Majorly organized, but yes, unorganized also there, food process and then players are there I think yes, I do not have the exact data, but on my understanding I can say you 20+% is unorganized, 80% is organized sector.

Ashutosh Garud: What was this market share which you mentioned as far as Coco-Cola being 40%-50%, what was this market share 4 years back, 3 years back?

Moloy Saha: 4 years back, we may be around 30%.

Ashutosh Garud: And capacity, if I understood correctly, you are having 3,00,000 metric tons annually, right spread between mango and non-mango 80% to 20%?

Moloy Saha: Exactly on that because on the revenue basis on the 80%-20%, but the volume basis, I don't think that will be the correct figure because some of the volume as the role is the value, some of the product is the high realizable value so, it is a good question, must be ready on that. So give me some time, I will come back to you on this.

Ashutosh Garud: Just to understand out of this 300,000 metric tons, what would be the utilization levels currently we are at?

Moloy Saha: During the season time, we run 3 shifts almost 20 odd per day.

Ashutosh Garud: So let me put it the other way around from a crushing angle, what would be the maximum, what would be the utilization levels like we did some 27,000 to 30,000 sales tonnage for this particular quarter, what would the maximum tonnage we can do?

Moloy Saha: In a quarter or in a day?

Ashutosh Garud: In a year?

Moloy Saha: In a year, it depends. It is the seasonal industry. Based on the capacity if throughout the year raw material available, we can crash up to say 15,00,000 metric ton, but other than mango, there is no other fruit available like mango in a large way. So that is why you have to restrict ourselves on 3 lakh ton only.

Anand Krishnan: The whole idea of us actually diversifying into a few other fruits and vegetables, is to say as to how do we optimally utilized our existing capacities. So during the non-mango season to absorb our fixed overhead is why we actually got into the other products as such. So it is totally dependent on the fruit availability or the vegetable availability during a particular season and the capacities are extremely tough to actually quantify as such, but having said that, it on a ton per hour basis is what we define our capacity, which might not be of too much of use to you.

Ashutosh Garud: So what I understand is your production is seasonal, but the revenue recognition isn't because you have you can store the material and sell as per the demand throughout the year.

Anand Krishnan: Is not actually the demand. Basically during the season, itself there are contracts which are 12 to 15 months long as such and there are the larger brands that we sell to most of the fortune 500 companies around the world, there are no cases wherein we see fallback of the promised order as such.

Moderator: Thank you. The next question comes on the line of Rusmik Oza from 9 Rays Equiresearch. Please go ahead.

Rusmik Oza: I wanted to understand on Kusum spices, we had some setbacks because of pesticides in the exports trend, going forward, what is the trajectory we should look at in terms of business coming from Kusum spices for this fiscal year and maybe next 2-3 years?

Moloy Saha: But to mitigate this risk factor in the export market, what we are doing is, we are expanding our export business to other countries also like Kusum so far majorly an export only in Oman market. So Oman has having lot of restriction on the pesticide whereas the other part of the world is not so strict on this pesticide. So we are expanding our business. Moreover, we are expanding our business in the local domestic market also. So we feel that in next 3 years' time, Kusum can be around 3 years or 4X. That is the plans we are having.

Rusmik Oza: Sir, if you could quantify in terms of revenue size, the contribution that can come from Kusum in the next 2 years?

Moloy Saha: In 3 years total or you are talking about in the third year what should be the contribution?

Rusmik Oza: Third year?

Anand Krishnan: Our first target is to actually make Kusum Rs. 100 crore brand. That is the first target that we have internally. Whether it gets achieved in the second year or third year or fourth year is something that we are trying to plan as of now. So we wouldn't want to give you any commitments which you can actually hold me against.

Rusmik Oza: And the last question is, if you can just quantify how much does individually Coke and Pepsi account for the total revenue on an annual basis or maybe FY24?

Anand Krishnan: In FY24, Coke had a share of around 40% to 42% of our total revenues and Pepsi had around a share of around 8% to 10% approximately.

Rusmik Oza: And beyond these two, who are the next 2-3 large customers of the company?

Anand Krishnan: There are global brands like Boiron, Symrise and a few others, Dohler, all these guys contribute to this. So the top 10 contribute to around 60% to 65% of our total revenues.

Moderator: Thank you. The next question comes from the line of Avinash Nahata from Parami Financial Services. Please go ahead.

