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4th August, 2022

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, <u>Mumbai – 400 001</u> Scrip Code: 519588	National Stock Exchange of India Ltd. (NSE) Exchange Plaza, Bandra Kurla Complex, Bandra (E), <u>Mumbai – 400 051</u> Symbol: DFMFOODS
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Dear Sir/Madam,


Sub.: Transcript of Earnings Conference Call held on 1st August, 2022

In terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed herewith the Transcript of the Earnings Conference Call held on 1st August, 2022, relating to the Company's performance for the 1st quarter ended 30th June, 2022.

This is for your information and records.

Thanking you.

Yours faithfully,
For DFM Foods Limited


(R.S. Tomer)
Company Secretary



Encl: As above

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“DFM Foods Limited
Q1 FY2023 Results Conference Call”

August 01, 2022



ANALYST:

**MR. HIMANSHU – SYSTEMATIX INSTITUTIONAL
EQUITIES**

MANAGEMENT:

**MR. LAGAN SHASTRI – MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER – DFM FOODS
LIMITED**

**MR. NIKHIL MATHUR – COMPANY CHIEF
FINANCIAL OFFICER – DFM FOODS LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the DFM Foods Limited Q1 FY2023 earnings conference call hosted by Systematix Institutional Equities. 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. Himanshu from Systematix Institutional Equities. Thank you and over to you Sir!

Himanshu: Thank you. Good afternoon everyone and welcome to DFM Foods earnings conference call. Today for the call, we have the senior management represented by Mr. Lagan Shastri, Managing Director & CEO and Mr. Nikhil Mathur, CFO. Before we start, I would like to mention that in today’s conference call some of the statements might be forward-looking in nature. Actual results could defer from those expressed or implied. At this point in time, I would request Mr. Lagan Shastri to make his opening remarks. Thank you and over to you Sir!

Lagan Shastri: Good afternoon everybody and a very warm welcome to all joining this call today. In keeping with our past practice, I would like to reiterate our strategic priorities which are the defined our journey so far. The four strategic pillars that I have been talking about for our organization remain the same and are consistent. Number one continues to be driving accelerated growth, number two is sustaining profitability. Continuing the focused is No.3 on people and talent and setting up scalable system and governance standards is the fourth pillar for us. I would talk about those four pillars little bit more detail from hereon.

On the first one is to driving accelerating growth. In Q1 the extruded market grew 20% Y-o-Y showing a resurgence of shocks after the third wave of COVID19. DFM grew market share in this resurgence market by 70 basis points Y-o-Y at all India level and by 90 basis points in focused geographies. We posted a strong revenue growth of 32.1% Y-o-Y supporting by our investments in brand building and sales infrastructure. We have kept the sharp focus on strengthening our retail channels we have been structured our investments in this space had increased and they have also help to increase the weighted distribution for Rings, Natkhat and Fritts by 200 to 600 basis points in our core geography that is North India.

We are pleased to report that the efforts to grow geographies outside the north are bearing fruit with the relative salience of the recently increasing at a steady pace on month on month. We continue to invest actively in our core brands, we ran a TV campaign on Fritts in Q1 supported by a strong 360 degree on ground activation. We are confident that our



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initiatives such as these will go a long way in strengthening our brands and creating a lasting mindspace among our customers. Our focus on alternate channel continues as we build stronger relationships with these platforms and chains.

No.2 is sustain profitability especially in a volatile commodity inflation environment, the anticipated commodity inflation I spoke about in the last call raged well into Q1 of this financial year. Palm oil on an average grows 22% in Q1 over the previous quarter. Other key packaging material like laminate and corrugated boxes as well as fuel like PNG followed a similar inflationary trend putting significant pressure on margins. We were able to stave off a significant jump of yields this inflationary onslaught to a large extent in part thanks to our ongoing comprehensive cost management programs. We unlocked several efficiencies and exploited levers of cost optimization across the operations of the company. Even though commodity prices have appeared to settle down in the short term we will continue to push the envelope on cost control exploring every new opportunity. Additionally the investments behind our brands empowered us to take bold decisions on pricing through grammage reductions. As such we were able to defend the material margins at 36.1% in the quarter gone by for our product portfolio excluding the new category expansions. I am happy to highlight that large pack business continues to grow and becoming an important margins driver for the company.

