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August 9, 2023

BSE Limited Floor 25, P J Towers, Dalal Street, Mumbai – 400 001	**National Stock Exchange of India Limited** Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051
Scrip Code: 543458	**Scrip Code: AWL**

Dear Sir,

Sub: Transcript of Earnings Call of Q1 of F.Y. 24 of Adani Wilmar Limited ("the Company')

This is in continuation to our earlier letter dated August 2, 2023 regarding audio recording of Q1 F.Y.24 Earnings call held on August 2, 2023. Please find attached transcript of the Earnings Call.

You are requested to take the same on your record.

Thanking You
Yours Faithfully,
For, Adani Wilmar Limited

Darshil Mayank Lakhia
Digitally signed by Darshil Mayank Lakhia
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“Adani Wilmar Limited

Q1 FY ’24 Earnings Conference Call”

August 02, 2023

MANAGEMENT: **MR. ANGSHU MALLICK – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – ADANI WILMAR LIMITED**
MR. SHRIKANT KANHERE – CHIEF FINANCIAL OFFICER – ADANI WILMAR LIMITED
MR. SAUMIN SHETH – CHIEF OPERATING OFFICER – ADANI WILMAR LIMITED

MODERATOR: **MR. KARAN BHUWANIA – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Adani Wilmar Limited Earnings Conference Call for Q1 FY '24 hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bhuwania from ICICI Securities. Thank you, and over to you, sir.

Karan Bhuwania: Hi, good afternoon, everyone. It's our pleasure at I-Sec to host Q1 FY '24 results conference call of Adani Wilmar. The management is today represented by Mr. Angshu Mallick, who's the Chief Executive Officer and Managing Director; Mr. Shrikant Kanhere, Chief Financial Officer; and Mr. Saumin Sheth, Chief Operating Officer.

I'll now hand the call to -- hand the call over to the management for their opening remarks, post that which we can open for Q&A session. Over to you, sir. Thank you.

Management: Yes. Thank you very much, very good afternoon to everyone who have joined this call. Thank you very much. As a ritual, what we will do is we'll take you through a presentation, a very brief presentation, and then we'll open the floor for Q&A.

Moving on to the presentation. We'll just talk about the macro context for the quarter. There were multiple headwinds during FY '23, which continued in the Q1'24 as well, Ukraine war refuses to die down and there are a lot of events which keep happening in and around this issue, which impacted the edible oil prices, going up and down. US inflation continued to play the role in entire volatility. It's still sitting at 4%, much above the US Fed target of 2% and therefore, the hiking cycle, which continued within the last year. TRQ quota, finally, now we are done with, but, as far as the Q1 is concerned, TRQ quota was there. June '23 was the end for the TRQ quota.

So hopefully, from the next quarter, we will not have issue with the TRP quota. There was a drought in Argentina, where the soyabean crop yield practically reduced by 50% from as high as 50 million to close to 25 million. Luckily, it got compensated with a good crop in Brazil. Wheat and rice export ban and there were a lot of countermeasures that Indian government took to ensure the food security for India. These all events have got some or other impact on the profitability of Adani Wilmar.

Edible oil prices, as I said, continued to decline from as high as $2,000 a ton in April to now below $1,000, which is quite a significant drop. In the quarter also, it kept coming down every other event, which has got some or the other impact on the profitability.

On the business updates, we have been working very hard on the distribution front. Our direct reach of outlets is now more than 6 lakh outlets. Rural coverage towns, which we are closely working on is now close to at 22,000+ towns, which we have covered till now. Last quarter, this number was close to 13,000+ towns. So in this particular quarter, we have added 6,000 to 7,000 towns. Rural saliency now is a little more than what we used to see earlier. From 30%, it's now going up to 31%.

So, if you look at from FY '20 to quarter 1 '24, it's 2x kind of a jump in terms of direct reach outlet, and we are closely working on ensuring that how can we take this direct reach from presently a little more than 600,000 outlets to 1 million outlets. Rural coverage town, if you compare from FY '20 to Q1 '24, it's more than 6x improvement.

