



14th August, 2023

| | |
|--|--|
| National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051. Symbol: ADFFOODS | BSE Limited, Department of Corporate Services, Phiroze Jeejeebhoy Towers , Dalal Street, Mumbai - 400 001. Scrip Code: 519183 |
|--|--|

Dear Sir/Madam,

Subject: Transcript of Q1 FY 2023-24 Earnings Conference Call.

Pursuant to Regulation 30 & 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we attach herewith a copy of the transcript of Earnings Conference Call held on Tuesday, 8th August, 2023. The same is also available on the website of the Company at www.adf-foods.com.

This is for your information and record.

Thanking You,

Yours faithfully,
For **ADF Foods Limited**

Shalaka Ovalekar
Company Secretary

Encl: As Above



Regd Off: 83/86, G.I.D.C Industrial Estate, Nadiad - 387 001, India. Tel.: +91 268 2551381/82 Fax: +91 268 2565068
Email: nadiadfactory@adf-foods.com CIN: L15400GJ1990PLC014265
Corp. Off: Marathon Innova, B2, G01, Ground Floor, G. K. Road, Lower Parel, Mumbai 400 013. INDIA.
Tel.: +91 22 6141 5555, Fax: +91 22 6141 5577, Email: info@adf-foods.com, Web: www.adf-foods.com



“ADF Foods Limited Q1-FY24 Earnings Conference Call”

August 8, 2023



MANAGEMENT: **MR. SUMER THAKKAR - SENIOR MANAGER (BUSINESS DEVELOPMENT & STRATEGY), ADF FOODS LIMITED**
MR. SHARDUL DOSHI - CFO, ADF FOODS LIMITED
MR. DEVANG GANDHI - CHIEF OPERATING OFFICER, ADF FOODS LIMITED
MS. SHALAKA OVALEKAR – COMPANY SECRETARY, ADF FOODS LIMITED

MODERATOR: **MR. DEVANSH DEDHIA – ORIENT CAPITAL**



*ADF Foods Limited
August 8, 2023*

Moderator: Ladies and gentlemen, good day and welcome to the ADF Foods Limited Q1 FY'24 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

Thank you. I now hand the conference over to Mr. Devansh Dedhia from Orient Capital. Thank you and over to you.

Devansh Dedhia: Thank you Yashashree. Good evening everyone.

On behalf of ADF Foods Limited, I extend a very warm welcome to all the participants on Q1 FY'24 Financial Results Discussion Call.

Today on the call, we have Mr. Shardul Doshi – CFO; Mr. Devang Gandhi – COO; and Mr. Sumer Thakkar, who is from the promoter family as well as the Senior Manager – Business Development and Strategy.

I hope everyone had an opportunity to go through our “Investor Deck and press release that we have uploaded on the exchanges and on the company’s website.

A short disclaimer before we start this call:

This call will contain some of the forward-looking statements which are completely based upon our belief, opinion and expectation as of today. These statements are not a guarantee of future performance and involves unforeseen risks and uncertainties.

With that, I would like to hand over the call to Mr. Sumer Thakkar for his opening remarks.

Sumer Thakkar: Hi, good evening everyone. I’m pleased to welcome you all to our Quarter 1 Earnings Conference Call.

We’ve been consistently improving our 1st Quarter results since the past two financial years and this quarter was no different. Our top line improved on a yearly basis but what’s more interesting is our bottom line more than doubled. As compared to 1st Quarter last financial year, this was achieved by a substantial increase in our margins aided by operational efficiency and a softening of input costs as well as freight costs.

As ambassadors of Indian ethnic food globally, we constantly try to innovate and bring new products so that a larger audience can enjoy the richness of the Indian culture worldwide. This



*ADF Foods Limited
August 8, 2023*

quarter saw launches two new product lines under the Ashoka Brand name Frozen Curries for food service and restaurants, which includes some popular dishes such as Palak Paneer, Punjabi Choley and Dal Makhani. The other product is Pure Butter Ghee, a staple in every Indian household. We've introduced this in three different packs 500 grams, 1 kg and 2 kg.

We also built a new large cold storage capacity in our warehouse in New Jersey. This will allow us to store products more effectively and enable us to achieve faster fulfillment of our products. It's also an essential capacity enhancement when we foray in to expanding our frozen products and the offering in the future.

