



# **BIKAJI FOODS INTERNATIONAL LIMITED**

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**Ref: BFIL/SEC/2023-24/74**

**Date: August 08, 2023**

To

Dept of Corporate Services  
BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street, Fort,  
Mumbai 400 001 (Maharashtra)

**Scrip Code: 543653**

The Listing Department  
National Stock Exchange of India Ltd.  
Exchange Plaza, C-1, Block G,  
Bandra Kurla Complex, Bandra (East),  
Mumbai 400 051 (Maharashtra)

**Trading Symbol: BIKAJI**

**Subject: Transcript of Earnings Conference Call for the quarter ended on June 30, 2023**

Dear Sir / Madam,

We hereby inform you that in continuation to our letter bearing Ref. No. **BFIL/SEC/2023-24/66** dated **July 29, 2023** and pursuant to the requirements of the Regulation 30 read with the Point 15 of Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations"), as amended from time to time, an Earnings Conference Call with the Investors and Analysts for the quarter ended on June 30, 2023 was conducted on **Wednesday, August 02, 2023**. Please find enclosed herewith the transcript of the Earnings Conference Call.

In compliance with the Regulation 46 of the Listing Regulations, the transcript of the Earnings Conference Call will also be available on the website of the Company and the same can be accessed at [www.bikaji.com](http://www.bikaji.com)

You are kindly requested to take the same on record.

Thanking you

**Yours faithfully,**  
**For Bikaji Foods International Limited**

**Rahul Joshi**  
**Head - Legal and Company Secretary**  
**Membership No.: ACS 33135**

Enclosure: As above



“Bikaji Foods International Limited Q1 FY24 Earnings  
Conference Call Transcript”

August 02, 2023



**MANAGEMENT:** MR. RISHABH JAIN – CFO, BIKAJI FOODS  
INTERNATIONAL LIMITED  
MR. MANOJ VERMA – COO, BIKAJI FOODS  
INTERNATIONAL LIMITED

**Moderator:** Ladies and gentlemen, good day and welcome to the Bikaji Foods International Limited Post-Earnings Conference Call hosted by S-Ancial Technologies Private Limited.

At this moment all participants are in the listen-only mode. Later we will conduct a question-and-answer session. Please note that this conference is being recorded. From the management we have with us today Mr. Rishabh Jain – CFO and Mr. Manoj Verma – COO.

Now I request the management to take us through the key opening remarks and after that we can open the floor for the Q&A session. Thank you and over to you sir.

**Rishabh Jain:** Thank you very much for joining this Bikaji Foods Earning Call. I'm Rishabh Jain – CFO of Bikaji Foods. Manoj ji and I will take you through the presentation of Bikaji Foods and then we can take the questionnaire.

**Manoj Verma:** Good morning, everyone.

**Rishabh Jain:** Bikaji Foods delivered a strong quarter performance with close to 32.8% gross margin and 13.6% EBITDA margin. So, your Company has delivered us close to 15% value growth and 15.2% volume growth. So, volume growth has been very strong and we have seen a strong volume growth in this quarter. This quarter is largely volume driven growth, price driven growth was negligible rather than negative compared to volume growth. We have delivered a strong EBITDA of close 13.6%, the gross margin was close 32.8%. Over to you Manoj ji.

**Manoj Verma:** Yeah, Am I audible? So, taking through the quick Quarter 1 salient points:

On market leadership as we talk about, so we have delivered a 14.7% growth from our core states and core states are very high contributing states for us. That's the kind of delivery and the growth what we have delivered there. Relaunch of our snacks category with toys consumer offer inside so that's another new thing what we did. Now talking about our family pack contribution and momentum, so if we look at our current share of business from family pack has moved up to 55.6% which is up 200-basis point increase YOY over last year.

On distribution and capacity building. We are now present over 9.5 Lakh outlets across the country. In the last quarter, we have added 13,000 outlets under our direct reach. Our export continues to go strong and high delivery growth in quarter 1, presence across 25 countries around the globe.

Manufacturing capacity in this quarter we have added by 9,000 metric tons per annum. That's the capacity increase and this quarter we have brought in our fold. Feet on ground, we have added 150 people on ground. This is on the Company's payroll and also third-party put together. So, that's the way we are going strong on our coverage. Continue to have a strong product portfolio which is over 300 products and focus on distribution and what essentially it means is that the task on projects underway to open a lot of CFA's across the country to bring this distribution close and also try to reduce dependence on our super stockist model.

So, talking about our product categories I mean I think all of us are aware of but still so Bhujia, namkeen, packaged sweets, Papad western snacks and other snacks. Talking about Pan India distribution as I said that we are now available at over +950,000 outlets. March '22 exit we were covering direct coverage on our SFA. So, with long availability and KYC of each outlet was about 72,000 outlets which by March '23 we brought this number to close to 150,000 outlets and in quarter 1 as I said have added 13,000 outlets in our direct coverage. This has come on the back of adding 150 sales team, frontline sales guys on ground.