On market share, we maintained our leadership in edible oil with 19.5% market share with the follower sitting quite below us at 13.8% and the rest of the competitors are actually within the range of 5% to 6% of market share. Wheat flour, we remain the #2 player in the country with a market share now of 5%, from 4.9% to 5%, which is again up 10 basis points in a year's time. Rice, our market share went down for the Fortune brand from 7.9% to 5.9%. This is something which is a cause of concern for us, and we are working very closely to see that in which markets is this impact which have come to us. I think as we go forward, we will have a definitive plan to ensure that we go back to the level of the market share which we used to have a year back.

There are some new products which we launched in this quarter. We are the first company – the first national company, rather, I would say, to launch a whole wheat (grain) under the Fortune brand. We launched 4 varieties of wheat -- whole wheat under the Fortune brand. And the numbers are quite encouraging for us. The response which we have got so far from the consumers is quite good, and we hope that we will grow this basket to a respectable level by the time we speak to you next year.

As we said earlier, the HoReCa focus continues, and we have launched a product called Ozel, which is a cleaning agent, which can be used by the restaurants and hotels for cleaning their linens and cleaning their floor and utensils. I think this product has also been received very well by the consumers.

Our D2C focus remains. Fortune Mart is now present -- we have presence in 26 cities with 33 outlets, more than INR2,300 of average order value, which is quite encouraging. Sales is also growing steadily from Q1 '22 to Q1 '24, 10x kind of growth, which we have been able to register in Fortune Mart. Similarly, when we talk about the Fortune Online, which is an online D2C initiative, we are there right now in 25 cities with 64,000-plus downloads, 38,600-plus orders in FY '23 and average order value of more than INR1,000. And this also, within a year's time, we have been able to showcase a growth of 15x.

Supply chain updates. Now we are present -- continue to be present at 90 depots with more than 2 million square feet of depot storage under our company. Now we are basically moving slowly to the multimodal kind of a dispatch situation where more than 18% of our dispatches are through a multimodal logistic in terms of railway, which is also something which we are driving as an ESG initiative. Direct dispatches are quite encouraging, 57% of our dispatches are now directly to the consumer (distributors) instead of going into the depot. And we have been driving that how can we increase the CNG portfolio in terms of our dispatches. So we have now close to 5% of our dispatches which are through a green fuel, that is CNG.

We have launched a new Kohinoor campaign. For the benefit of all those who have joined the call, we have uploaded the TVC, it can be played by you all offline. We'll skip this for the moment.

On the marketing activities, our Soyabean Campaign and all the other campaigns continued in Q1, including Sunflower Oil Campaign. We continue our digital marketing for Fortune Atta as well as for the Mustard Oil Campaign. We have had targeted activities for Rice Bran Oil and various activities across India depending upon the regional preferences.

On the ESG, we continue to focus on our ESG initiatives. We have now more than 9 plants -- all major 9 plants have got a zero liquid discharge. On green energy, successfully, we have implemented solar power in our 8 plants out of 23 plants. And our palm oil traceability continues to be more than 90%, which is traceable till mills, for the quarter. And as far as the recyclable packaging is concerned, we continue to have more than 98% of our packing material as recyclable.

Update on our IPO Projects are running on time. Whatever we had envisaged in our prospectus, which was filed at the time of IPO, we are running all the projects as per the schedule. All projects should get delivered by end of FY '24 or FY '25, and that's where these projects will start contributing to the top line and bottom line of the company.

Coming to the result highlights, the edible oil, food FMCG and industry essential, our pie of food is steadily increasing in terms of volume. In fact, it has now reached to the level of 18% in terms of value, it is 16% of overall revenue, whereas 60% has been -- 59% is being contributed by edible oil.