Our flagship brand Ashoka continue to grow at a very high rate, which we achieved this quarter too. It had crossed INR 200 crores in revenues during the last financial year growing at an impressive CAGR of 33%.

We received listing nods with three of our SKUs in a large discounter as well as for 15 SKUs spread across both ambient and frozen with the supermarket chain in the UK. We're very excited about the revenue potential from these listings. A further approval and testament to the fact that our products fulfill the cravings of our consumers at the high quality standard. That's all on the operational part of the business.

I will now hand over the phone to Mr. Shardul Doshi, who will share our "Financial Highlights".

Shardul Doshi:

Good evening. Standalone Q1 FY'24 revenues from operations stood at INR 84.6 crores, which is an increase of 17.2% Y-on-Y. Gross margin for the quarter is 60.6%, an improvement of 573 bps on a yearly basis. Standalone EBITDA for the quarter was INR 21.1 crore, almost tripling from Q1 FY'23 EBITDA of INR 7.3 crores. The EBITDA margin more than doubled on a Y-on-Y basis from 10.1% to 24.9% this quarter. PAT was INR 16.4 crores, a growth of 121% on Y-on-Y basis with PAT margin increasing by 908 bps Y-on-Y to reach 19.3%.

In Q1 FY'24 consolidated revenue from operations grew by 15.7% on a yearly basis to INR 112.4 crores. While EBITDA and PAT grew by 141.4 percent Y-on-Y to INR 21.9 crores and 92.7% Y-on-Y to INR 14.7 crores respectively.

Both EBITDA and PAT margins improved from 9.3% to 19.5% and from 7.9% to 13.1% when compared with Q1 FY'23. Our processed and preserved food division not only saw revenue growth on a yearly basis but healthy margin expansion from 14.5% to 26.7%.

Distribution business grew significantly both sequentially as well as on a Y-on-Y basis at 28.6% and 40.4% respectively.

This is all from my side. We can now open the floor for a question-and-answer session. Thank you.



*ADF Foods Limited
August 8, 2023*

Moderator: Thank you very much. We will now begin the question-and-answer session. We'll take our first question from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: First of all, thank you very much for the nice results. I would like to know how much percentage capacity utilization at U.S. warehouses. And second, margin rise in Quarter 1, it will be a regular phenomenon or in quarter two or Financial Year '24 it will be different story.

Sumer Thakkar: So, Ravi, in terms of capacity utilization in New Jersey, the cold storage is I mean, it was up and running as of last week. But at maximum capacity we can do about 10 containers, which is roughly 400 pallets. And on your second question, historically in Q3 and Q4, we've had a better margin profile. But on a consol level, we're confident that we can achieve high teens, early 20s in EBITDA margin.

Ravi Naredi: Okay. And one more thing, how much CAPEX plan for Financial Year '24 and '25 and how much top line we receive if we do INR 1 CAPEX?

Devang Gandhi: So, our CAPEX plan includes the Greenfield project. In this year, we plan to spend our total plant expenditure is about INR 50 crores, out of which this and the second phase we will spend INR 30 crores.

Ravi Naredi: Okay. And are you telling for this Financial Year '24 or '25 also?

Devang Gandhi: Both together. I'm talking about both together. This expansion will take place over the next 15 to 18 months.

Ravi Naredi: And if we do INR 80 crore turnover through CAPEX, how much top line we might grow?

Devang Gandhi: We do about INR 250 crores from that, almost 3x.

Ravi Naredi: I could not listen how much capacity utilization is U.S. warehouse?

Devang Gandhi: It's 10 containers, basically. Utilization as soon as material comes in, we just started like Mr. Thakkar said, it has just begun last week, it has gone into operation. So, we expect it to be running at full capacity based on our estimate.

Moderator: Thank you Mr. Ravi Naredi. We have our next question from the line of Rishi Maheshwari from Aksa Capital. Please go ahead.

Rishi Maheshwari: This is the question related to understanding the demands of sequential growth that you have shown as well as in the margin as alluded in the last question. You've been generally looking at (+20%) kind of growth. In all our conversations earlier also, you pointed that out whereas in this quarter the growth has been marginally subdued at about 16%. So, wish to understand is there



*ADF Foods Limited
August 8, 2023*

something that you can share with us on the environment, how is the growth being industry growth and how do you look at FY'24 in terms of growth on the top line?

