



Foods & Inns

“Foods & Inns Limited's Q2 FY24 Earnings Conference Call”

November 17, 2023



Foods & Inns



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Moderator: Ladies and gentlemen, good day and welcome to the Foods & Inns Limited Q2 FY24 Earnings Conference Call.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Milan Dalal – Managing Director from Foods & Inns Limited. Thank you and over to you, Sir.

Milan Dalal: Yes. Thanks. Greetings to my fellow shareholders, analysts, well-wishers and prospective shareholders. As the Managing Director, I would like to start the call by Wishing You All A Happy Belated Diwali and Wishing You All A Super Successful Summer Year.

While most of you are aware of the business of Foods & Inns, at the cost of repetition, I would just like to highlight the verticals. We are primarily into Food Processing, Spray Dried Powders, Frozen Food. We have a Spice division under the brand name, “Kusum.” Tetra Recart, our new initiative, and last but not the least, Pectin.

The significant event since the last call has been that our company participated in the international trade fair in Germany called Anugha, and that we have come across multiple opportunities in various products and segments of our company. We also participated at the World Food India Exhibition inaugurated by the Hon'ble Prime Minister Shri Narendra Modi. This exhibition was organized by Ministry of Food Processing Industry and the Minister Hon'ble Shri Pashupati Kumar Paras had participated as also the participation of Hon'ble Commerce Minister Shri Piyush Goyal. The exhibition enhances a lot of interest for the Tetra Recart product, spray dried powders and petting in particular among other verticals of our company.

My team led by Moloy Saha – our CEO, and Anand Krishnan – our CFO are on the call and will elaborate further.

Anand Krishnan: Good evening, ladies and gentlemen. This is Anand Krishnan – the CFO at Foods & Inns Limited. Thank you for joining us and I extend a very warm welcome to all the participants of



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our Q2 FY24 Investor Conference call. We Wish You All A Very Happy Diwali, though belated - we wish you an Abundance of Happiness in the Year ahead

I have here with me our M.D. – Mr. Milan Dalal and our CEO – Mr. Moloy Saha.

Q2 has been a muted one for us, but what one needs to understand well is that the business model is such that there is a committed volume that will be taken up by the clients anytime over a period of 15 to 16 months. There is no strict monthly or quarterly commitments that run through the contracts. The commitment gets honored anytime during the 15-months period. Having said the same, the customers also pay an inventory holding cost to compensate for the higher inventory holding period as and when the call off happens.

We received our claim on PLI scheme for an amount of Rs.9.71 crores for FY22 and we will be submitting our claims for FY23 soon. This has been accounted under revenue from operations as per the ICAI Expert Advisory Opinion Note for sales-based incentives.

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

Six SKUs in the Ready-to-Eat segment under our in-house brand – ‘Green Top’ has been recently launched in Tetra Recart packaging during the World Food India Exhibition. We are exploring co-packing opportunities in the domestic and international markets.

The Government of India, under the visionary leadership of Prime Minister Shri Narendra Modi and Shri Piyush Goyal, the Minister for Commerce and Industry along with FICCI and Invest India conducted an extraordinary event, “World Food India” to showcase the offerings of food sector in India to the world. In pursuit of the ambitious goal to make India the manufacturing hub of the world, the Government of India invited global leaders of the food processing sector to seek suggestions and initiate steps to be taken.

Foods & Inns being one of the recipients of the prestigious PLI scheme, was a special invitee to the event and participated in influencing public and regulatory policy in the food processing sector. We made representations in the round table conference with the government to foster ease of doing business. We launched our revolutionary, “Tetra Recart” offerings under our own brands. We showcased our brands to the world. We rubbed shoulders with the best in business in the food processing sector and co-chaired thematic sessions on ready-to-eat category. We signed an MoU with the DPIIT to invest and nurture food processing infrastructure in India. Last but not the least, our second project, a joint venture Beyond Mango, is slated to commence operations from the 22nd of November 2023.



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

Moderator: We will now begin the question-and-answer session. The first question is from the line of Ravi Agarwal from Agarwal Investments. Please go ahead.

Ravi Agarwal: Sir, during Q3 FY23 you said that we can achieve Rs.1,700 crores to Rs.1,800 crores revenue with the CAPEX that is by June '23. So, are we on the right path on our expectation to have such type of revenue?