Avinash Nahata: I have two questions, number one, since we are coming to the end of the season currently, so what is our average procurement price of the mango crop versus the last year while you have mentioned Totapuri is half and Alphonso is 20%, 18% higher, on an ballpark what is our procurement price as compared to the last year?

Moloy Saha: Overall, we may not be able to tell you, just like that, it depends on quantity. It has to be a weighted average. That weighted average data may not be available as of now.

Avinash Nahata: So while we do not want the exact number, but you still would have a hang of it since the procurement for the current year is also complete, but on a ballpark?

Moloy Saha: I think it will be another few days, maybe 3-4 days till.

Anand Krishnan: Avinash, just to add to what you just said, the point is it doesn't make sense for us to even look at the data that way, basically because what we target is gross margin per product, right? So we never look at what is the weighted average of all procurement that we have done. We price our products individually depending upon what the procurement price of a particular product is and then we price it and having said that, it is slightly a sensitive data for us to actually share on a concall basically because we don't want our competitors or our customers to know that.

Avinash Nahata: I am saying our procurement price will determine how much investment is going into the stock for the next 15 months, stock and trade, so that was the idea of asking not for the P&L profitability at a gross margin level?

Anand Krishnan: So raw material prices are lower this year, obviously our investment would be lower, but having said that, our volumes have gone up, we should actually increase the total inventory levels as such, so maybe not a like to like thing for you to actually compute that, but having said that, it will also help us create positive operating cash flows.

Avinash Nahata: No, I noted that volume is up and the price is low, what I am not getting is magnitude?

Anand Krishnan: So we might not be able to give you that standard answer.

Avinash Nahata: Now my second question is like the last year procurement which happened from March 22 to August 22, it is effectively getting consumed till December 13, ballpark like 15 months, this is a question around pricing, so whatever is our average procurement price from while you might have different covenants with different customers based on offtake or whatever, but my question is whatever we have procured in the last year, will the pricing stay for the next 15 months for that entire procurement?

Anand Krishnan: Yes, the prices are fixed as per inventory season. So whatever I crush this season, the prices are going to be fixed for that particular inventory over the demand which is actually committed.

Avinash Nahata: So, from a B2B business, there will not be any lag in any quarter just to take an example, let us say this year the procurement price is low, so the crops which we are building in right now are at a lower price and what we are realizing is based on what we have agreed with the customer for the last year produced, so that lag will not be there, you are saying?

Anand Krishnan: It depends upon which inventory we are supplying to that particular customer as such.

Avinash Nahata: So that is correct, so on a seasonal basis, whatever inventory is getting consumed and supplied, so it will depend on that.

Anand Krishnan: Correct, it is a complete pass through for us.

Avinash Nahata: So you are saying there will be no lag in terms of where the profit is compressed in some quarter and it gets expanded in some quarter?

Anand Krishnan: So it depends upon the inventory pricing of a particular year's inventory. Whenever that particular year's inventory is consumed the prices will differ, the margins will differ, it is about the commitment and the production that we have done.

Moderator: Thank you. The final question comes from the line of Neeraj, an Individual Investor. Please go ahead.

Neeraj: Sir, I wanted to once again confirm the crushing part is 40% higher than last year and volume guidance is 15% to 20% sales growth right, this year?

Anand Krishnan: So crushing is 40% higher. That is for sure. Sales growth, as I told you again, it depends upon the call off. There is no case wherein committed demand is actually not taken up by any of the larger players as such. So we will not be able to exactly quantify on the sales growth even though we are more positive, but then the crushing has happened and we have to sell that and it is based on the order that we have received.

Neeraj: The demand expectation or the demand figure that you have got is more than 20%, right?

Anand Krishnan: Yes, correct. That is right. So it is around 40% because of which we have actually crushed 40%.

Milan Dalal: On a more generic way the consumption story in India is growing at a very fast pace. So we should be able to take advantage of it.

Neeraj: On a blue-sky scenario, we can even expect 30% to 40% sales growth or volume growth?

Milan Dalal: If the call off happens, but it depends upon the call off.

Moderator: Thank you. Due to time constraints, this was the last question. I would now like to hand the conference over to Mr. Anand Krishnan, the CFO for closing comments.

Anand Krishnan: Thank you. I want to take a moment to express my heartfelt gratitude to all the investors for their unwavering support and trust in our organization. I hope we have been able to answer most of your questions satisfactorily. Should you need any further clarifications or would like to know more about the company, please feel free to write to us. Thank you once again.

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