Sumer Thakkar: So, Rishi, historically as well in the past Q1 has always been low in terms of demand because a lot of people travel in the summer, so the month leading up to the summer packaged food consumption reduces. In terms of our outlook for FY'24, demand continues to remain robust and we feel fairly confident we can maintain that 20% growth rate.

Rishi Maheshwari: That's heartening to know. I also noticed that in one of the slides, Slide #19, your products are displayed in a showroom and the background there is Walmart. I'm curious to understand if we have made any breakthrough in any of the large names like Walmart. You mentioned that Costco you have a relationship that you were trying to develop but it's not fully convertible. So, hence, if you can also help me understand if there is any relationship that has broken and if specifically on slide 19 the packet of boxes in yellow and the Walmart behind. So, have you been able to crack that?

Sumer Thakkar: So, we've actually been selling in Walmart for over three to four years now. This is in Walmart Canada. In Canada we're present in majority of the large-scale retailers. There is another called Loblaws and Sobeys we're present in both of them as well. In Walmart we have a list of ambient products and frozen as well. I think they have about 12 different SKUs. And in terms of other developments like I mentioned, we've got listings with two large retailers in the UK. One has about – I think they both have upwards of 350 stores. One is a discounter; one is a retailer.

Rishi Maheshwari: So, this is Walmart Canada. Is there any development in any of the large chain retail stores in the U.S.?

Sumer Thakkar: Still work in progress. Presentations are going on. All their interviews are happening now. And Truly Indian, we're launching in frozen now, which we're pitching to all these retailers. We should have that ready by Q3 of this year.

Rishi Maheshwari: Can you also outline what is the benefit of PLI that it has received in this quarter?

Shardul Doshi: So, we have booked INR 1.5 crores in this quarter, Rishi.

Moderator: Thank you. We have our next question from the line of Devanshu Sampat from Avendus Wealth. Please go ahead.

Devanshu Sampat: I have a few questions. Firstly, can you tell me what is the freight as a percent of sales this quarter consol numbers?

Shardul Doshi: So, in a standalone it's around 7%.

- Devanshu Sampat:** Okay. Can you give me the consol number?
- Shardul Doshi:** So, in the previous quarter it was 8%, now it's 7%. So, it's in line with very similar to what we had in the last quarter.
- Devanshu Sampat:** Okay. So, I'm just trying to get a sense of your other expenses ex of freight rates, right? So, if I'm assuming INR 8 crore as the number of your freight cost this year, your other expenses excluding freight rates have gone up in the last one, two quarters. So, can you firstly just tell me what has happened there because it's the number that jumped up to about INR 21 crores - INR 21.5 crores from about INR 15 crores - 16 crores in the previous three quarters.
- Shardul Doshi:** So, other expenses includes our professional fees, advertisement, sales, promotional freight, travel and conveyance. So, these are some of the major heads which we have. Also, let's understand some of these costs are fixed costs like rent and everything is fixed cost on the lower base then percentages looks higher. But in terms of absolute number also I think as Sumer mentioned that there is a lot of focus on Truly Indian launch which we are doing. So, there are certain expenses which we have incurred in the market for doing those testings and the presentations which we have to do to them. So, these are all kind of investments for us in a revenue expenditure manner.
- Devanshu Sampat:** So, there is no one off as such in this quarter, right?
- Shardul Doshi:** No.
- Devanshu Sampat:** Okay. And would you say your freight rate with 7% average for the quarter, is that the bottoming out or can it be lower in terms of what your exit was for the month?
- Shardul Doshi:** So, this is like a bottoming out. I think we can keep. I think we can assume that this should remain for the year.
- Devanshu Sampat:** 7% is the assumption for the year.
- Shardul Doshi:** Yes.
- Devanshu Sampat:** Okay. And can you also discuss what has led to lower margins in the distribution business despite 28% growth?
- Shardul Doshi:** So, it's also about the sales mix generally. I think what happens is it's not really a function of I think the products which we sell also makes a lot of difference. So, last year we had other products like Atta and Rice also as part of our kitty when we sold it. In say UK we have some of these products where they're from Unilever as well as Patanjali. But now, since they are banned now and with high margin products, they are not available, we cannot sell them in the



*ADF Foods Limited
August 8, 2023*

current year. But of course, there is a growth which have happened on the other items. But the margin may not be as high as what we would have seen in other products. So, it's primarily because of the product mix.