On our marketing initiatives as we say, so we continue to invest behind marketing and different vehicles of communication. So, in this quarter what we did was that we had association co-branding with a movie released called 'Satyaprem Ki Katha'. Besides this we did digital campaigns. This was bringing the emotional and sentiment value of mothers on 'Mother's Day', other events what we kept on doing like World Food Safety Day that's where our presence was there. Besides this we also participated international exhibition which happened so one very recently which happened in the USA.

On digital media, if we look at, looking at it as two parts. One is social media which is about branding. Second is the digital campaign which is more focusing and helping our e-com and q-comm channel to grow and do better. If we look at the number of followers on Instagram and Facebook, they have grown leaps and bounds. So, in FY'22-23 we witnessed a growth of 90%, engagement rate was 3.2%. That's what we witnessed in these social media platforms.

On the business performance:

We have delivered a 15.2% volume growth and a revenue growth of 15%. This is after many quarters wherein volume and value growth are more or less in line with each other. Ethnic snacks which has the highest share of business to entire business has delivered a 16.1% growth, packet sweets at 10.5% YOY growth, western snacks is ahead of all at 19.3% growth and Papad though a small category has delivered a 1.1% growth. If we look at the shift in product mix, Quarter 1 this year versus Quarter 1 last year so broadly it's the same. There's a slight movement wherein the ethnic snacks from 74.3% contribution has moved up to 74.7%. I think the point which I would want to highlight here is that Western snacks where our investment has gone the growths are high, there if you look at the contribution has moved up from 8.7% to 8.9%. So, this is on a continuous moving upwards over last six quarters if we look at. Rest is broadly in same line, exports. The way we look at our market, we have fragmented it into four parts. So, one is Core where the key business, three states are Rajasthan, Assam, Bihar, focused states and other states. So, here if you look at performance by each subset, core has delivered a growth of 14.7%. focused states delivered a growth of 16.3% and other states has delivered a growth of 16.5%, exports at 29.4% growth YOY over last year. So, the contribution from the Core states is about 74.3%, followed by Focused states which is 15.2%, followed by other states which is 6.9% and the exports is at 3.6%.

If we look at the business and business growth by North, East, West South basis, so East has grown by 13.1%, North by 15.8% South has grown at 60.9% and the West is at 6.2% growth.

So, East which is relatively a high contribution market for us, in this quarter was badly impacted with the floods which all of you would have read and heard about. So, the Bihar part and the Northeast states which got severely impacted, so that perhaps has resulted in that stuff and rest North has done well, South has done extremely well. Although it's a small business but yes, we are making inroads into these markets.

Here is about mix of SKUs, so if we look at the center block which is family packs, family packs has grown at 19.6%, impulse pack at 10.5% and the rest of the SKUs at 21%. That's the kind of mix. And the family pack contribution from 53.7% has moved up to 55.6% in this quarter. That's the movement quarter-on-quarter and has also helped us delivered better EBITDA, so this is also one of the factors. Rishabh over to you.

**Rishabh Jain:**

We have built a strong capacity in last 1.5-2 years and in first quarter also our Patna unit, Patna CMU has started. Of course, trial production is going on in multiple lines but yes, so over 9000 tons of capacity addition has been done in first quarter. Also, two plants, one in Raipur, Chhattisgarh we will add by end of this year and other frozen plant will come in next 4 months. That's the two plants which will come up by end of FY24. We'll build a sufficient capacity which can deliver the next 3.5-4 years performance which takes care of all the capacity addition. So, currently, we are using the capacity of close to 40%-41% at a blended level because we added more of the capacity in the last 1 year and the plant which has been newly added, so we are utilizing it at a lower level because it takes time to utilize at 40%-50%. So, largely we have built the capacity ahead of time and it will take care of the next 3-4 years capacity.

From revenue perspective:

So, we have done a revenue of close to Rs. 482 crores which is 15% growth over last year quarter 1 and close to 4.3% swing over Quarter 4 of last year. From EBITDA perspective we've done EBITDA of close to Rs. 65.8 crores which close to one 113% growth over last year and close 6.4% growth over Quarter 4. So, this EBITDA basically is led by multiple factors be it superior mix or led by operational efficiency. We have efficiently managed many things at manufacturing cost and other QSR cost that is saved close to 0.6% to 0.8% from EBITDA perspective despite our gross margin having reduced if you look compared to Quarter 4. But overall, at EBITDA level EBITDA has increased compared to Quarter 4. So, we did multiple things at EBITDA level below gross margin also that has improved our gross EBITDA.