Similarly our decision to enter new segment potato chips last year is progressing well and as per plans and expectations. Despite being active only in three states this business has grown rapidly. In this manner our strategy of diversification across segments and price points is progressing as per plan. In our earlier calls, I had emphasized the need for the company to build capacity and capability to fuel future growth. In keeping with this philosophy we have continued investing in the brand, sales infrastructure, technology and talent. I cannot overemphasize the role of these elements in laying the foundation of the future ready, robust organization, capable of churning out products that consumers love and delivering profitable growth for all its stakeholders.

In line with the strategy we have invested on advertising and marketing spends that have grown from 4.7% on net sales in Q1 FY2022 to 9.1% in Q1 this year and go-to-market expenses that grew from 2.3% on net sales to 3.4% in the same period. The benefits from these investments have started accruing to us in the form of market share improvements.

The third pillar has been focusing on people and talent. We recognize that the foundation of future ready organization rests on a strong and motivated team bound together by a single unifying objective for driving profitable growths on the company. To this end we are creating revenues for open channels of engagement across levels and functions that have



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doubled down on the training and development in a substantial way. We have made structural changes in our organization that will enable our teams to respond faster to the needs of channel partners and consumers.

We have also looked at delivering the sales structure which has been executed recently. Setting up scalable systems and governance standards are fourth pillar even as we drive explicit growth, sustained for profitability in a volatile environment and focus on people and talent it's critical that we set up scalable systems and governance standards in this company we remain absolutely uncompromising on compliance with governance standards. The rollout of our IT initiatives saw an important implementation of ERP across the organization in July with this we expect significant efficiencies to accrue in the form of smoother and faster operations improved information visibility across the company and more agile decision making. At DFM we are passionate about the environment I am proud of the fact that we have been 100 plastic neutral organizations for the last three years. By way of our CSR initiatives, we continue our endeavors to improve the nutritional status of children in the age group of 6 to 14 years in partnership with a leading NGO through interventions such as supplements and awareness building and other things.

In conclusion I would say that Q1 was marked by good revenue growth and market share gains on a year-on-year basis, we continue to face the challenges of commodity inflation which we countered through cost focus and pragmatic grammage changes. We remain committed to our strategy of investing to build brands that consumers love sales and structure that is resilient and technology that powers the front and the back end. Once again my sincere thanks to you all for joining earnings call today. Thank You.

Moderator:

Thank you. We will now begin the question and answer session. Anyone who wishes to ask questions may press '*' and '1' on the touchtone phone. If you wish to remove yourself from question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question and also ask all the questions in one go. If any more questions after that to ask please be join the queue. Ladies and gentlemen, you will wait for the moment while question queue assembles. The first question is from the line of Jinal Sheth from Awriga Capital Advisors LLP. Please go ahead.

Jinal Sheth:

Good afternoon Lagan and the team and board. Good signs of these improvements being seen. I just wanted to kind of touch days where obviously if the Y-o-Y growth might not be entirely right because the June last year base was quite low due to COVID but if I am still if you look around and out of home has been growing and especially the quarter has been strong for a lot of other players and you know listening to commentary of other players you



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are going to get the confirmation, just trying to understand that why are we not seeing that in our category and numbers yet any thoughts on that?

Lagan Shastri: Could you just repeat, there was a slight blur in the first part of what you said can you repeat the first part?

Jinal Sheth: Basically I am referring to out of home consumption which has been strong across other categories and this is what we pick up from you know the national players so what I am trying to understand is that I mean our Y-o-Y growth is not entirely representative because the base has been quite low in June 2021. So what I am trying to understand is that why are we not seeing that pick up in our total extruded industry and our numbers obviously yes we have grown market share but I am still trying to understand the growth in our industry?