As far as the numbers are concerned, which is what everybody is interested to understand, our revenue went down by 12%. It is basically a function of edible oil -- steep decline in the edible oil prices. And in our business, as we said earlier also, our revenues are impacted due to inflationary pressure. So that's the reason why the revenues went down in spite of the fact that we have been able to showcase a very encouraging volume growth of 25% and for any food FMCG, growth of 25% on volume is quite significant, and we are very happy to say that all our segments, whether it is the food, whether it's oil, or whether it's the industry essential, have been able to showcase a good growth in this quarter.

The gross profit has gone down by 21%. So in absolute terms, the gross margin has gone down by close to INR300 crores. This basically happened due to basically high-priced inventory, which was there in our hand due to the falling edible oil prices. And besides that, the major reason was the disalignment of hedges with the physical market in India.

So all our hedges, which we have done on the exchanges didn't move in tandem with the physical market in India. So the vice-versa gain and loss, which ideally has to happen between the hedge and physical market, didn't happen in this quarter. It's a onetime phenomenon, which we see because market, we have never seen such kind of phenomena earlier. We hope that as we go forward, this should not be the case in quarter 2 and quarter 3.

Similarly, when you look at an EBITDA, PBT and PAT, they have been in tandem with what we have been able -- not able to showcase in the gross margin. So we have a – gross margin degrowth of INR 300 crores and similar fall we can see in EBITDA, PBT and PAT.

So whatever has been lost at a gross margin level has been flowed down to the PBT and PAT. On standalone, numbers looks little better. We have less loss as compared to the consolidated because unfortunately, in this quarter, besides AWL, our subsidiaries and joint ventures also posted loss more or less because of the similar reasons which we faced in the quarter 1.

On segments, as I said, the entire loss and not-so-good performance is on account of edible oil. Food kept growing. I think when you look at the segment results of the food, it is steadily growing, steadily improving the volumes and also steadily improving its profit. So food profits went up from INR 10 crores in Q1 FY '23 to INR 38 crores, which is quite encouraging. And as we go forward, I think this should keep improving. As far as edible oil is concerned, as I said earlier also, it's more to do with the disalignment of hedges and the high-priced inventory, which was in our hand, which should be seen as a onetime event for us. And as we go forward, we should be able to post better numbers from here.

This slide, I think I have already explained, inventory loss and disalignment in the hedges. Besides that, there was a slight disadvantageous position that continued for us in the case of TRQ, which now is no more. I think TRQ quota was discontinued after the June '23.

On the outlook, I think we are quite bullish on the trends which we have been able to showcase in the quarter 1. And therefore, given that the edible oil prices have already cooled off in a level -- below $1,000 a ton, and the festive season is on our head, I think from here, demand should be very good. Industry is also showing the similar trend. Edible oil has gone up by 5% in terms of industry. Similarly, wheat flour industry has grown by 12%. Basmati rice has grown by 9%. So these all are indications that what we can expect in quarter 2 in terms of volume as well as revenue.

So this is all from my side, a very brief presentation, which I gave. Now I request the moderator to open the floor for question and answer. We would be happy to take on the questions.

Moderator: The first question is from the line of Abneesh Roy from Nuvama Institutional Equities.

Abneesh Roy: My first question is on normal margins, when do you see your -- pre this very high inflation and then very high deflation, when do you see that kind of normal margins coming back? Do you see that happening in H2? Or still it will be somewhere in between, say, Q1 and the normal margins?

Management: See, as I said, the edible oil prices have now been stabilized, but Abneesh, the problem is the geopolitical events are still continuing, in a sense, this Ukraine war, for example. Now this Black Sea corridor was closed, earlier it was open for food grain. Now this kind of event keeps coming and going, which has got an impact on the edible oil prices. But having said that, I think what we saw in quarter 1 is very, very unusual that the exchanges moved in a different tandem than the physical markets in India. This ideally should not be the case as we move forward in quarter 2 and quarter 3. Having said that, today, sitting at this point of time, you can't actually forecast anything because today, the world has become so dynamic that you never know what is going to happen tomorrow. But this disalignment kind of things, I think, should get resolved as we go in quarter 2 and further in quarter 3.