Anand Krishnan: Hi Ravi, I think you have completely misunderstood what we had actually spoken about. So, there was a specific question as to what could be the peak turnover that the company can actually achieve based on the CAPEX that is being done. And with respect to that guidance is what we have actually mentioned that the peak revenue with the current CAPEX that we have put up could be around 1,700 -1,800 crores. So, that was the guidance that we had actually given based on a question from a specific investor. There was no committed timeline, there is no commitment saying that we will be at 1,700 crores or 1,800 crores.

Ravi Agarwal: That is the maximum peak level of revenue that can be generated from that type of CAPEX, right?

Anand Krishnan: From the CAPEX that we have already put out.

Ravi Agarwal: My second question is you have planned that six SKUs of RTE products in Green Top by October '23. So, whether we reach up to it?

Milan Dalal: All the six SKUs are already in production and almost out in the market.

Moderator: The next question is from the line of Deepak Chokhani from Trade Capital. Please go ahead.

Deepak Chokhani: I Just have one question on the volumes and the increase in debt and working capital and offtake, which you just mentioned that it will happen in the next 12, 15 months. So, was this an intentional strategy by the management because I believe the competitors probably in the last 2-3 months have done better in terms of the offtake, so is it like an intentional strategy that we are postponing the offtake so as to get better margins, and is that the reason why the inventories and the working capital and the debt has gone up?

Anand Krishnan: Deepak, just to clarify at this point, basically the call off is not in our hands. Basically, it's the clients who have to call off. So, the contract is always fixed. There is no improvement in gross margins that actually happen even if there is a delayed supply. So, the call off happens as and



when the customer requires over the 15 to 16 months period, that's what the contract says. So, there is no fixed schedule, we have no monthly commitments, no quarterly commitments, but the contract period runs for 15 to 16 months and the call off can happen at any point of time during that period.

Milan Dalal:

Just to add, definitely, it's not our company strategy and. I won't be able to comment on competitors sales, but we have based our contracted quantities as Anand mentioned the call off didn't happen, but there is nothing that we are holding back, we'll be more than happy to dispatch as and when required.

Anand Krishnan:

Also, when you are actually talking about competitors, I would like to understand as to whom you are referring to. That's number one. And secondly, I mean it can also be a strategy by the larger brands to call off from one particular company earlier and the other company later. So, that's completely on the client's hand. So, I would just like to understand this better from your end.

Deepak Chokhani:

Exactly, that's what I was leading to is the clients have kind of as a strategy, taken more offtake from your computers like Exotic Engine, Irrigation and then postponed from us so as to balance out their procurements over the next 12-15 months.

Anand Krishnan:

I'm not sure whether this is actually the case, as in I don't know whether Exotic actually publishes numbers because they are an unlisted company. So, I'm surprised as to how you've actually got this data. So even with respect to Jain, as in we are on equal front with respect to what we do with most of our clients as such. So, I don't think that should be a problem with respect to the offtake, but generally it is evenly spread across all the sourcing agents as such.

Deepak Chokhani:

The second question is regarding the pending money which is from the warrants because given the huge working capital and the debt, largely in the September the numbers have really shot up. When do you expect to call the balance amount of money, I know it's 18 months as per the law, but when do you expect that to come?

Milan Dalal:

So, 18 months is surely before June. Nonetheless, we will discuss with the investors, there is any investor who's only subscribed to part of his holdings is fully paid up, I mean discussion with others, which is there. As far as the company is concerned, they have no right to call for the amount. Having said that, of course can be discussed and can be requested upon to kind of pay up and I'm sure they would understand so that exercise would definitely be in the offing.

Moderator:

We have the next question from the line of Rushil Selarka from Pioneer Wealth. Please go ahead.



Rushil Selarka: There is an increase in the debt. Is it due to like there was an increase in the inventory? So, do we expect that in the next half the debt level will go down?

Anand Krishnan: So basically because of the working capital that has actually been infused in the business to build up inventory, the debt has gone up. So, as the inventory liquidates, the working capital has to go down, as simple as that.

Rushil Selarka: So, do we expect that in the second half like to go down from the September as it has really shot up?

Anand Krishnan: It will always go down as in that's been the trend, right? Unless I actually give advances in the month of March to increase production for the next year, then that's a different case. But otherwise it has to come down with the inventory levels going down.

Rushil Selarka: I guess we were supposed to receive Rs.10 crores for the PLI, right? So, have we accounted in our books and -?