Devanshu Sampat: So, it will be safe to assume that between 9% to 10% is the number to work with the EBITDA level for the year?

Shardul Doshi: Yes. In fact, in the earlier years also we used to maintain, we used to have. I think this is a safe number we can assume on the distribution business.

Devanshu Sampat: Okay. And you haven't highlighted Unilever separately in this PPT. So, anything to follow on there?

Shardul Doshi: I didn't understand. Sorry, what is your question?

Sumer Thakkar: So, the major products we used to distribute for Unilever with the teas, which has now all moved to Ekaterra. And right now, our product basket from Unilever is hardly anything. It's just a few items in the UK that's why the whole business has now moved to Ekaterra.

Shardul Doshi: As we see the brands are same. It's the same Lipton, Brooke Bond tea products, which have moved to Ekaterra and that's what we are selling there.

Devanshu Sampat: So, ex of the tea you're saying I mean, it's not like we've lost that account or something of that sort, right? We continue to -.

Sumer Thakkar: We still continue to sell other items. We have knorr and a couple other brands that we handle in the UK.

Devanshu Sampat: Okay. And I have a few more questions if I may. So, if I subtract your consol numbers and standalone numbers, right, the numbers seem to have improved sequentially on an EBITDA level. So, what is given this then, can you give a sense of the outlook?

Shardul Doshi: So, when we look at sequentially, Yes, what you say is right. The gap between your standalone and consol is essentially your distribution business and your investment in the Indian brand, which we are doing and the ADF Foods USA losses which we have to incur. So, what we have done is the distribution business has done well in terms of top line increase and as such there is a good contribution. We have reduced our fixed cost into ADF Foods USA, which is a Nate's and PJ business. While there is of course we have continued with our investment into the Indian brand but right now, even that has been slightly lower compared to the previous call so that's a gap between your standalone and consol then.

- Devanshu Sampat:** Got it. And any update on Nate's and PJ's figures? Are we on track to making a comeback in the second-half or will it be pushed forward to '25?
- Sumer Thakkar:** We've submitted samples. It all depends on the supermarkets now. But we finalized the vendor and we sent samples and writing, so.
- Devanshu Sampat:** And just the last question. We were obviously looking at our new distribution partner. So, where are we on that right now?
- Sumer Thakkar:** So, we're just waiting on a few legal formalities but more or less everything has been agreed.
- Moderator:** Thank you. We'll take our next question from the line of Kanv from Garg Advisors. Please go ahead.
- Kanv:** I just have one question. I mean, after looking at your Investor Presentation, I see that our processed food business has increased from INR 293 crores to INR 362 crores from FY'21 to FY'23, right? However, if I look at your Ashoka brand contribution, right, the numbers, that has grown from INR 119 crores to INR 211 crores. So, does that mean that our other brands like Soulful and your Truly Indian, they're not growing at all?
- Sumer Thakkar:** So, within that business, we also have a private label and B2B business. On the brand side, we saw all our brands grow. Private label grew as well but for us B2B fell. That's where the decline was, all our brands grew from FY'21 to FY'22.
- Kanv:** Okay. So, if I look at the numbers of INR 70 crores has just increased in the revenue for processed food. And I think for Ashoka there has been an increase of some INR 90 odd crores. So, we are saying that the institution business that we have lost, it is more than let's say INR 35 crores - INR 40 crores.
- Sumer Thakkar:** That's not business we've lost. A lot of our customers over traded in the previous year, so they were just sitting on a lot of inventory. But hopefully next year onwards that will go back to its original level.
- Moderator:** Thank you. We have our next question from the line of Abhay Mehta, an individual investor. Please go ahead.
- Abhay Mehta:** I have two questions. One is regarding the distribution business, which you have told that it is we are going to expand. But if you see the capital deployment and the margins which you are earning, is it worthwhile continuing with that business or it will be our temporary thing or we will be expanding it on a much larger scale.