Abneesh Roy: So a few follow-up questions there. So of course, you are the largest player here with 19.5% market share. A lot of regional players who have even wafer thin margin. So if you are making a 1% EBITDA margin for the full quarter, what would be your sense of margins which local payers are making? I understand for every player, the inventory levels will be different. But you are the expert in terms of the inventory, commodity understanding, much higher sourcing advantage, etcetera. So would regional players also would have actually made losses, given you have made 1% EBITDA margin?

Management: See, Abneesh, we won't be able to comment on what the regional players or other players might have been able to do as far as the margin front is concerned. But having said that, our case is quite different, given the fact that the volume and the scale at which we operate and therefore, everything which we do, is quite big as compared to any regional player. Having said that, whatever difficulties we have faced in the quarter in terms of disalignment of hedges, if other player has also hedged his position, he would have also faced a similar situation. That is what I can confirm. Having said that, I can't comment on what kind of numbers which they would be able to showcase.

Abneesh Roy: Right. My last question is on the rebranding initiative for Kohinoor. I have seen the advertisement also. So I wanted to understand, before you actually bought this business, you had the Basmati rice under your own brands also. So where is the market share -- combined market share? And in terms of synergy benefits, how much has already panned out? And where do you see this combined market share over a 3-year time frame?

Angshu Mallick: See, on Kohinoor, I think the new advertisement has come after almost 4, 5 years. McCormick was not advertising in the last 3 years. And after we took over last year, we felt that we need to come with a new media break. Now both Fortune and Kohinoor has their own strengths and own synergies. Strength is, one, Kohinoor is a very strong HoReCa brand. It has always been a very strong HoReCa brand and Kohinoor Trophy Royale has been one of the most preferred Basmati rice for the Indian shelf. So we have got back -- started getting back that share because these type of businesses generally go either annual contract or something, but we have started doing it.

After that, Kohinoor, we have used 2 ways. One with Kohinoor brand, we also got there almost 125-odd distributors who were working for McCormick that time, everybody joined us, and we started Kohinoor with them. But then our strengths are that we have such large edible oil distributors in the rural market, which we have leveraged them and almost today, more than 1,500 distributors of our edible oil is also handling Kohinoor at a smaller town level. So that is giving us a reach and that is why today, Kohinoor has reached more than 55,000 outlets. This quarter end, the market share has gone up to 3.7% Kohinoor alone. So to that extent, I think the brand will continue to garner more and more strength. And after the advertisement, I'm sure everything will be much better.

Third is that, Fortune has its own distribution and the distributors who are handling Fortune brand Basmati rice in the major towns and Kohinoor rice own distributors. But below 1-lakh population towns, we have common distribution so that we can use the strengths of these distributors, and that is where we have combined the both Fortune and Kohinoor. So we have used our strengths wherever it is required. And wherever we don't want to bite into each other's market share, we have created separate distribution. Put together, I think next 2, 3 years, you would find surely -- double-digit is surely a thing that -- we are confident that we will reach more than that. But a strong double-digit is what we are looking at Kohinoor and Fortune put together.

Abneesh Roy: So one last follow-up there in terms of positioning in terms of regions and in terms of giving brand support to both Kohinoor and Adani in Basmati. What will be your strategy medium, long term? I'm not asking for near term. Will you see how is the response to the new branding activity on Kohinoor market share? Will that be something you will consider or you have already formalized what will be the strategy in terms of brand support to both?

Angshu Mallick: See, historically, Kohinoor has been very strong in South and West. Say, for example, Gujarat, surely one of the largest selling Basmati rice brand. So West and South, we will continue to push and garner more and more share. Fortune is more strong in East and North. So we will see how we can use each other's strengths and get the market.