Anand Krishnan: Yes, this quarter we have accounted it. Basically, the money came in on 13th of July or 9th of July in this particular quarter. So, it's been accounted in this particular quarter under revenue from operations as per the ICAI guidance note on how revenue from operations needs to be recorded as such.

Rushil Selarka: Since we have been saying that competitor is also being now in the market and as in seen as a serious players, so do you think that it might affect our volumes in the coming years or since earlier, like we had an advantage since different competitors were facing their own problems, but now one or two have come back again, so do we see that anything impacting us, just wanted to know your thoughts on that?

Anand Krishnan: Our largest client have actually spoken to us about a three-year contract and each and every year there is a growth on the numbers which they have contracted, whether it was the last year, the current year, the next year and the year after that. So, there is a clear visibility for us with respect to what they want from us in the next three years and we aren't worried about that at all. Irrespective of whether competition is able to come back, not come back, we know what we will be able to supply.

Rushil Selarka: Are we retaining our guidance still of I guess 15% volume growth for the year?

Anand Krishnan: Volume growth still looks like that as we are confident that there should be a lot of push through that comes through in the Q4 quarter this particular year. So, we still would maintain that guidance.



Moderator: The next question is from the line of Shalini Gupta from East India Securities. Please go ahead.

Shalini Gupta: Sir, I have a couple of questions. One is about pledge -

Anand Krishnan: Your voice is too low.

Shalini Gupta: So about 6.5% of the shares are currently pledged. So, if you could just say why the shares were pledged and what's your plan, I mean, do you intend to return the money or what's the plan?

Milan Dalal: So, I think when you came to our office earlier also, you had the same question and it was answered. The percentage does look to be high right now. There has been no increase in pledge since the last four or five years. In fact, there has been a reduction. The percentage seems to be high, those absolute number has not changed as I mentioned it's decreased. Because now my ex-promoter who's in the process of depromoterizing, they started selling the shares, in which case the percentage is looking high, but yes, soon all of it would be pledged. So that should not be a problem. By the way none of the promoters have borrowed or pledged money. This is the promoter group that is there just to put it up. So, there's a bit of a distinction between the two kind of nomenclature.

Shalini Gupta: Could you explain this promoter and promoter group meaning?

Milan Dalal: Promoter is Milan Dalal. There are other family members in the group who would be holding shares, they are called promoter group.

Shalini Gupta: You're saying that one of the promoters not becomes a promoter -

Milan Dalal: No, no. What I'm saying is, the promoter has not pledged any shares. Promoter group has pledged shares. There were two promoters, Milan Dalal and Pallavi Dhupelia. Pallavi Dhupelia is in the process of final, all the paperwork has been done and it's a matter of formality when the authorities give it, but neither of the two promoters have done any pledging of shares.

Shalini Gupta: How will this money be repaid whatever the promoter group has pledged?

Milan Dalal: It's got nothing to do with the company or neither individual promoter. It is the promoter group who would have borrowed for their own thing. So, it is for them to set it right. But we are conscious of it and they would set it right. It does not affect the working of the company, neither does the company have to pay any money or receive any money.

Shalini Gupta: Second question is like if you could please give the sales break up, I mean 38% of sales is export?



- Anand Krishnan:** Sales of customer wise breakup is what you talking about?
- Shalini Gupta:** No. What I'm saying is 38% is exports, 50% of the sales are with Coke and Pepsi, that's 88% and around 8% is other than mango pulp, remaining 4% is other businesses spray dried, frozen food. Is that correct?
- Anand Krishnan:** Yes, ballpark, you're right. So that's the trend that actually happens, but it depends from quarter-to-quarter based on which product we are trying to sell in that quarter. It depends upon the call off that actually happens.
- Shalini Gupta:** In your presentation you've mentioned companies like Epigamia and Paper Boat. How much mango pulp are you selling to them?
- Anand Krishnan:** We wouldn't want to give you data as to how much we are actually selling to each and every client. I think we have already spoken about our top ten clients and who our largest client is. So, we would like to restrict our conversation so that it does not give any information to our competition as such.
- Shalini Gupta:** Exports are 38% of sales. So, what's the export sales composition like how much spray drying are you getting?
- Anand Krishnan:** We don't to give that break up is the whole idea basically because it's all competitive information with respect to which clients that we are selling to and which products that we are selling them to.
- Shalini Gupta:** No, just the product. I don't want the clients.
- Anand Krishnan:** Okay, maybe we can just take this question offline and then probably I can give you whatever details that you want.
- Shalini Gupta:** Sir, one request. If you could share the capacities in metric tons per year to Suresh, I'll take it from him.
- Anand Krishnan:** So, what you need to understand is that the manufacturers themselves don't put a capacity in metric tons per annum, basically because these are seasonal industries, right, so the capacities can be different for each and every player based on what raw materials they can actually source. So, my capacities if it is run 365 days and 24 hours, then I'll be the happiest person because I'll be able to sweat my assets the best. But then as things stand, we are not able to do that and it's the case with any other player in the industry, and the way we can actually give you capacity only is on based on metric tons per hour.