Sumer Thakkar: So, one thing to keep in mind is distribution business has really helped grow our own brands. And our brand business is a very high margin business and that it is helping us a lot.

Abhay Mehta: So, do you mean to say that the distribution wherever you are penetrating you are able to penetrate our brands also through that distribution?

Sumer Thakkar: Yes, that's correct. Since we offer a wider basket to the retailer, we are most trying to the retailer and that helps us increase sales overall.

Abhay Mehta: But that do you think the margins will always be like 10%?

Sumer Thakkar: So, right now the business is in investment mode. Our fixed costs are very high because of the investments we've made into warehousing. Hopefully, as sales increased, the margin profile should increase as well.

Abhay Mehta: Okay. And another question was regarding the B2B business which you are having where you have mentioned that large ethnic foods brand has tied up with you for supply of their brand and the large supermarket chain also has tied up for your some paste and sauces, So, are those margins almost like what we are earning through our brands or it will be substantially less?

Sumer Thakkar: They're in the same range.

Abhay Mehta: Okay. So, margins are not being compromised when you are supplying through B2B and large supermarket chain I suppose.

Sumer Thakkar: No.

Moderator: Thank you. We have our next question from the line of Saurabh Trivedi, an individual investor. Please go ahead.

Saurabh Trivedi: Hello. Good afternoon. Saurabh Trivedi here. I'm sorry if I'm asking this question again. Recently promoters has pledged their shareholding I guess no less 30% to 40%. May I know the reason behind it?

Sumer Thakkar: Sorry. Who has reduced the shareholders?

Shardul Doshi: There is no additional pledge.

Saurabh Trivedi: And then certain share from their own portfolio. Promoter has pledged 23 more or less 8% to 10% of shares of ADF Foods recently.

Shalaka Ovalekar: Hi, this is Shalaka. I'm Company Secretary and the promoters have not recently pledged any additional shares. The shares were pledged last year and those like 10% shares of the total

shareholding what you are saying, so total 10,50,000 shares have been pledged which is 5% of the total shareholding. And that was done last year for raising the funds for subscription of the preferential warrants. And there has been no additional pledge thereafter, only some marginal 25,000 shares were pledged thereafter during last quarter.

Saurabh Trivedi: Okay. So, is there any plan to pledge more shares in future?

Shalaka Ovalekar: Not really.

Sumer Thakkar: Not at the moment, no.

Saurabh Trivedi: Okay. Next thing is the Indian brand Soul is doing amazingly well. I'm living in Ahmedabad so the neighbors that I'm surrounded with, I recommend them to use Soul brands and they are very happy with the product. So, I would just give a suggestion to please market this product as much as you can because people are there who want to buy good quality products.

Sumer Thakkar: No. In fact, we've increased the number of listings and we've also launched Big Basket, Flipkart, Amazon. So, Yes, we are making the product more widely available.

Saurabh Trivedi: Right, very good. That's awesome products that you had.

Moderator: Thank you. We have our next question from the line of Richa from Equitymaster. Please go ahead.

Richa: My question is regarding this CAPEX of INR 80 crore odd, so my understanding is that it is going to happen in phases. So, if you could share some timelines as to how much time will it take for INR 250 crores kind of revenue potential to be reflected in the top line that would help and how are we funding it? What would be the peak debt and next funding debt for this thing?

Shardul Doshi: As Devang just mentioned, there is a INR 50 crores in Phase-1, which will be spent in FY'24 and FY'25. And an additional INR 30 crores will be in phase two. That will be done post Phase-1 is completed and we start selling the products out of Phase-1. So, that's the plan as of now. And there is a 3x multiple which we generally we look at. So, the top line expected out of this 50 plus 30 crores investment will be around 250 crores. And there is an additional one more CAPEX which we are doing at Nadiad. We have bought the adjoining plot next to our factory and we are setting up the freezer capacity there.

Devang Gandhi: Sorry Shardul just wanted to add that we are doing a state-of-the-art cold storage there. So, this is to enhance our storage capacity for additional volumes.