Moderator: Next question is from the line of Karan from ICICI Securities.

Karan Bhuwania: Yes. So firstly, on competitive intensity. So we saw the market leader HUL, I think there's some regional players, as you say, inflation has receded off, a lot of regional players are coming up, and they're growing faster than, say, nationals players, right? So any trend as you've seen, has the competitive intensity from the regional players or smaller players has increased? And we have gained a decent amount of market share for the last couple of years, right? So do we see any risk to lose market share gains, given that some of these regional players or smaller players will come back?

Management: See, each of the products, I will address it separately. On edible oil, we have seen regional players, particularly in Sunflower oil, each of the state of South has a brand. But at the national level, there isn't any new competition coming up. Local players continue wherever they can manage the business well. But slowly, with such type of price fluctuations and hedging issues and all that, it's not easy for a smaller player to continue profitably. That is one. So the pressures are always there.

As far as wheat is concerned, I would say nationally, there are only few brands. Apart from ITC, we are there. And regional brands are there. And in wheat flour, we see that happening. But because of the strengthening in the wheat prices, we have seen last year also, and we are seeing now also, slowly the regional players are under pressure because they are not able to buy wheat and then process it and sell profitably.

Third is in rice -- Basmati rice. I don't see any other new local brand coming up because it's an all India business that you have to do. And sitting in one part of the country, I don't think all India rice can be sold like that. So 3 good brands in the nation. I think that is what will continue.

Karan Bhuwania: Just to follow up on that, then you're saying that a lot of regional players are facing some issues because of the price situation could lead to some losses. So are there any opportunities that you are seeing for acquiring any particular brand or any particular facility, if you see any opportunity? If you can comment on that.

Management: See, this is a very continuous affair to look at competition, evaluate them and see the assets. But honestly speaking, we aren't interested in acquiring any brand because we have Fortune as a brand, we have King's as a brand. King's is now the third largest soyabean brand in the country. And then we have Aadhar. We have Jubilee - bakery brand and we have second largest palm oil brand that is Raag Gold. So when we have such strong brands, there is no point in having another brand and then maintaining it. We are interested in assets and we look at it.

Karan Bhuwania: Okay. Secondly, on -- if you can comment about the growth difference between urban and rural. How is the recovery of the rural markets happening? And does urban continue to be as strong as it was for the last few quarters? If you could comment on the growth of those...

Management: In AWL, what we do is that 1-lakh-and-above towns are called urban and less than 1 lakh is rural because every company has their own definition of rural and if you take this -- so between urban and rural, our edible oil 70% business comes from urban towns and 30% comes from rural. In case of food -- branded food, staples food, it is around 31%.

But last one quarter, we have seen, because of the edible oil prices coming down, the rural markets have started getting into the brands, and we have seen 1% increase. So overall, overall, now it is 31% rural and 69% urban in case of edible oil. So clearly, there is some extra growth that we see in rural market. Bigger growth we expect in next 2 quarters after the monsoon sets in and the good crop comes, hopefully, so. Then October onwards, I feel that rural markets should start doing better.

Moderator: The next question is from the line of Latika Chopra from JPMorgan and Chase.

Latika Chopra: So the first question was, is it possible for you to quantify the impact on profitability due to these hedge losses? And is it right to assume that these are basically stepping in your COGS line?

Management: Yes. So Latika, that is what I explained. The basic impact on profitability for this quarter is on account of 2 reasons. One is, of course, the high-priced inventory in a falling commodity market and other is the disalignment in the hedges where the hedges -- where the exchanges went up on one side, whereas the physical market didn't move in the tandem with the exchange. Now put together both these, impact is the basic impact on the P&L. Then rest all the parameters of business have performed the way they should be, whether it is a cost, whether it is anything else, whether it is a yield. So these 2 basic reasons put together actually costed on a gross margin level itself, which is, if you look at our gross margin, absolute drop is close to INR300 crores. So both, put together, these 2 reason is INR300 crores. And this -- whatever we lost on gross margin is actually reflective in our EBITDA as well as our PBT.