Shalini Gupta: Because it's very difficult for us to kind of visualize the capacities, if you could just give metric ton per month, will that be possible?

Anand Krishnan: So, when we can't give you a metric tons per annum how is that we can actually give you metric tons per month? So just to come back to this question, I'm just wanting to clear one concept of yours is that we are not only relying on internal capacities, but we are also, having satellite capacities which we take care of production during the season time and we follow all the SOPs to get our materials ready. So only knowing about my internal capacities will not anyway help you.

Shalini Gupta: Can I just please take this offline with you because see in a report, I would need to put some capacity figure which everybody relates to? Are you expecting a shortage of mangoes going forward?

Anand Krishnan: Not at all. There's different varieties of mangoes which are also coming in and we are not even 15% to 20% sourcing of the total Indian market as such. So, I think we have a large room to grow.

Shalini Gupta: You recently invested in spray drying frozen foods. So, are you doing it because you're getting a PLI benefit or what is the reason for? Because you are doing so well in pulping. One always wonders why is it that you need to diversify?

Milan Dalal: Madam, our company is in existence for more than 50-years. The first business of the company was spray drying. So, from spray drying we went into pulping in mid-80s and late-80s. So, we were in that business. It's only that we have large requirements that are there and to fulfill those requirements we have to add up the facilities.

Anand Krishnan: Also, just for your information, spray drying is a highly profitable business for us. It has higher margins than our mango pulping business as such and higher ROC. Now, you answer whether we should do that or not?

Shalini Gupta: If you're asking me, my opinion would be that you should stick to pulping because you've got size and you've been able to break into some good clients, but it's your call really.

Anand Krishnan: We are actually interested in spray drying and we'll be continuing in that.

Shalini Gupta: Sir, what is the tax rate of the company?

Anand Krishnan: It's the normal tax rate, which is there, it's not a 25% yet because we have MAT benefits which are there as such. So, we have still not adopted the new regime.



- Shalini Gupta:** In our projections, we should take around 25% tax rate?
- Anand Krishnan:** 29.5 approximately.
- Shalini Gupta:** Sir, when did you start your relationship with Pepsi and Coke?
- Anand Krishnan:** 15- 20 years ago approximately.
- Shalini Gupta:** If you can give some printed figure as to the growth of the pulp and mango part market that will be very useful or if you can just give some figure of growth for the industry? How Foods & Inns have grown that we have seen. But some kind of growth for the industry to show that you are doing the industry something along those lines?
- Anand Krishnan:** So, I can give you data which is published of our growth numbers in the last 3-4 years and obviously with respect to the others, we have some data which is there, but it is not a published data. So, I'm happy to give you that number, but I don't know how you're going to be corroborating with that.
- Shalini Gupta:** I would like that very much. And sir, the CAPEX over now for financial year '24?
- Anand Krishnan:** So, we have just signed an agreement with DPIIT wherein we have promised that we will be nurturing the food processing sector. And in line with that, we have actually committed around 20 to 25-odd crores for a tomato processing line. So, we see a lot of promise in the tomato processing sector and we have committed for the same.
- Shalini Gupta:** That's it? No more CAPEX?
- Anand Krishnan:** So, for now this is what is in our mind. So, CAPEX will happen as and when we see opportunities.
- Shalini Gupta:** But right now, nothing is planned?
- Anand Krishnan:** This is what is in our plan as of now.
- Moderator:** The next question is from the line of Aman Soni, an individual investor. Please go ahead.
- Aman Soni:** I joined a call late. I missed out your opening remarks. My first one would be just on the volume growth during the quarter. So obviously previous quarter same thing happened and in this quarter as well. So just wanted to know for the next at least two quarters how are we looking at closing the financial year '24?