Lagan Shastri: Thanks for the question. The simple answer that is extruded category within the salty snack savings category has been slightly slower over the last two and a half years as compared to the other three savoury snacks category which is basically among traditional namkeens bridged as we call it and potato chips so our primary business being in extruded and extruded category. In general being little slow specifically because of the highly focused probably on children and schools were dramatically affected over the last two years even in the April-May, May-June Quarter. There was a significant part of some holidays that happened and that's normally traditionally being a slow quarter for students in general so part of what you may be seeing as compared to others would be probably in line with how the category itself behaves but in general our industry now is showing signs of recovery, you know in terms of the moment schools re-open in July and in terms of school is re-opening and extruded category is picking up even in the quarter of April, May, June this is the first time the extruded category in general has grown usually faster almost 20%, which is much better than the quarter of before where you are going to feel such percent but I agree with you that a part of this has to do with the cycle of COVID waves which happened last year but that is for everybody.

Jinal Sheth: Just one last observation there is that even if I were to look Q-o-Q obviously the travel I mean if we look around and you know the travel has been quite strong and I take your point on school's reopening, it is just, I am yet perplexed that even with the travel we have not kind of shown that improvement and I am referring to the industry, so it is a little I mean we will have to wait and watch how what you are referring to how things come turnout in the quarters to come but it is not, it probably has not been to the mark?

Lagan Shastri: Sure but just to clarify sequentially it has been almost stable and we have grown slightly at three to four percent as you would notice that is the results but yes Q1 traditionally for the



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last N number of years it is not just COVID, pre-COVID also has been among the slowest quarters for this particular subcategory.

Jinal Sheth:

OK. Thank you.

Moderator:

Thank you. Before we take the next question, a reminder to all the participants that you may press '*' and '1' to ask a question. The next question is from the line of Faisal Hawa from HG Hawa & Co. Please go ahead. Mr. Abhishek you can go ahead and ask a question now.

Abhishek:

Sorry I joined late so if I am repetitive I am extremely sorry. I just wanted to understand what is your outlook on raw material pressure is right now and how you see margin going forward?

Lagan Shastri:

So in the short term there is volatility and continues to be there volatility of the shape there is some amount of simmering down on the heat in the commodity cycle but it is again a lot of it has to do with segments and the way the world is working in the world of Ukraine war in the world, so many things happening, any smaller big change can dramatically alter how things will look in the future so would not want to give you a clear forecast as to what can happen because very difficult is almost like but has to be currently as you speak like you are seeing in the market there is some cooling down in the immediate vicinity of the commodity cycle but you cannot see we cannot forecast that is why we continue to focus on a very strong cost management program because in case something does not work towards in our favor we are ready for it.

Abhishek:

How the things right now at this point of time July, any guideline on July how the things now the schools are opening up and everything is on this good place?

Lagan Shastri:

We would refrain from giving any guidelines for this quarter having said it the fact remains the schools have been opened and the fact remains which is something knowledge that you know commodities has cooled down.

Abhishek:

Okay thank you Sir.

Moderator:

Thank you. Next question is from the line of Sanjay Jain an individual investor. Please go ahead.

Sanjay Jain:

Good afternoon and thank you for the opportunity. I had two basic questions, No.1 being can you give me some color on our north India versus the rest of India bifurcation of our topline in this quarter versus what it used to be before the marketing and go to market



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initiatives have started? That is question No.1. Question No.2 being our employee cost as a percentage of our sales for a June 2022 was approximately like between 12% and 13% and we have been maintaining this run rate for last two quarters so does the company expect to maintain this run rate going forward or there are some one offs or can you give me some color on the employee cost like percentage of the total sales please.

Lagan Shastri: There have been improvement as i called out with my you know earlier conversation that other regions have come in and are going as for plan which means they are going as for expectation our mix has got a little bit better and balanced out. I would not want to give you geographical split but I will certainly say that the mix of the non-mod zones had gone up and as that is what the flag that we have laid out for ourselves.

Sanjay Jain: Okay and Sir with respect that to the employee cost as a percentage of total sales is that in line with what we are planning or?