These are key raw material edible oil. So, edible oil is supported in the first quarter but persistent flows as the prices increased in the first quarter. So, a 6% to 8% price increase has been done in price of raw material has increased in first quarter. Laminates is largely in line same compared to last quarter. But yes, it's in declining trend. These are the consolidated financials which we discussed earlier. So, that's the part from presentation perspective. So, we can discuss on Q&A and take a question of all the investors.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. To ask a question, please click on the Raise hand icon available on the toolbar or you may click on a Q&A icon to

raise hand. The operator will announce your name when it is your turn to ask a question. Ladies and gentleman, we will wait for a moment while the question queue assembles. We have a first question from the line of Percy Panthaki from IIFL.

- Percy Panthaki:** Hi everyone, congrats on a good set of numbers.
- Moderator:** Sir, we are not able to hear you well.
- Percy panthaki:** Hello, can you hear me?
- Moderator:** Can you speak louder please.
- Percy Panthaki:** Am I audible now? My first question is, you have done very well on margins. In fact, the margin expansion has happened much sooner than expected. We were basically taking a gradual margin expansion across the quarters. You already reached 13.5%. What I wanted to ask you is that for the next year FY25, how much basis points expansion are you targeting over FY24 full year? Assuming that FY24 you have done 13.5% but even if we conservatively take that let's say it will stabilize at around 13%, do you think that there is further margin expansion possibility in FY25, or you would like to maintain this 13% and reinvest for growth?
- Rishabh Jain:** Percy thanks for the question and it's a very valid question. So, largely see this year you will see our major ad spend comes in second-third quarter. So, largely what we look at over the year basis, our overall over the year our EBITDA what we're targeting is between 12.5% to 13%. That's the target we are taking in this year. And of course, PLI income will add in this, other than this or this operational EBITDA will come. That's point number one and point number two of course we are utilizing very low capacity as of now. So, once we realize this capacity of course operational efficiency which will build in. So, we are targeting at least 0.5 basis margin expansion at least in the next 2 years year-on-year.
- Moderator:** Mr. Percy's line is disconnected. We'll move on to the next question from the line of Ashwani Agarwalla from Edelweiss Mutual Fund.
- Ashwani Agarwalla:** Good morning sir, Congrats for the good set of results. The margins have been like much better than expected. I just wanted to know what was your ad spend for this quarter if you can disclose.
- Rishabh Jain:** Our ad spend for this quarter is close to 1%.
- Ashwani Agarwalla:** And in the third quarter we will have the World Cup and in the second quarter onwards do we see a substantial increase in the ad spent.
- Rishabh Jain:** Normally Ashwani, our ad spends what we targeted and budgeted in our P&L is close to 2% at a year all blended level. And we normally ad most of the ad during Diwali and festive season, from Rakhi-Diwali there are major ad spend which is going on. So, at a yearly level we are targeting 2% of ad spend.

- Ashwani Agarwalla:** And we had taken over a small chain of restaurants in Jaipur. So, can you throw some light on that?
- Rishabh Jain:** So, it's too early because our frozen plant will come up in next 3 to 6 months and from QSR perspective, we will do some trials initially and then so it's largely 1.5-2-year journey before finalizing anything on expansion plan. So, in next 6 to 8 months, we are building strong frozen plants and that can serve as a base kitchen for QSR as well as of course frozen for our export business. But yes, it's too early to comment on frozen QSR business because first we'll finalize on all quality, technology and all key parameters and then we'll focus on building QSR business.
- Ashwani Agarwalla:** In the last quarter we had received a PLI of roughly Rs. 25 crores which we had not accounted for. So, have you accounted for that in this quarter?
- Rishabh Jain:** No Ashwani. So, largely we received close to Rs. 20 crores in March 2023. So, there are two conditions basically, one is sales condition, in which we need to grow at a minimum 10% growth over FY21 base and the other one is PLI investment commitment. So, we had done a commitment of close to Rs. 430 crores and the balance layover has been close to Rs. 90 crores which we need to complete in FY23-24 including all the CMU investments. So, we are on target, and we'll complete this investment in this Financial Year, FY23-24.
- Ashwani Agarwalla:** South has ultra luxury seven-star, five star done in cycle.
- Rishabh Jain:** So, we'll complete this CAPEX cycle in this financial year, and we'll take Rs. 20 crores plus also this Rs. 20 crore is we received for FY22, for FY23 also we will file all the papers in this August month and that's close Rs. 30 crores subsidy which we will receive in this calendar year. That's what we are planning. We are gunning for the government and the government is very aggressive in giving PLI scheme to all the contenders. So, this year largely close to FY22 and '23 this two income will be recorded in the last quarter.
- Ashwani Agarwalla:** Do we plan to launch new products? If we look at your nearest competitor or the market leader, they've got a whole range of new products. So, are you people planning to launch any new products during the next 2 months or maybe in the next two quarters I mean to say?
- Rishabh Jain:** This new product addition is a normal phase. So, largely you will see in our last addition also we launched 4-5 new products and they're doing well, like Bhujia, in Chiwda category, in Muri category. So, that's a normal business. We normally add close to one or two products every quarter and that's normal business because sometimes we add and our competitors look and they add in their portfolio or sometimes we copy them. So, that's a normal thing we do.
- Ashwani Agarwalla:** Okay sir, Thanks a lot.
- Rishabh Jain:** Thank you.
- Moderator:** Thank you. We have our next question from Gaurav Jogani from Axis Capital. Please go ahead.