Anand Krishnan: I just explained this in my opening remarks as you just mentioned that you missed out on that. So, what happens is that at the beginning of the inventory season, we have tentative contracts which are actually signed with respect to volume that the clients will take up over a 15-month period. There is no fixed commitment saying that which month of the year or which quarter of the year these guys will actually take up the quantities that they have committed, it can be anytime during the 15- 16 months window. So, generally our history has been that these guys have never defaulted on whatever quantities they have actually committed and the call out can be anybody's guess as such as per what the brands sales are in the given market. The quarter has definitely been muted, but having said that, since there is a commitment, we are given to understand that the commitment will be fulfilled by the end of 15 months as such and Q4 and Q1 should be really good is what we think.

Aman Soni: So, would you be able to share with me the number for let's say the next 15 months in terms of volume what we have in contract with the clients?

Anand Krishnan: So, we have already processed 40% more than what we actually did in the last inventory season. So, whatever we process is as per our contracts that are there. So, that should be a guidance enough for you.

Aman Soni: So basically, I believe in FY23 we did volumes of about 1,03,000-odd tons. So, I can assume 1,40,000 would be for the next 15 months is the number?

Anand Krishnan: We have produced more, but the call off can be over 15 months period. So, I'm saying my call off can be till July, August next year, right? So, it will definitely be going to be in Q4 is something that I am convinced of. Q1 will also take up that volume. So FY24 not 40% additional volume. What we have guided for is basically around 15%.

Aman Soni: Second question would be on the PLI scheme. You mentioned that you have recognized this as a revenue and not other income. So, I missed out on that part. Can you please -?

Anand Krishnan: It has been recognized as revenue from operations because there has been some guidance which has actually been given by the Institute of Chartered Accountants in India wherein there has been an expert advisory opinion which specifically says that any trade-based incentives or sales-based incentives, which actually come through to a company, need to be accounted under revenue from operations and not under other income. So, we have just followed that.

Aman Soni: Because I've been looking at the other companies as well and most of them, whether it is either a PLI scheme or any other kind of incentive, they account in other income only.



- Anand Krishnan:** Till last year for the RoDTEP incentives, the MEIS incentives and the other trade-based incentives that we used to recognize, we also used to do that under other income, but it's only in Q1 of this particular year that the Expert Advisory Council of the Institute of Chartered Accountants has actually recommended this sort of recognition. So, we have changed to that as soon as possible.
- Aman Soni:** That number would be I believe around 10-odd crores, right?
- Anand Krishnan:** 9.71 crores to be precise.
- Aman Soni:** In your press release, you mentioned about Green Top sales being doubling since you began. So, what would be that number?
- Anand Krishnan:** So, we are doing around 15 lakhs a month approximately.
- Aman Soni:** This is basically right now?
- Anand Krishnan:** Yes, that's right.
- Moderator:** We have the next question from the line of Akhilesh Kumar from Adpro Technologies. Please go ahead.
- Akhilesh Kumar:** I would like to know about your seasonality in current quarter. Usually every December quarter you have a lean period. How is it going this time – do we have enough diversification with CAPEX, we can expect little better IN this December quarter?
- Anand Krishnan:** Initially at the end of September, there was some pace which actually picked up with respect to the call off which we saw. But as we speak, it's been slightly tepid basically because a lot of these manufacturers what they do is that they put their plant under maintenance during this particular season. So, the call off has slightly been reduced again as we speak. But again, starting December we expect the call of to pick up pace.
- Akhilesh Kumar:** Earlier you talked about one of the promoters, Mrs. Pallavi, if I am correct, she is trying to offload entire holding. Is there any progress on that like the plan like they are selling it to any specific investor or any bulk or they will continue to sell in the market?
- Milan Dalal:** This is Milan Dalal here. The company or the individual and or as a promoter has no right or no control over someone else's actions. What we have seen historically is that they have sold it in the open market. They're down from 19% to a little over 6% and that they have opted for depromoterization and that process are going on and it's with the respective authorities to reach its finality.