Latika Chopra: All right. The second question was on volume growth expectations for edible oil and food business for FY '24. The first quarter, a 25% volume growth plus for edible oil. It seems the base will also start coming up in coming quarters. So is it right to assume that growth rates will normalize to low double-digit levels in the upcoming quarters?

Angshu Mallick: Yes. Latika, you are right, the last year first quarter because of the very high prices, the volumes were low. Going forward, I don't think this kind of strong double-digit will remain. However, let me tell you, India imported almost 22% more oil during the period from November to June this year versus last year. That's an indication that India has started consuming more because of the lower prices. Now if this is true, then I'm sure that by end of the year, if not 25%, but at least in the range of around 12% to 15% should be an average India growth story as well as ours, I think so.

Latika Chopra: Sure. And food I noticed last year, it was I think a 35% plus volume growth year for you. And I saw you talking about some share losses in rice in the quarter. And for this quarter, the volume growth was, I think, 20%, 21%. So do you think this will accelerate in the coming quarters? And also, if you can talk about any new capacities that are coming up to rest of FY '24 and even FY '25, which could help you to push up some skews on the food business?

And of course, any interesting thoughts on the rice portfolio? What really led [inaudible 0:32:20] caused by localized, regional competition? Is it very geography-specific? Any color on all of this would be helpful.

Angshu Mallick: See, this quarter, we have grown at 21% over last year, same quarter, but the major loss was in the export of non-Basmati rice that we did last year, April, May, June, and it was very good because we had a lot of exports to China. Now we couldn't do that because of the broken Basmati not allowed -- non-Basmati not allowed plus white rice also with 20% duty it reduced. Now of course, it is banned.

This year, now onwards, till '25 -- FY '25, we have Gohana plant coming up, which will add 600 ton daily capacity that is paddy to rice. So about 15,000 tons paddy per month, we will do. Plus we have around 10,000 tons of rice to rice line we are putting up. That will be ready by next year, not this October, but surely October, November '24, that is what we are targeting. Apart from that, in Gohana, we are putting a 200-ton Chakki Atta mill along with 300 tons of flour mill. So that 500 tons per day will also come up around early '25.

And we are also planning 1 or 2 more places. So I think overall, the food, our own captive infra is increasing. Plus as you know, we also take some units on tolling (lease) where we run the unit and that is what we are doing for continuing with the expansion plan. So overall, overall, we are confident of continuing with the expansion. Yes, little setback on the rice that we'll make up through our wheat flour.

Latika Chopra: So you think this 21% in Q1 should improve in the coming quarters?

Angshu Mallick: Yes, surely.

Latika Chopra: Okay. And the third thing I wanted to check one on -- I understand edible oil prices are fairly volatile, always difficult to call out. But as you stand today, if you look at the realizations that you did for edible oils in Q1, do you think that's the bottom or you think it could further come down in Q2?

Management: See, Latika, I think, as I said in answering earlier question from Abneesh also that I think prices are stabilized now. Having said that, plus/minus because of any few political event will keep happening. But the levels of $800, $850 and $900 a ton is something -- is even before the pre-COVID levels. So I think this should continue the way today we are, unless something major happens. Like, for example, I'll just give you the recent event which has happened which is a Black Sea corridor closure.

Now the Ukraine has also issued a warning to Russia saying that if you don't allow our cargo to go out from this Black Sea corridor, we will also not allow your food grain to move out of the sea. And now because of that, what happens is the Sunflower oil prices little bit corrected upwards. Now if this kind of event keep happening, there might be some impact and bullishness in the edible oil prices. But certainly, these will not cross the way which we have seen last year. And we should continue to look at the realizations which we are sitting on today.