- Gaurav Jogani:** Thank you. Am I audible? My question is with regards to the growth in the core markets that has been quite robust, around 15%. However, if we look at the focused markets, the growth is again in that 16%-17% mark. So, given the low base for the focused markets and also the capacity is now ramping up with these locations, are we targeting a higher growth rates in these segments going ahead?
- Manoj Verma:** Going forward you will see focus markets will be growing much faster than the core markets for sure.
- Gaurav Jogani:** And this will be led by again this capacity ramping up the ones that you have opened very recently.
- Manoj Verma:** So, both see capacity basically is the availability of product. More important is that how do we increase sales in that, do we grow ourselves or enable ourselves to suck for whatever we produce. So, that work is on and they will both will complement each other. So, the production capacity which we have increased and the sales growth, distribution growth will get us this in the disproportionate growth.
- Gaurav Jogani:** Okay, sure sir. My next question is with regards to again the distribution expansion that you talked about especially on the direct front. So, one thing that you mentioned of the CFA now putting up more CFAs and converting the super stockist. So, if you could dwell more on this, what are we exactly doing on this front and how are we going about this?
- Manoj Verma:** Currently if you look at our business, in our food market, CFA's were not existing as such which is if you see in most of the FMCG or I think all companies that's one thing which is prevalent. So, our dependence on super stockist is more. So, from the factory, stock goes to super stockist which is a quasi-CFA kind of stuff and in turn the distributors or sub-distributors below them they used to service. What we are creating is that we are creating CFA agents where our stock will reach and from there it will not reach to super stockist but directly it will go. So, both, one is efficiency will increase and second is cost which we are spending on super stockist we will be able to save some percentage from there itself. So, it is not a replacement of super stockist it is a reducing dependence on the super stockist.
- Gaurav Jogani:** Sure. If you can quantify anything how much savings this possibility could lead to and what would be the timelines for this?
- Manoj Verma:** I think see this is not from the savings perspective. That would be a byproduct of if we do this stuff. What we want to do is that how's that we increase efficiencies, increase fill rate to the end distributor and then in the retail market. In turn if you look at what we presume is that this should get us about say 0.5% to 1% savings net savings on this.
- Gaurav Jogani:** Sure. My last question would be in terms of the margins and this would be more to Rishabh because you mentioned that your margins that you are targeting ex-PLIs 12.5% to 13%. Now if we look at the margins for the first quarter itself, it's 13.7% odd that we have done. So, are we



expecting some corrections in the month going ahead in the margins and if yes why would this margin correction would happen?

**Rishabh Jain:** Ya, Gaurav. So, basically, there are two things. One basically you will see the ad cost in first quarter was close to 1.2% which will be on a yearly basis we have planned it close to 2%. So, this will be on margin part, point number one. Point number two, in July and August month we have planned a promo offer for consumer basically. That's to pass on to consumer like 10% extra on promo pack and that's the thing we have planned on, and we have implemented in August month. So, largely we are planning close to 12.5%-13% despite passing on to the consumer or ad cost. That's the budget we are thinking.

**Gaurav Jogani:** So, the extra promo of 10% from August month how much of a pricing impact net basis it will have on the overall?

**Rishabh Jain:** We have planned in 4-5 products, not on all. But this will have impact of close to 1% on margin.

**Gaurav Jogani:** 1% margin and how much kind of a price realization impact this will have?

**Rishabh Jain:** So, largely if you see at an overall level, it's close to 1%-1.5% but because it's in 5-6 but not in all categories. So, at the overall level it's 1%-1.5%.

**Gaurav Jogani:** Okay, Thank you.

**Moderator:** Thank you. We have our next question from Abneesh Roy from Nuvama. Please go ahead. Mr. Abneesh Roy, Please turn on your microphone and go ahead.

Since there is no response, I'll move on to the next question from Tejash Shah from Avendus Spark. Please go ahead.