Lagan Shastri: So, Employee contribute as investment as I said one of the key investment levers is you know investing in people and time and as part of that journey and our GTM investments we continue to invest behind the space which includes employees of all front-end and back-end. We are currently in an investment phase and therefore beyond this I would not want to forecast how this will look over the next couple of quarters of going forward but currently as you are seeing from our results. We are in the investment phase in this particular cost.

Sanjay Jain: Okay fair enough. Thank you.

Moderator: Thank you. Next question is from the line of Faisal Hawa from HG Hawa & Co. Please go ahead Sir.

Faisal Hawa: Sir as far as the products for the next three to four years concerned are we in the process of developing any new products and I mean what kind of R&D do you depend upon to develop the new products and you know what is the kind of team that you have which works on these products and is there some strategy within the board to continuously rely on some kind of percentage from new products to enhance a revenue growth or is it only a geographical expansion that you are focusing on?

Lagan Shastri: Yes. So we as they pointed out you know some of our earlier earning calls. We have invested in R&D head and a small working team under him and this is that you know we are continuing to work like any other company in this space on innovation and developing the innovation pipeline innovation in terms of products obviously have a lot of varying spaces improvement in current products you know expanding into other flavors in the current



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products. Looking at new platforms new categories so as you are aware we have got into one category excluding chips earlier we had launched a few flavors as you are already aware so but if you see it in total right because obviously the pipeline itself is a combination of the total and we share that in the investor deck also that our portfolio mix of total products that are in development piloting or rather you know any form of market pilot or practice or market pilot or launch has moved up from Q1 of FY2021 at 3% to all the way up to 19% so 19% of our portfolio mix has been recently deployed over the last two years, so it is quiet and it is there so it is happening and so that that is what just working for them.

Faisal Hawa: So 19% of revenue is coming from new products?

Lagan Shastri: 19% of revenues are coming from products which are not there in terms of its use two years before.

Faisal Hawa: So as a strategy do we have some kind of strategy where we would look at you know niche categories you know which always the MNCs are not focused on you know where or some categories you shoot only to the Indian plate and you know is that a strategy or you would like would take on the big MNC is also head-on also in some categories?

Lagan Shastri: We believe we are have a competitive advantage in the category and space that we are in and we believe investing in that space will continue to yield results and give us long-term advantage and that's the space we want to be in which is why we are investing behind our current brand and building them both from a GTM space and a brand and building space so currently we are focused and we continue to focus on the categories that we are in.

Faisal Hawa: So how are we beefing up our social media advertising are we using the influencer networks or is there something different that we are now trying to really you know beef up that portion of our advertising spends as well?

Lagan Shastri: We are using the digital space and the social media space in fact for Rings in the recent campaign we did use influencers and this was the last video that we put in and we have active campaigns coming at each week which you should do media influences, yes we do that.

Faisal Hawa: How has it been effective as opposed to the old strategy of television and print?

Lagan Shastri: It is very early to comment on the results but we have initiated that over the last one and a half quarters and as you speak the results will start building up.



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- Faisal Hawa:** Thank you so much for answering so well Sir.
- Moderator:** Thank you. Next question is from the line of Nitin Gosar from Invesco. Please go ahead.
- Nitin Gosar:** Thank you for the opportunity. A couple of questions, I wanted to understand employee cost, the Q-o-Q increase that we are seeing does it reflect increase in the talent pool or does it reflect the increase in wage hikes?
- Lagan Shastri:** It is a combination of wage hikes and new people a significant chunk of that would be new investment that would have made behind people.
- Nitin Gosar:** Okay. On GTM the investments that we have been doing the number shows around 5 Crores for two consecutive quarters does it now fully reflect the cost that can be built around in this investment or these are not the numbers where it will stabilize?
- Lagan Shastri:** So investments in GTM are calibrated on a monthly quarterly basis, basis results right so we will invest in something and results are reviewed and basis that decisions are taken so they will continue to be in the form of that manner so currently what you see is the investment we have done at the right time in the future if we believe we need to make additional investments we will do so and then we think we need to withdraw. We will do so that is part of normal management practice that we have here.
- Nitin Gosar:** Okay but currently we are good with this number or this number is not the reflection of what plans that you carry?
- Lagan Shastri:** These are the numbers that we have currently and we will keep developing our plans and in time you will see the results.
- Nitin Gosar:** Okay and the last one is on the gross margin, Q-o-Q basis RM inflation as we go into the upcoming quarter is subsiding, citrus paribus if I were to make a judgment from here on are existing numbers that is around for first quarter reflects the full impact of inflationary environment and from there on the raw material deflation has started to come in that should help the company or company has to still do a catch-up the peak inflation environment is behind?
- Lagan Shastri:** Like any company we have and concluding our inventories on both sides of the equation and I would not hazard how in July August September look but supposed to say that in April, May, June we had peak inflation and as you are seeing the reports for everybody