- Moderator:** The next question is from the line of Ravi Agarwal from Agarwal Investments. Please go ahead.
- Ravi Agarwal:** So, energy drink market is increasing in India. So how can we become a part of its value chain, can you throw some light on it?
- Milan Dalal:** Energy drink and fruit juices are definitely two different segments. What we have to be more concerned and happier about is the climatic conditions, more the heat, more the consumption. Having said that, which was the traditional way, but with a better infrastructure in India, the roads, the last mile, electricity connectivity and other FMCG push into the rural market, the Indian consumption story is in for a good time. And we can't comment on the energy drinks not being into that segment.
- Anand Krishnan:** Your question was also saying that how do we participate? The only way for us to participate is if and ever we actually take a call to become a bottler, and for any of these larger brands without spending too much of money on branding, we can join hands with them. If at all we decide at some point of time maybe we might be able to have a pie.
- Ravi Agarwal:** Profit after tax for the last 10 years is only Rs.207 crores and cash flow from operation is only Rs.83 crores. So, why we are lagging behind in collecting the money from MNC or from the domestic market?
- Anand Krishnan:** So, it is not necessarily that we are lagging behind, it's just that we have actually grown our operations. So, if you see a scale which is actually grown from 300-odd crores to 1,000-odd crores. So, we have redeployed whatever money that we have into building inventory. So, unless I have an inventory, I will not be able to sell. So that's what has actually happened in the business.
- Ravi Agarwal:** But sir, if you are not collecting money from them, then how it can be possible for us -?
- Anand Krishnan:** What you're interpreting is wrong. Why is my cash flow negative? Because I've built up working capital / Inventory, I've actually increased my sale. So, without redeploying that money back into my business, how can I grow my sales?
- Moloy Saha:** I just want to highlight you are telling that we are not collecting the money. If you see the balance sheet, you will see the age of debtors is 30 to 32 days. The reason is that always you will see a higher debtor at the year end because in the month of March our sale for the last two years is highest every month among those particular two years. So, if you consider that monthly sales, then debtors age is 30 to 32 days. It is not that we are not collecting. We are well within the contracted period. All the companies who are dealing with us are well reputed



MNCs. So, we do not see any bad debt anywhere. So, we are quite happy with the debtors, there is no concern at all.

Ravi Agarwal: This Pectin project that we have operated from 22 November, right?

Anand Krishnan: Yes, 22nd of November.

Ravi Agarwal: We are getting the fresh supply of mango from the next March or April. So, we should be able to generate revenue from the next March or April only now?

Anand Krishnan: No, we have already converted the waste that we generated this season into powder form and we'll be using that to actually generate pectin.

Moderator: The next question is from the line of Shanid, an individual investor. Please go ahead.

Shanid: I joined very late. I could not hear about much details. So, I just wanted to understand about the previous quarter growth. Actually, one of our comparable peer, Jain actually did very well; they have grown at 50% growth in YoY. Because most of our clients are also saying so. So, what happened to foods, why we could not able to achieve the growth figure?

Anand Krishnan: If you actually go back in history and see as to what happened to Jain Irrigation in the last year, they were not even doing business. So, because of that they have a lower base for which you are actually saying the 50% growth. That can always happen, right? If you're not doing business and if you suddenly start doing business there has to be higher growth. You have to see the absolute tonnage that we sell.

Moderator: The next question is from the line of Rohit Ohri from Progressive Share. Please go ahead.

Rohit Ohri: A couple of questions. The first one being in your opening remarks, you said that you participated in the trade fair, where you have seen some opportunities for certain segments and products. Can you take us through were you pitching only Tetra Recart or were you pitching spray dried as well as frozen products?

Milan Dalal: So, we talked about two trade fairs. One was Anuga International Fair, which has been traditionally for the pulping industry, but we showcased Tetra Recart, we showcased Pectin. And it was a great surprise to the international market that pectin can be produced out of mango waste. Apart from our traditional businesses, we did get enough enquiries in our multiple other products. As far as the World India Food Exhibition was concerned, being a domestic fair, though there was international participation, as far as the pulping is concerned, other than tomato, the mangoes and the likes are already before the season time it has already kind of discussed, contracted, agreed. So, there wasn't much business to be done in that



segment. But yes, again, repeat for the Tetra, the spices, the spray dried powders and as I mentioned, pectin as well. So, we see an overall kind of interest in our multiple products.

Rohit Ohri: So, from these, quite early to say or ask mundies enquiries, do you think that some of these cold calls will get converted into hot calls?

Milan Dalal: There are certain industry leaders who are discussing. It's a very serious call. But when you do new products, there is always a level of R&D and there is also a lead time of doing things. So yes, slightly premature. Having said that, there are always cold calls. You would have students and housewives and also visit exhibitions. But our team were able to identify what were the serious businesses and we should be able to convert a lot of those opportunities.