**Tejash Shah:** Hello, am I audible? Thanks for the opportunity and thanks for the detailed presentation. A couple of questions from my side. First on core market growth, it's very robust number there on a good base, so just wanted to understand what the nature is of this growth. Is it that the underlying markets are doing that well, or we are gaining a lot of market share from regional competitors or national competitors in those markets.

**Manoj Verma:** So, Tejas in four states if we talk about, we have gained shares across these three states in this quarter and even in last year if we look at. The major gains when we look at are coming from the regional and local players. So, that's where the primary share shift which we have witnessed in these markets.

**Tejash Shah:** This largely happens on premise of what, is it that customer prefers us over others because it's better pricing?

**Manoj Verma:** So, it's two-prompt things. So, one of course our brand is pretty established brand. The second is that the way we are trying to intensify or increase our coverage, penetration, quality of service,

CFA's and the stuff. So, basically, efficiencies, looking at throughput per storehouse that we increase in that stuff. I think that's the second factor which is helping us deliver better in these states.

**Tejash Shah:** And second question is that when we enter a new market let's say the focus market, is it right to understand that your entry SKUs or entry products will be largely through your strength which is ethnic snack and then gradually you will introduce the other ones or it is actually based on market study? You can actually postpone western snacks launch there versus ethnic snacks. How does the cycle work?

**Manoj Verma:** So, Tejas, I think you are given both the points; it's mix of both. That's what it works. Our brand is not a new brand, we are not a new Company. We've been there for decades. So, the gap what we figure out was that our presence, the regular service in the market that was missing. So, if we look at our Rasgulla, Gulab jamun, Sonpatri or Papad, these are pretty reasonably okay brands or categories in these markets as well. So, the way we go is one of course we ride on the categories what is doing well or what we have been doing well and second is the latter part of your question that western snacks because when we open or start our manufacturing unit and that stuff. So, western snacks which earlier we never tried to focus, or we couldn't do before is what we leverage on the new categories as well. That's what is the strategy what we do and last but not the least is basically the insights and study of that local geography that what is doing well, which subcategory is most salient in that particular geography. We try to upgrade our efforts on those categories.

**Tejash Shah:** What would be the number of SKUs that we are running today and what was that number last year?

**Manoj Verma:** The number of SKUs, there's not much of a change because what happens is that as we add SKU, we keep cutting the tail. That's the way it moves on because it is about consumer preference, it's about market demand keep coming and we keep weeding off kind of a stuff. So, the growth is not on the basis of that there's no phenomenal SKU increase over the period. If you want specific number Rishabh if you can just give the number or specifically answer this.

**Tejash Shah:** I'll take it offline. Thanks a lot.

**Moderator:** Thank you. A reminder to participants to ask a question, please click on the raise hand icon available on the tool bar or you may click on Q&A icon to raise hand. We'll take the next question from Ravi Srivastava from Bay Capital. Please go ahead.

**Ravi Srivastava:** So, first of all, congratulations...I have a couple of questions. One is on taking forward from Tejash's question on just throughputs and market expansion. Just wanted to understand from you Manoj Ji as know you guys had implemented a DMS system plus now you're going into new markets. If you can just talk to us about throughput levels in core markets, how has that improved as you have sort of come in and implemented DMS? And second on the new markets which are the markets where you're adding these 150 people that have been added in the sales?

**Manoj Verma:** So, to your first question if you look at now, so there's not much of direct coverage increase in these core markets. Yes, the efficiencies have gone up and if you look at the growth of close to 15% so that's a very back of envelope if you look at is the kind of throughput increase which has happened from these stores in the core market. To your second question where we have added, we have added in UP, our one of the focus states, we have added it in Rajasthan and in southern states. So, that's where the key addition has gone. If we look at in this quarter, we have added about 150 people. In next two quarters you will see the investment behind adding these feet on the ground and we would be adding about 150 to 200 more feet on the ground in next two quarters. That's the plan.

**Ravi Srivastava:** The second question is on the recent acquisition that you guys have done. It's a very small one but just wanted to understand the thought process behind that. Why that acquisition? What are you guys looking into it and how big can that opportunity be?

**Manoj Verma:** So, that's too small acquisition. But yes, if you look at the strategic thought behind this acquisition is to have a second brand. So, if we have to play in any of the geography and a mass brand so that's where we can leverage this brand instead of Bikaji bringing it down or doing that kind of a stuff. If you look at most of the FMCG companies across categories that's the strategy which we have tried to adopt and try for us.

**Ravi Srivastava:** So, it is like a flanker brand for you. Is that how one should think?

**Manoj Verma:** Yes, you have said it.

**Ravi Srivastava:** Last point Manoj Ji. Just on the core market you mentioned that largely the growth has been throughputs. Can you just make that real for us? Say a city like Jodhpur, say a city like Jaisalmer if you can just talk to us about what was the throughput in some stores and what is the opportunity that you see there because I don't know how big the opportunity of throughput expansion itself is.