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inflation seems to have subsided but every company and every system has some advantages which are there

Nitin Gosar: Got it. Thank you this was helpful.

Moderator: Thank you. Next question is from the line of Abhishek Jain from Arihant Capital. Please go ahead.

Abhishek Jain: Sir I have one more question, largely on the raw material side first where you are seeing the maximum easing out pressure on the raw material side whereas in the commodity side or maybe on the packaging side where exactly you are seeing or maybe your common size where exactly and there are some of these areas where you are still creating challenges and second on the new product launches if you can throw some light on the scene also and your strategy for expansion?

Lagan Shastri: I think this is public news, but the maximum pressure that came on to the industry was on palmolein oil and therefore there has been easing around on that but it is still very volatile as you are aware and it is still much, much higher than what it would have been a year ago or a year and a half ago so we do not know which side they can go so I do not want to focus anything but I can say right now that we have observed that in the last quarter. In terms of in terms of new products I said this earlier that we have a small R&D team which continues to work on current products and improvement on that along with continue to identify any new platforms if they have to come and when they have to come but these are all things that are part of a regular R&D department and like any other companies we are continuing to look at pipeline building around that and as I said earlier to an investor deck our current new SKUs and specifying if new SKUs it could be current products current new packs or completely new products are now 19% of our mix.

Abhishek Jain: Thank You.

Moderator: Thank you. Next question is from the line of Venkatasubramaniam Raman from Organic Capital. Please go ahead.

Venkatasubramaniam: Hi. Thanks for the opportunity. I am new to the company so I will keep my questions at the macro level. Aspirationally we are at something like about 500 odd Crores aspirationally in about a couple of years from now where can we possibly see ourselves, b) are there categories inside our portfolio which can grow materially to say about a \$50 million kind of brand or specific offering and three we seem to have built a fairly large and systematically



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built a nice organization how well built is this organization for you know a growth which is two times this or three times this based on your inputs? I may have more questions.

Lagan Shastri: We continue to aspire to grow profitably and sustainably and as part of that I laid out the four pillars that we have which is growing at an accelerated pace in the market growing at a way in which we are sustaining profits while we focus on people and talent and scale up the system, make systems scalable for a group organization or a future ready organization. So those are the four pillars and beyond that I have already given color on those four. So, beyond that I cannot give a guideline on what the number or what we are looking for but these are the four pillars and we make sure that those four pillars are balanced as we grow the organization.

Venkatasubramaniam: While digesting that input those pillars have over the last eight quarters given your satisfaction in terms of the growth that you have kind of reported or are the challenges been so overwhelming that we should not probably look at the last six to eight quarters and look for more robust growth going forward because I am not getting a full color here?

Lagan Shastri: Given the context of last two years in the context of the last few years it is in line with management expectations having said it the context of last few years for everybody to see right so we have invested in technology, we are investing in people, we have invested in marketing and sales and in the contest for last two years we are confident in where we are as an organization.

Venkatasubramaniam: I may have one last question which is an extension of what I asked are there categories within what we have an offer that can grow into let us say Lays or something as large as that?