Anand Krishnan: Just to give you the kind of interest that we actually saw. There is a very large brand in India whose CEO was at our stall trying to experiment all the spices. They gave a great review. They came back to our stall seven times just to actually bring his chef back and try out newer stuff that we had actually on offer. So, I mean that was just to give you a small idea of the kind of interest that our products have actually been. We actually had one of the larger stalls that we actually put up at the World Food India and it was placed right at a position wherein we have neighbors like, I mean Haldirams, the ITCs, and the others right besides us as such. So that also attracted a lot of clients to our stall and we could actually display a lot of our spray dried powders and the Tetra Recart products which I thought was the best received.

Rohit Ohri: For Tetra Recart, we were looking at some opportunities for co-packing probably in the domestic and the international markets. So, have you been able to crack something over there or get some clients onboard or something like that?

Anand Krishnan: We don't have clients onboard as we speak, but we are in advanced stages of negotiations with a couple of them. But as things stand today, we have not signed on the dotted line, but there are two schools of thoughts that we actually have with the kind of interest that we have actually seen with the market reviewing our products, I mean, we do want to do our own brands under this because it's a completely differentiated offering. I mean, you might understand this better once you actually consume the product and see the product. But until then, you might not understand as to why I'm saying this is differentiated. So, we are thinking that we might create our own brands, but we are also wanting to have the capacity fully utilized so that we can properly recover our overheads as such. We are not 100% sure whether we want to do that, but that's also in our line of thoughts.

Rohit Ohri: And there was some exclusivity that we had for around 1.5, 2 years or so. So, does that still exist?



Milan Dalal: Yes, yes, very much exists. In fact, Tetra is very, very supportive and there are a lot of joint efforts going on and we are bullish, and that exclusivity still continues.

Rohit Ohri: And the expiry date for the contract exclusivity would be, if you can share that?

Milan Dalal: It's a gentlemen's word. But there're two big companies doing it and what we have discussed was 2.5-3 years of full production. So, we probably think we still have 2.5-3 years at least to review.

Anand Krishnan: Also, what we would like to highlight is that we also have the first right of refusal, right? So, in case Tetra Recart is wanting to put up another plant, we have the right to say whether we want it or no. So only once we give the refusal is that somebody else can actually put to service. But we are act extremely confident on this particular technology and we see great future for us in this.

Rohit Ohri: Would you like to put up another plant of this kind?

Anand Krishnan: So, once I'm utilized with this capacity, we will talk about it at that point of time. But honestly speaking, we have made the infrastructure ready in such a manner that I don't need to invest in CAPEX apart from the machinery for the next five lines.

Rohit Ohri: If the demand comes for getting more money, do you think that common long-term shareholders like us would be given an opportunity with the rights issue?

Anand Krishnan: It's too early for us to talk about rights issue basically because we haven't even had our warrant money coming in fully now. So, maybe once that's done, we'll take a call at that point of time. As of now, we are well funded.

Rohit Ohri: My last question is related to Kusum spices. If you can share the current capacity and the current capacity utilization?

Anand Krishnan: It's around 50% to 60% capacity utilization. I don't have the exact numbers with respect to the capacity. Maybe I'll just come back during the course of this call.

Rohit Ohri: Do you think that Kusum spices probably could peak out at around 50-odd crores or something, so, you'll be adding more capacity for these spices?

Anand Krishnan: Correct. So, with the current capacity, we can actually produce up to 50 - 60 crores of revenue, that is true what you're saying. But options with respect to outsourcing and maybe putting our capacities at some point of time do remain. But having said that, we have no plans as of now unless we actually reach that particular capacity. And it's going to be an easy plug-and-play for



us basically because again, like in Tetra Recart, the facility that we have actually put up for Kusum in our Gonde, Nashik facility is the civil infrastructure need not be built up again. It's only the machineries that need to be added. So, it can be very quick.

Moderator: We have the next question from the line of Darshit Chandra, an individual investor. Please go ahead.

Darshit Chandra: Can our company reduce the offtake window of our products from 15 months to 12 months going forward so it will be very helpful for the company, it will reduce the working capital cycle also and everything will be helpful?

Anand Krishnan: We in the management side are of the same view that this should happen. But if all wishes can happen then we would be really happy as a company. But unfortunately, this is how the industry is. We are trying to change and with more number of brands which is actually coming in the domestic markets, like Reliance, Adani, Tata, we are hoping that this whole thing changes with respect to more power to the price than to the brands as well. But having said that, as things stand today, the power is in their hands.

Darshit Chandra: From the next '24-25 onward, you might be pushing from 15 months to 14 or 13 or 12 months, it will be very helpful?