- Richa:** Right. So, Sir, I just wanted to know let's say in FY25 you're done with Phase-1 kind of CAPEX. So, how much time does it typically take for the capacity to produce revenue whatever potential is expected of it.
- Devang Gandhi:** So, it all depends whether we are doing Greenfield or Brownfield. Brownfield would be definitely faster but Greenfield will take you a long time because setting up everything takes time as you are aware. So, typically it would run between 12 to 18 months to set up a Greenfield project.
- Richa:** So, I just wanted to understand the funding mix and the peak debt that you expect from this.
- Shardul Doshi:** So, funding we will be borrowing for this project because the grant which we have, we have to necessarily route it through the lender, but that will be very minimal. I think around 30%-odd of the project cost will meet it through the debt. 70% will come from equity and the grant.
- Richa:** Okay. And just my second question is on this Telluric Foods in which you're investing. Could you talk a little about it, how exactly is it helping you? What is the ultimate purpose of investing in it?
- Sumer Thakkar:** Telluric Foods is 100% subsidiary and that's the vehicle we're using for our domestic business. So, the brand sold is being marketed by Telluric Foods.
- Moderator:** Thank you. We'll take our next question from the line of Rahul Jain, an individual investor. Please go ahead.
- Rahul Jain:** Kudos to the management Sir for a good set of numbers. I had a couple of questions regarding the distribution business. So, for my first question is what has led to this revenue increase in your distribution business? And two follow-ups are you have mentioned about the cross selling in your presentation slide related to the distribution. So, my question is that what are we trying to imply perhaps a better product basket?
- Sumer Thakkar:** So, on your first question, we mentioned last time that there was some supply chain issues during the transition from Unilever to Ekaterra. Those are now being streamlined a lot, which is why we got our deliveries in time, which is why stocking is done faster. Hopefully, this will continue now that the management has changed. Sorry. What was your second question?
- Rahul Jain:** Sir, my second question was that you mentioned about the cross selling in the presentation slide. So, I just want to know what we are trying to imply perhaps a better product basket.
- Sumer Thakkar:** Yes, we're just a wider offering for the retailer.



*ADF Foods Limited
August 8, 2023*

- Shardul Doshi:** So, just to give you one example, our distribution cost gets distributed over our products as well as these products. So, that's how we save on the -.
- Sumer Thakkar:** And because they're complementary products, we can also, Yes, cross-sell because I mean, for example tea and samosa is something we promote very often, where the tea is Unilever's and the samosa is ours.
- Rahul Jain:** I had one more question, Sir. What would be the tenure of the contracts like and how does the renewal process generally works in terms of the exclusive rights to the new products or in the new regions?
- Sumer Thakkar:** So, our contract with both Ekaterra and Patanjali is for five years. And the terms remain the same for five years.
- Rahul Jain:** Okay, Sir. Thank you for the opportunity, Sir. My question has been answered. Thank you.
- Moderator:** Thank you. We have our next question from the line of Samyag Jain, an individual investor. Please go ahead.
- Samyag Jain:** So, my question is like we have brought all the new products recently for the like 30, 35 new products launch we have done under the Ashoka brand last year. And also I wanted to understand what is the process you have been following so like what research you do before bringing the new product launch?
- Sumer Thakkar:** So, we have our sales team based in all our various markets and they actually go to the market on a daily basis. Then we also get feedback from a lot of our distributors so they constantly monitor what's moving, what categories are trending. And based on that, then we do the back end accordingly.
- Samyag Jain:** Okay. So, my next question is like what is the typical contribution of brands catering to the like Middle East in the last two to three financial years like need to understand their general trend?
- Sumer Thakkar:** Sorry. I didn't quite catch that.
- Samyag Jain:** Like what is the contribution of the brand scattering in the middle age like for like two to three years for last financial years in the Camel and Aeroplane brand?
- Sumer Thakkar:** So, Camel and Aeroplane both we don't give brand wise breakup but Camel and Aeroplane have both been growing at about 20% year-on-year.
- Samyag Jain:** Okay. And were there any new launches for the same brand and any plans for this year?