Lagan Shastri: We believe, as I said that earlier that we believe in the strength of our primary space that we work in with the students. We believe it has got long-term potential and therefore we continue to invest in brands in that space behind it and we will continue to do so we certainly believe that these are categories and which can become big we believe in that we believe in that.

Venkatasubramaniam: Okay I get it that. Thanks bye.

Moderator: Next question is from the line of Nilesh Shah from Envision Capital. Please go ahead.

Nilesh Shah: Congratulations on the quarter and on the growth for this quarter. You of course said that June is a seasonally weak quarter traditionally has been seasonally weak quarter and you



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will not yet seen the kind of demand cropping up from the school segment as yet in a significant manner what would you ascribe this quarter's growth to I mean 32% growth Y-o-Y is obviously the best growth rate that we have achieved in the last 12 quarters so what did you think as has contributed to this growth in this quarter?

Lagan Shastri:

So it is a mixture of two primary things. One is obviously the spaces of investment that we have done in marketing and sales in GTM and the second is the fact that we are cycling a COVID quarter so both those things combined is what is adding up to this why we are confident that our investments are working is because we are gaining share and distribution even as even as the cycle of COVID quarter.

Nilesh Shah:

Just as a follow-on question in terms of the distribution we mentioned so I am just kind of keen to know what are the kind of challenges or headwinds that we still continue to face as we kind of expand our geographical canvas and go out of our traditional strongholds into you know rest of the country? Can you give some kind of color in terms of what is the kind of narrative or the pushback that we kind of get when we try to expand our distribution footprint or as we try and tap into distributors or retail outlets which traditionally have not been stocking our products but where we are approaching? What is the kind of pushback because it is a hypercompetitive segment we are not the only brand out there, there are many other brands and I am sure these retail outlets keep products of other brands as well so what is the kind of feedback or the response that we are getting from these players?

Lagan Shastri:

Whenever we stands or any company stands directly the single biggest driver is having the right talent in place and once he has the right talent then having the right set of distributors and distributor partners and then finally getting stable from a selling system and then finally once you are able to sell in then you get the optic right so in our journey we are driving on all these three or four levers and therefore in terms of any expansion as long as these four levers are in balance. We should be okay and therefore get scaled and this is what we are likely doing so that probably answers your question in a slightly different way.

Nilesh Shah:

The other question I just come back to the first quarter performance is that kind of now what we have achieved in the first quarter is that kind of a new normal in terms of setting a benchmark for the few for the future quarters and future years. Why I am asking this is because traditionally in June quarter we do about 110 Crores of revenues and then rest of the three quarters we have ended up doing about 140 150 kind of Crores of revenues and given that Q1 is seasonally weak for us. Does this mean and the rest three quarters are pretty much 1.2x, 1.25x of what we do in Q1? Is that the way we should be looking at saying is that now having made investments over the last four to six quarters we are now on to a



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slightly higher kind of a trajectory or higher we are gliding higher and therefore the Q1 should be taken as a reference point for the future?

Lagan Shastri: See I would refrain from saying anything on that except for the fact that you have historical data with you and you can look at it. That to say that the last quarter like any other Q1 quarter was a school holiday model and this industry does get affected by that that is about it and that is where we are.

Nilesh Shah: Great. Sir my last question is in terms of where we are in our journey of investing for the future and it has been now about four to six quarters of investments that we have essentially been in and we probably would have maybe I mean whichever way we look at the numbers we have probably invested about between 80 to 100 Crores in the last four to six quarters where do you think we are in this journey? Is it still kind of early days or do you think we have made will be fairly advanced in that journey?

Lagan Shastri: In terms of our journey, we are very much in the journey at what stage in the journey. I will not be able to comment because that will be future looking but we believe in the investments that we are making currently and we believe that they are working in the right direction. We will continue to make such investments as long as we believe that they are working that is the way I took it and we are certainly part of somewhere in the journey. I just do not want to comment where we are right now.

Nilesh Shah: Thank you.

Moderator: Thank you. Next question is from the line of Samra Siddiqui from Revolve Advisory Private Limited. Please go ahead.