Latika Chopra: Understood. And the last question was, Angshu, you connect with a lot of people on the ground, definitely, we are seeing very erratic weather pattern. Any initial thoughts on food inflation, paddy sowing, your pricing in the market that you're getting? How are you feeling overall about the commodity price inflation in the country?

Angshu Mallick: See, we'll have to take individually. I think sugar and oil is surely comfortable. These prices are comfortable. And this will continue -- if this continues like this, then there is nothing to worry. The issue is on wheat and rice. Pulses also, I would say most of the pulses are okay, except the toor, but toor also maybe some restrictions might be put. Already it is there to control the prices, but still it is INR100-plus now, INR100 plus.

As far as wheat and rice is concerned, this government also would like to keep the prices stable and that kind of pressure will be there on the manufacturers also to see how we can keep the prices as low as possible. The inflation pressure is there. Surely, it will be there, and we can see that happen. Only good part is from the entire basket, edible oil has always been the costlier of the product. So if edible oil is under control, then possibly INR1, INR2 more on wheat flour, consumers can afford, so they can do it because the bigger basket is edible oil in terms of value as a percentage of total household staple is purchased.

Moderator: Next question is from the line of Vishal from Yes Securities.

Vishal: Yes. Just 1 question from my side. In edible oils, wanted your view on how consumers have responded to sharp correction in MRPs. So are they buying in bigger quantities or are they limiting their purchase, hoping for further correction or stabilize the MRPs?

Angshu Mallick: Good question, Vishal. This is -- we are seeing increased purchase of 5-liter and 15-liter. Normally 5-liter is a barometer, where when consumers buy 5-liter means their comfort levels have come back. We are seeing now that share is increasing. In between last year, if you ask me, pouch share was more, but now the rigid-pack 5-liter and 15-liter is increasing, indicating that these prices are now at comfortable levels.

Vishal: Okay. So -- because this quarter would have been a -- second quarter or it's been already 3, 4 months of stabilized prices at MRP level. So would that have benefited this particular quarter in terms of higher volumes as you have mentioned that 5-liter packs have gone up sharply? So would there be any benefit in this quarter from that front?

Angshu Mallick: I think consumers have seen the MRP coming off, prices coming off. So that has increased that consumption. Otherwise, 25% increase in branded pack edible oil for the largest player is an indication that consumers are consuming higher quantity. That is one. Two, reduced MRP is giving them the benefit. And going forward, if this type of MRPs continue, then surely, this festival season, the consumption is going to be much better than last year.

Management: So just to give you one more data point for your consumption, while the company recorded a volume growth of 25%, the brands recorded a growth of 39%. So that itself is -- I mean, what the question which you are asking, if consumers are buying, and that's the reason why the brand portfolio grew by 39%, while overall company grew by 25%.

Moderator: Next question is from the line of Kuldeep Gangwar from ASK Investment Managers.

Kuldeep Gangwar: I don't know if you have already responded this thing in an earlier question asked. Sir, like you mentioned, high cost inventory and the cost of hedging combined had a close to INR300 crores impact on the gross profit. So is it fair to assume that if the prices remain stable where they are, edible oil, and these issues do not, say, play out in future, so 3%-plus operating margin or EBITDA margin for next 9 months, it's a reasonable expectation or on high side?

Management: No, it should be a reasonable expectation because this is -- if this kind of disalignment doesn't happen in future, our business as usual which, say, gives you EBITDA margins of anywhere between INR3,600 to INR4,000 a ton should continue. We won't be able to tell you whether it will be 3% or 4% because EBITDA as a percentage to revenue will depend upon what kind of inflationary pressure bear on the revenue. But if such kind of disalignment between hedge and the physical market doesn't continue, then it's fair to assume that EBITDA range of INR3,500 to INR4,000 a ton should be achievable.

Kuldeep Gangwar: Yes. So that's the reason I assume the prices remain stable. So no inflation?

Management: Yes. Yes.