**Manoj Verma:** It's a progression so there were stores who were earlier Rs. 1,000 throughput stores. So, let's say C and D class outlets has moved up to 1200-1300 kind of stuff kind of thing. The top end stores where the growth has come from selling more categories. So, let's say namkeen has a lot of subcategories below it. We've identified focused categories or brands for ourselves. That's where we are trying to do that stuff. Some average, on an average if you look at is about for a state like Rajasthan or you're talking Jodhpur so average throughput per store would be around 3,500 per store which has moved up earlier. It used to be about 3,100 kind of a stuff. That's what but this would vary from city to city.

**Ravi Srivastava:** Understood, Last point I'm sorry I'm taking a bit more time. The last question was largely on the mix change so, there is an increase this quarter in terms of the family pack has sort of gone up. How much of the gross margin expansion is one because it's clear that it is because of one family pack growth and second one is the RM decline. But if you can just quantify what has driven more and what is more sustainable in terms of just gross margins for us?

- Rishabh Jain:** From gross margin perspective, so largely of course family pack is higher than gross margin compared to impulse pack. But there is not significant gap in between both of them like close to 2.5%-3% gap is there between impulse and family pack because we charge higher price of packaging material on impulse pack also. But 2.5% to 3% margin at EBITDA level this gap is there but it's a mix of both actually because the raw material prices, if you compare with last year Quarter 1, of course raw material prices favored much. But if you compared to last quarter or Quarter 4 of last year, so we are seeing same price because edible oil has supported and agri as largely the prices increased. So, largely it was mix or same, there was no major variation at an overall cost level of course we have passed on the price to consumer that has come into increase in our cost of goods sold of close to 1%-1.25% in this quarter compared to last quarter.
- Ravi Srivastava:** But Rishabh should we think that this 33% level is more sustainable now because historically you guys were at 27%-29% level?
- Rishabh Jain:** 26%-27% was of course but yes, if you see our past trend of 5-6 years, we always were at 20% or 30%. Of course, we want to be at 31%-32%. That's the level we want to be at and that's what we are gunning for. Even after passing on the consumer price which we done consumer offer which we had done in August month, July month itself. So, we are targeting that we should be at the same level then we'll be at the yearly blended level.
- Ravi Srivastava:** Got it. Thank you so much for answering so many questions.
- Moderator:** Thank you. We have a next question from Saurabh Jain from HDFC Life Insurance. Please go ahead.
- Saurabh Jain:** Yeah, am I audible? I had a couple of questions. The first question is on the product mix. If I look at the FY23 numbers, about 70% is coming from the ethnic snacks. So, given that you're putting up more capacity in western snacks and some of them in sweets also and then frozen snacks, what is the mix that we can see in the next let's say 2-3 years the mix changing? Will there be a significant shift in the product mix?
- Manoj Verma:** So, there will certainly be a mixed change Saurabh. So, in the next couple of years, you can see this western snacks moving up to say about 11% kind of a contribution. 10% to 11%.
- Rishabh Jain:** So, Saurabh, .....
- Moderator:** Hello sir, you are not audible now. Mr. Saurabh Jain, you are there, right?
- Saurabh Jain** Ya, I am there.
- Moderator:** Okay, please stay connected. We have lost the management connection, I request you to stay connected while they rejoin. Thank you.

- Rishabh Jain:** Hello, am I audible? Ya, sorry, my line got disconnected. When you see the yearly level of course we will be targeting close to 11.5%-12% in sweet. So, ethnic snack will be close to 71%-72%.
- Saurabh Jain:** This 11% you're saying is for like 2-3 years down the line, FY25 is it?
- Rishabh Jain:** Sweet it will be 11%-12%. This will be carrying the same level.
- Saurabh Jain:** No sorry just to clarify, you're saying that 70%-72% will be ethnic snacks, 11% will be sweet and then on a slightly long-term basis western snacks should be about 11%-10%. That's understanding. Hello?
- Moderator:** Please stay connected sir, they have lost the connection again. Ladies and gentleman. Please stay connected while the management rejoin. Hello, Mr. Verma, I can hear you now, please go ahead.
- Manoj Verma:** Sorry, I missed the question.
- Saurabh Jain:** Just to reiterate so my question was that the product mix change in the next let's say 2-3 years so what will be the change in the product mix? And then my follow up question is that because of this product mix change what is the benefit we'll get on the gross margin side? Hello?
- Moderator:** Yeah, Mr. Jain, I am sorry, but we lost the connection again, give me a moment please.
- Manoj Verma:** Hello, it seems to be some connectivity issue, not able to hear you.
- Now you are audible.
- Saurabh Jain:** So, just to summarize my question I was saying that what is the product mix chain we can expect in the next 2-3 years and what will the expansion in the gross margin because of this product mix change in the next 2-3 years? That was my question.
- Moderator:** Ladies and gentleman, please stay connected while the management rejoin.
- Manoj Verma:** Sorry for this inconvenience. So, the answer to your question is that yes our western snacks category will see a major shift in the next couple of years and that's the outcome of the kind of investment what we have done behind increasing our manufacturing capacity. So, currently, which is between 8% and 9% you will see in next couple of years would move up to between 11% and 12%. The rest of the categories if we see that sweets will see some upward movement Papad would more or less stay on the same. And as rest of the category grows, you will see that ethnic snacks will...
- Moderator:** Mr. Manoj Verma, we are unable to hear you again sir. Ladies and gentleman, we apologize for this. We request you to stay connected please.
- Manoj Verma:** Do I need to repeat the entire stuff?