Samra Siddiqui: Thank you for giving me the opportunity. Good afternoon. I just want to know that despite of good revenues and advertisement expenses still we are not having a good bottomline from last many quarters so what is this strategy? Actually spending more in advertisement and in gathering the customers or having a more innovative products or maybe a diversifying customer category what would be the strategy to improve the bottomline?

Lagan Shastri: The way I would like to answer it is these structurally we have a very robust margin structure. As you are aware, we have even in high inflation environment we have been able to have a very good gross margin so structurally our products our SKUs continue to remain very profitable and are growing we have chosen as a strategy to invest. All the money that is being generated a little bit more into the investment that we have been talking about and we believe that they are paying in terms of our market share in terms of our distribution gains



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and those of our results that are coming through and we believe that we will calibrate or not calibrate this basis results like any other management and it is currently doing so in that context these investments are right and we believe we are right and that is where we are.

Moderator: Thank you. Next question is from the line of Hemal an individual investor. Please go ahead.

Hemal: Thank you for the opportunity. I just have two quick questions. One is on our net debt is 20 odd Crores this quarter, is there as you are investing and growing. Is there a number to which you prescribe to as to where are they are there any metrics by which you would not go beyond that as you do your capital allocation?

Lagan Shastri: Your first three words of about kind of jumbled up could you repeat the first three for a couple of sentences?

Hemal: I was talking about your net debt. I was saying that as of June 2022 you have 20 Crores of net debt, as you are expanding and growing and investing. Is there a number or a metric beyond which you would not go in your net debt position?

Lagan Shastri: No. There is no such number that I can comment on and right now we are comfortable in the financial position overall

Hemal: Thank you. I appreciate your answering the question. Thank you.

Moderator: Thank you. Next question is from the line of Himanshu. Please go ahead.

Himanshu: Thank you. I just had a couple of questions first one was if you can let us know the current mix that we have of Rs.5 to Rs.10 in other packs if possible? The second one was just wanted to have some sense on what sort of a response we have got for the newly launched potato chips in the markets like UP, Haryana Uttarakhand and finally I mean as you said that you will be spending aggressively so spends have moved up so do you think the current run rate is what we should build in going forward so if you can just give your comments on these three? Thanks.

Lagan Shastri: Chips as I said earlier is going as per expectation and we believe it is doing well for us and we continue looking at it closely and as and when the right time comes we will take a look at what to do with it but that is going as per expectation. Similarly large packs, is going as per expectation. Our current mix has improved and we hope to continue looking at improving it. On the third part, in terms of future guidance on how the business is going to



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grow or not grow I would refrain from saying anything on that as I would just repeat that our investments we believe are working for us and we continue focusing on them.

Moderator: Thank you. Next question is from the line of Vaibhav Barjatya from Honesty and Integrity Investment. Please go ahead.

Vaibhav Barjatya: Thanks for providing the opportunity. If you can provide a flavor of how you are seeing the recovery between urban and rural market that would be helpful because we keep hearing different things regarding what is happening in rural or whether they slow down there is just all confusion around so what you are seeing in your category particularly only in the mature products in your traditional market that that would be really helpful if you can provide some color on that?

Lagan Shastri: In the last quarter we have seen democratic growth between the channels of urban and rural so there is no any substantial difference between the two our urban retail has continued to grow that obviously is leading the charge but when you look at the total one and total rural is similar.

Vaibhav Barjatya: Okay. That is it from my side. Thank you.

Moderator: Thank you. As there are no further questions, we have reached the end of questions and answer session. I would now like to hand the conference over to Mr. Himanshu for closing comments.

Himanshu: Yes, thanks Ranju and Mr. Shastri thank you so much for patiently answering all the queries. So Sir we do like to end the call, do you have any closing comments.

Lagan Shastri: Thanks a lot everybody for showing as usual keen interest in our company. We are really happy to engage and interact with all of you and look forward for the next earnings call. Thanks a lot.

Moderator: Thank you. On behalf of Systematix Institutional Equity that concludes this conference. Thank you all for joining us. You may now disconnect your lines.