Kuldeep Gangwar: And second part, like in FMCG part, what should be the volume growth expectation and margin profile for the rest of the 9 months?

Management: So FMCG means, you mean to say Food & FMCG?

Kuldeep Gangwar: Excluding the edible oil part.

Management: Yes. So food FMCG, you are saying. So food FMCG, as Mr. Mallick said in an earlier question -- answer to earlier question that this year -- I mean, in this quarter, we were able to post 21%, 22% of the growth. But as we go forward and since the consumption is picking up and demand is picking up, ideally, it should be in the range of anywhere between high -- not high, but close to 30%.

Kuldeep Gangwar: 30% revenue growth, you're saying, right?

Management: No. So revenue and volume more or less...

Angshu Mallick: Because in food, we have seen prices go up, particularly rice. And so 25%, 30% in volume also can be like that in revenue, should not be a...

Kuldeep Gangwar: Okay. And last bit, like interest cost has risen because the benchmark rate has also increased. So if interest remain where they are, so this should be the new normal going forward?

Management: Yes, this should be a new normal. Fortunately, what has happened is that while interest benchmark has gone up, but the edible oil prices fell. So therefore, the working capital volume has come down, so which has compensated, to some extent, the high benchmark interest. And therefore, when you look at an absolute, the interest cost, what you look today is something which would continue for coming quarters.

Moderator: Next follow-up question is from the line of Karan Bhuwania from ICICI Securities.

Karan Bhuwania: Just one follow-up question in terms of direct reach. So we have seen a significant increase in our direct reach as compared to FY '20 and the rural coverage town has also increased. So what are the benefits that we expect out of this increased direct reach? Do we see a significant improvement in throughput per outlet? And if you could quantify what would that be -- what that would be.

Angshu Mallick: See, one of the reason -- means one of the output of this increased reach and increased rural distribution has been the very high growth in the packed edible oils now. This is not necessarily only because edible oil prices have come down, so the consumption has increased. Our reach has surely increased today. We have gone into direct reach of 600,000 outlets. So earlier, it was in the range of around 5.5, 5.6. So that 30,000, 40,000 outlets added in this quarter, more than 7,000, 8,000 towns -- rural towns added this quarter, then we added some more depots.

So all this put together has pushed our distribution much better. Direct dispatches have increased 57% almost. So that has helped us to reach the direct consumer and passing the freight benefit to make it much more competitive. Like that, we have been trying to push the sales. All this put together, that is the distribution efforts, have surely yielded results.

Karan Bhuwania: And a follow-up on that, would this direct reach actually benefit the Food & FMCG businesses because we'll be able to place new product launches and multiple product launches that we're doing in Food & FMCG food visibility?

Angshu Mallick: Yes, you are very right because when you are reaching directly, then we have an option to push all the products. And 1 lakh and below -- all our distributors are common. So it gives them a lot of strength when they go to the outlet to sell either sugar or dal or rice or besan or atta, whatever it is. So he has multiple products. A retailer generally wants at least 1 or 2 more products. So surely, the reach helps in direct penetration. And we have seen that in Kohinoor where from 35,000 outlets, we are now at around 50,000 outlets -- 55,000 outlets. So that has helped us to increase our penetration and reach.

Karan Bhuwania: And what would be your plans to increase this direct reach to what levels? From 600,000 outlets to -- what is the plan for next year or, say, next couple of years?

Angshu Mallick: Three years target is 1 million. So we are -- year by year, we will increase the number of outlets. So it will take at least 3 years minimum.

Moderator: As there are no further questions, I will now hand the conference over to the management for closing comments.

Management: Thank you very much, everyone, for joining this call, and we do invite you to all our conference calls moving forward. Thanks for tracking our company, and we are hopeful that we should be able to do better as we move forward. Thanks.

Angshu Mallick: Thank you, everyone. Thank you, everyone.

Moderator: Thank you very much. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.