- Saurabh Jain:** You can start from where you are saying, you explained about the product mix that the western snack will go about to 11%, then the implication on the gross margin.
- Manoj Verma:** So, gross margin what we will do is we'll try and retain the current what gross margins we are delivering. This would come on the back of the logistics efficiencies which we will bring in. Also, the product mix what we are working on we'll keep improving upon this product mix. So, we will not let our gross margins go down on the cost of increased Western snacks. That's the plan that we have for us.
- Saurabh Jain:** So, for my understanding, Western Snacks is a lower gross margin business than ethnic snacks.
- Manoj Verma:** A couple of percentage points yes.
- Saurabh Jain:** Okay, thanks for that. My second question was on the PLI benefits. I was not able to understand it completely. You said that you received about Rs. 20 crores of PLI benefits in March last year FY23. But I'm not clearly on the same so if you can clarify that please.
- Manoj Verma:** So, it is like the payouts were starting last year. So, financial year 2023 onwards and it's a six-year payout plan. So, first payout of close to Rs. 20 crores we received in March 2023. What we did was we have not built in our P&L; we have kept it aside because there are two conditions for getting this PLI. So, the first is to deliver a 10% growth which we are much ahead of that.
- Moderator:** I am sorry Mr. Jain, we lost the connection again, please stay connected.
- Manoj Verma:** So, one is a 10% sales growth and the second is the investment. So, sales growth we are much ahead of what we have to deliver to qualify for this. On the investment part there's a commitment of Rs. 430 crores to be invested by FY24 of which the last leg is left. So, we are still doing that stuff. And all this should get over by end of this year. Once we complete the investment we will then be qualifying for that stuff.
- Moderator:** Mr. Jain, I am sorry but we have lost his connection again, I will request him to join by using his mobile, please stay connected. Mr. Verma, can you join from your mobile phone, because your connection is getting disconnected.
- Manoj Verma:** Okay, give me a second.
- Moderator:** Sure sir, gentleman, please stay connected while Mr. Verma rejoins.
- Manoj Verma:** Hello, am I audible now?
- Moderator:** Yes sir.
- Manoj Verma:** Okay, this should work better. My apologies for this poor network. So, there were two criteria. One is 10% growth basis 2021 numbers which we are much ahead of that growth. Second is the investment to be made which is Rs. 430 crores that's what we have committed to be done by

FY24. So, there is a part left. So, that investment is on should get over by end of this year. And once we do this what in principle we'll take these allied as a part of our other profit. In this year you will see that we should be booking for what we got in March 2023 for last year.

**Saurabh Jain:** Just to summarize I wanted to know that in FY24 including the Rs. 20 crores of March 2023 what is the benefit you'll get of PLI?

**Manoj Verma:** So, in 2024 we'll get about Rs. +30 crores. So, it's a ballooning payout Rs. 261 crores over six years. That's how it is. The first installment was 20 then 30 then 35. So, this would be on an increasing scale.

**Saurabh Jain:** Then FY24 you will Rs. 20 + 30 crore that is Rs. 50 crores in terms of routing entry.

**Manoj Verma:** Exactly.

**Saurabh Jain:** That's very helpful. That's all from my side. Thank you.

**Moderator:** Thank you .We have a next question from Abneesh Roy from Nuvama. Please go ahead

**Abneesh Roy:** Am I audible? First, is on Bihar we are seeing a lot of companies which are having exposure there because of two back-to-back deficits in rainfall. There is a challenge in terms of demand. So, would you be worried because that's a key market for you.

**Manoj Verma:** So, see this is a natural calamity and Bihar that's a phenomenon every year if you look at this happens this time the magnitude is slightly higher. But in terms of worry I don't think this should be the cause of major worry because this is what the state has already worked about. Our growth also if you look at was damper to a certain extent against our plan but it is again getting back on track should not be a long-term challenge in that sense.