*ADF Foods Limited
August 8, 2023*

- Sumer Thakkar:** No, we actually didn't launch anything under Camel and Aeroplane but we are looking at a range of hot sauces under Camel.
- Samyag Jain:** Okay. Are you looking for any acquisitions and all for the catering to the Middle East markets?
- Sumer Thakkar:** We're actively looking at acquisitions and the Middle East is something we've evaluated in the past, yes.
- Moderator:** Thank you. We have our next question from the line of Abhay Mehta, an individual investor. Please go ahead.
- Abhay Mehta:** This is the second time I'm coming on call but I was inquisitive about this inorganic acquisition which we are talking about. How far we are on this path and whether we can expect anything in '23-'24 or '24-'25?
- Shardul Doshi:** So, we evaluate lot of proposals which comes to us and as and when something happens definitely I think we'll come back and talk about it and give more details about it.
- Abhay Mehta:** Will it be in the domestic market or in the international market?
- Shardul Doshi:** So, domestic market we have found that the expectations are too high at this point of time. But I think we being present largely in the international market, are finding very attractive target companies there. So, I think this is what we have to say on the acquisition front. We will see, as I said, we will come back as and when something happens.
- Abhay Mehta:** Yes. But cuisine wise it will be Indian cuisine, something we are looking at or it will be an international cuisine that we're looking at.
- Sumer Thakkar:** We're fairly open. It all depends on the opportunity that comes our way and what we can do with that business in the years to come.
- Moderator:** Thank you. We'll take our next question from the line of Devanshu Sampat from Avendus Wealth. Please go ahead.
- Devanshu Sampat:** Just a few more queries, Sir. So, just to clarify this between your two segments, right, how do you expense the distribution costs?
- Shardul Doshi:** It depends. Like it gets apportioned. See generally that's what happens.
- Devanshu Sampat:** Okay, sir, you're saying depending on the sales mix and how it is fit as well.
- Shardul Doshi:** Yes.

- Devanshu Sampat:** Okay. And a query on Truly Indian, right? So, I mean please correct me if I'm wrong. You're talking about a food service vertical which is I believe you hire somebody as well to take a look at this business and the potential when mentioned is quite high. And also, you mentioned the developments that have happened in UK and the UK listing. So, can you give a sense of what will be the possible revenue potential from both these? I'm just trying to get a sense of the market size or what is the expectation that the company has? On an annual run rate, even if it starts contributing say second-half onwards, but and from a two to three year perspective, do you think it can become as big as Ashoka was in FY '23?
- Sumer Thakkar:** So, for Truly Indian it's a two-pronged approach. One is on the food service side and the second is retail. So, we've appointed someone for both these divisions. And in terms of revenue potential, even one listing can attribute as much Ashoka does annually. On the UK side, we've just sent out our first shipment, so it's too early to gauge potential revenue. It all depends on secondary sales. But the trial order for one of the retailers was eight containers and for another was about seven containers. So, promising initial volumes.
- Devanshu Sampat:** Okay. So, you mentioned that both these entities in the UK have about 700 stores combined, right?
- Sumer Thakkar:** Yes, I'm not sure about the exact number. I think one is about 700 and the other will be upwards of 400.
- Devanshu Sampat:** So, will we be available in all of them right away or will be just in parts and then we scale up?
- Sumer Thakkar:** For one, it's 450 stores. For one its 170 stores. They all do it based on where their clientele is, where the ethnic clientele is and then if it picks up from there, then they move you into more stores.
- Devanshu Sampat:** And you mentioned that the margin profile of this channel will remain similar to that of the processed food division. But how will the working capital requirements be? Will there be or will there be at the company average or will it move higher?
- Shardul Doshi:** I think it will be same like what we are maintaining for the company.
- Devanshu Sampat:** And in one of your earlier questions, one participant asked you about whether you maintain your 20% CAGR kind of a number. But Mr. Bimal Thakkar has been very clear that we're looking at doubling revenues every three years, which essentially means the CAGR of 26%. So, are you indicating that investors should tame the expectations or the (+20%) number that you mentioned, which could be that?



*ADF Foods Limited
August 8, 2023*

Shardul Doshi: So, on standalone, we continue to save, maintain 25%, on your subsidiaries will be at around 15. So, at a console level will be at 20%. So, what Mr. Bimal Thakkar also said was doubling our revenue in standalone revenue in every three years.

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

Sumer Thakkar: Thank you all for taking your time out and participating in our Earnings Conference Call. You can contact us for any queries or reach out to our Investor Relations Advisors – Orient Capital. We wish you all the best and hope to interact with you in the coming quarters.

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