Milan Dalal: See, what you have to just realize in this particular segment that mango is a summer fruit and the maximum offtake is in summer. Now, you cannot produce and immediately make it available for that season. So, that is the reason why it becomes 15 months. It's April, May, June is the season of production and April May, June is the ultimate product sale, which is probably the highest. So, it's a bit of the way the nature of this particular commodity is, which is mango, it's difficult, but nonetheless, yes, we definitely would love to, have all the call outs in 12 months if not 13 months, if not 14 months, whatever, but we have to be prepared for a 15-month kind of a period.

Moderator: The next question is from the line of Amish Kanani from JM Financial Services PMS. Please go ahead.

Amish Kanani: Sir, a couple of questions One, sir, I think previous participant was also asking on a similar line, but if you can explain us the inventory cycle of our process because we understand that our fixed asset is hardly Rs.200 crores and we're turning the business five times, a very good asset turn. If you can explain us the inventory cycle, which is I think a little bit higher so to appreciate the business better?



Anand Krishnan: So, typically our inventory holding period if you see during the March quarter is around six months, that's around 180 days. So, it's the typical nature of the business as our M.D. just explained that mango is available only during three months of the year and the contracts that these larger clients that give us which is typically on a cost-plus basis wherein I don't have to worry about the raw material prices going up or down because it's a fixed price contract that we actually have. It's as such that it's slightly elongated with respect to the holding period. But having said that again the larger clients also give us the element of interest on the holding period as such, so it negates the holding cost.

Amish Kanani: Just to understand, do do we keep the inventory of the raw mango or the pulp that we converted from mango which is what we keep for a longer season?

Milan Dalal: No, no, raw mango cannot be, it's a perishable commodity and it's a cycle anywhere from two days to seven days maximum. So, you have to process it and if the processed mango in its ultimate form of dispatch, that's how we store it. Apart from, we may do some frozen. It would remain in the freezer or if we have done it in Tetra, it would remain in Tetra, 100% process, but 95% would be in 'A' type of packaging and others would be in other type of packaging.

Amish Kanani: Second question is coming to the EBITDA margin. We saw the facilities where our EBITDA margin on a half year basis improved from 10% to 12.7% and our Q2 margins have improved from say last year's Q2 11.5% closer to 14%, but in the first quarter it was around 11.5%. So, I wanted to understand what should be the steady state margin that we should understand in this business and seasonality with respect to quarter, sir?

Anand Krishnan: So, coming back to EBITDA margins, I mean, if you have attended our previous calls, we have never guided with respect to EBITDA margins because as we told you, this is a cost-plus model that we actually adopt with most of our clients. So, whatever is my cost, I am able to pass that on at the gross margin level. As I grow scale, there is a lot of operating leverage that comes into my business, which actually hits the EBITDA margin and helps it grow. So, higher the volume, the higher the EBITDA margin is what we would actually say. So, if you have seen half year of this year as compared to the half year of previous year, our volumes have been down because of which maybe you might be seeing slightly muted EBITDA margins. But once the volume call out actually happens at that point of time you would see actually higher EBITDA margins going through, but we wouldn't want to guide you on any EBITDA margins in this business. What we are confident on is basically improving on a gross margin level on every product that we sell to the larger corporates.

Amish Kanani: The third question which I wanted to understand was this tomato puree business that you refer to. If you can give us throw light there in terms of what kind of investments and asset turn that we can, when is it starting?



Foods & Inns

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- Moloy Saha:** Already, we have finalized the equipments and expected to do the commercial run by end February, this season will be, but maybe a month or 45 days we may get if crop extended for current year. The total project cost is in the range of 25 to 30 crores, and we are expecting in a peak time three times the revenue from this project.
- Amish Kanani:** We can assume the similar gross margin at least as a blended thing?
- Moloy Saha:** We generally work on the per ton or per Kg basis, that's the industry norms. Because raw material price may change, so it will be difficult to guide you on percentage basis.
- Moderator:** We have no further questions. I would now like to hand the conference over to Mr. Anand Krishnan for closing comments. Over to you, sir.
- Anand Krishnan:** I want to take a moment to express my heartfelt gratitude to all the investors for their unwavering support to our organization. I hope we have been able to answer most of your questions satisfactorily. Should you need any further clarifications or would you like to know more about the company, please feel free to write to us. Thank you once again. Good day.
- Moderator:** On behalf of Foods & Inns Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.