**Abneesh Roy:** Second is in FMCG categories where there is strong gross margin expansion leading to EBITDA margin expansion say soaps detergent coconut hair oil etc. we have seen companies pass on to customer plus that has led to inventory destocking also. So, could you tell us for other players regional players because your margins have expanded 600 bps 800 bps gross and EBITDA margins. So, could there be this risk going ahead? Because I don't think till now the risk has been there because your sales growth and volume growth are similar but do you think that risk can come in the coming quarters?

**Manoj Verma:** So, risk in the sense? Abneesh if you can be a little more specific.

**Abneesh Roy:** The price cuts. Price cuts because regional players operate in a band of margins and could this lead to some inventory destocking also if the price cut starts.

**Manoj Verma:** So, Abneesh, if you look historically, it has been there and will continue to be there in the categories where we play, they always be the local and regional place, the USP will.....

- Moderator:** Mr. Abneesh Roy, please stay connected, we have lost the connection of Mr. Manoj Verma.
- Abneesh Roy:** Yes, I am connected.
- Moderator:** Yes, please stay connected. Thank you.
- Rishabh Jain:** So, Abneesh largely in this August month also we added some consumer offer. So, largely what we are looking at same price and volume growth. Largely volume growth will be higher compared to price. That's what it looks like in this year.
- Abneesh Roy:** Okay, That's all from my side. Thank you.
- Moderator:** Thank you. We have a next question from Soham Samanta from Centrum Stock Broking. Please go ahead.
- Shirish Pardeshi:** Hi Manoj good afternoon Shirish., Thanks for the opportunity. Just two questions. At this point of time directionally most of the raw material has corrected but we see the pulses and cereals are elevated. So, I just wanted to know Rishabh what is the weighted inflation we are facing at this time? And I think somebody asked the question whether we have plans to drop. So, I just wanted to read your mind that this gross margin expansion I know you have said that A&P spends will go up but what is the gross margin or EBITDA margin if you can give us some indication on the band which you will try and manage for full year?
- Rishabh Jain:** So, largely in first quarter we had done gross margin of close 32% 32.8%. So, that's what we are targeting at a yearly level. We are targeting close to at the same level at a gross margin level at the yearly level. And from EBITDA perspective largely what we are running for is close to 12.5%-13% EBITDA at a yearly level.
- Shirish Pardeshi:** So, that is helpful Rishabh but if you can say what is the inflation which commodity inflation you're facing at this time?
- Rishabh Jain:** So, basically from commodity perspective we are looking at all agri commodity be it peanut be it moong dal or urad dal so largely few commodities which we are using we are seeing good inflation in this. But also, our packaging material is supporting. We are not into much larger inflation issue in this year.
- Shirish Pardeshi:** But the question is counterintuitive. Do you have pressure from the competition to drop the prices?
- Manoj Verma:** Not really. See we'll be watching the competition very closely and we will certainly be competitive because our aspiration is also to grow top line ahead of the category growth. But for now we haven't seen as much. And at least when I talk about the branded players regional and local players they keep mushrooming they keep coming and going which is what is a year-on-year or ongoing phenomenon? So, we haven't observed anything specific thus far.



**Shirish Pardeshi:** Sure, that's helpful. Manoj. My second and last question on the acquisition of Bhujialalji. I need to understand I mean I'm sure you have to pardon me because I've joined little late and there are a lot of disturbance I could not hear. If I quickly read your mind is it because of the brand strength? Is it because of the channel? Or is it because of the customer? So, what is the rationale behind acquisition of this? And part two for that question do you have such aspirations to buy such brands going forward?

**Manoj Verma:** So, Shirish let me take your first question on this that why Bhujialalji or what is our plan? So, basically the strategy behind this acquisition is to have a second brand which in turn we can make it fight with regional local or be the national stuff as well. So, a second brand which could be a mass brand as well. So, if we have to do some discounting if we have to do some disruptive stuff so instead of tweaking Bikaji we can leverage on this brand. This is what the strategy which if you look at any Company or even the MNCs they also have a brand B. This is what is behind Bhujialalji. Otherwise it's a very small brand and would continue to be as small vis-à-vis Bikaji where it is.

To your second question that in our mind it is like it's not a strategy or a growth driving strategy. It is basically a defense tool which we will use it wherever we want to do that stuff.

**Shirish Pardeshi:** Okay, all the best and Thank you.

**Moderator:** Thank you. I would now like to hand the conference over to management for closing comments. Over to you sir.

**Manoj Verma:** So, thank you everyone for coming up and giving us the time. Hope we could answer most of the questions. Just in case you feel we have missed out happy to take offline. Thanks once again.

**Moderator:** Ladies and gentlemen on behalf of Bikaji Foods International Limited that concludes today's session. Thank you for your participation. You may now exit the meeting.

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Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings