



# **BIKAJI FOODS INTERNATIONAL LIMITED**

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**Ref: BFIL/SEC/2024-25/20**

**Date: May 30, 2024**

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 and financial year ended on March 31, 2024**

Dear Sir/ Madam,

We hereby inform you that in continuation to our letter bearing Ref. No. **BFIL/SEC/2024-25/09** dated **May 09, 2024** and pursuant to the requirements of the Regulation 30(6) read with the Point 15 of Para A of Part A of the Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), as amended from time to time, an Earnings Conference Call with the Investors and Analysts for the quarter and financial year ended on March 31, 2024 was conducted on **Friday, May 24, 2024** at **12:00 P.M. IST**. 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 hosted 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  
Q4 & FY'24 Earnings Conference Call”

May 24, 2024



**MANAGEMENT:**    **MR. RISHABH JAIN – CHIEF FINANCIAL OFFICER, BIKAJI  
FOODS INTERNATIONAL LIMITED**  
**MR. MANOJ VERMA – CHIEF OPERATING OFFICER, BIKAJI  
FOODS INTERNATIONAL LIMITED**

**MODERATOR:**    **MS. HAZEL RATHOD – S-ANCIAL TECHNOLOGIES PRIVATE  
LIMITED**



**Moderator:** Ladies and Gentlemen, Good Day and welcome to Bikaji Foods International Limited Q4 & FY24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the "\*" then "0" on your touchtone phone. Please note that this call is being recorded.

I now hand the conference over to Ms. Hazel Rathod from S-Ancial Technologies. Thank you and over to you ma'am.

**Hazel Rathod:** Thank you. Good afternoon, everyone, thank you for joining us for Bikaji Foods International Q4 FY24 Earnings Conference Call.

From the Management, we have with us Mr. Rishabh Jain – CFO, and Mr. Manoj Verma – COO.

I now request Mr. Rishabh Jain to take us through the key opening remarks, after which we can open the floor for the question-and-answer session. Thank you and over to you, sir.

**Rishabh Jain:** Thank you very much, Hazel, and thank you all the investors and friends. We welcome you to the year-end numbers review. So largely, this year has been very good for our company.

So, overall, we have done multiple works which have resulted in these numbers. Largely during this year, we set up a complete CAPEX plan. We got a commitment from the government to invest close to INR 430 crores of investment and got a subsidy of INR 261 crores. We have completed all the CAPEX commitments and eventually, we booked close to INR 93 crores of PLI income in this quarter which is for three years i.e. FY22, FY23 and FY24. This year also all the investments at all plant levels have been done from PLI perspective. We completed all plants be it the Patna plant which is coming this year, the frozen plant and the Raipur plant. So, largely we have become future-ready for growth at least for the next 2-3 years. Be it in terms of talent investment, so largely this year has been a year where a lot of investment, be it in talent, be it at the back end of content, so be it back end we've done a good investment in our team building and as well as content for all Core and Focus states. We have brought in good new leaders to run the Company and set the distribution and right RPM.

Also, largely this year from an automation perspective, we've done a lot of investments. Be it setting up the right DMF, or SSA, or tracking every sales team, we have built a good sales team this year. So, largely on every front, we have made a good investment this year which will give good results in the coming 2-3 years.

From numbers perspective, so largely this quarter has gone by, so overall our revenue growth was close to 12.8%. When we see this quarter, of course, in these numbers, PLI income has been added in the other operating income which looks fluctuating, but overall our organic growth is close to 12.8%, our gross margin is close to 33.1%, when we see our last quarter of December'23, our gross margin was at 31.5%. Our gross margin has increased this quarter to 33.1% and our EBITDA margin overall was at 13.1%. So, overall key metrics this quarter have



improved for us. Largely from the PAT perspective, this quarter we have done INR 116 crores of PAT which is close to 200%, of course, this includes PLI income.

Overall, at a yearly level, our revenue growth was close to 13.7% versus volume growth which was upwards of 15.5%. So, if we look at the Ethnic snack volume growth it was close to +17%, Ethnic snacks have grown at a good level above the Company average.

At EBITDA level, so largely post-PLI income our EBITDA is close to INR 319 crores, this excludes PLI income. Then also our EBITDA is close to INR 300 crores which is a significant jump from last year.

Our ROE and ROCE were close to 21% and 31%. So, largely we have built the complete CAPEX. Largely in the years to come, there will be minimal CAPEX in plants at least and this will again help in improving ROE & ROCE for us.

From a manufacturing facilities perspective, we are close to 3,00,000 metric tons of capacity which can comfortably generate double turnover. We have built a good capacity for the coming years to come and across all Core and Focused markets, be it Assam and Bihar, which we set up a facility in the last two years. In Focus markets also like Kanpur, Raipur, UP as well as in the South, in all Focus and Core markets, we have set good plants to have further growth in our business and we will go beyond Rajasthan, Assam and Bihar which are our Core markets. In the next three years, we target to include at least one or two states in our Core markets. So, Manoj ji, over to you.

**Manoj Verma:**

In terms of distribution, over the years our territories have been increasing and if we look at the past 1 year, we've added almost about 100,000 outlets in our direct reach. Also, this year we opened CFAs which we found more relevant to enhance and further strengthen our distribution network. So, we opened depots or CFAs at Ghaziabad and Varanasi, UP, in the West of India, Ahmedabad and Pune, and also one in Raipur. That's where our plant has come up.

Talking about our marketing initiatives, so first and foremost we have extended the contract of Mr. Amitabh Bachchan to continue as our brand ambassador for the next two years. More so, we also shot a lot of films with him and about 16 different films targeting various products and sub-categories to build them, which we aired on digital media and also on air.

Besides this, we invested heavily on BTL marketing initiative. This was a kind of say, bus branding, road shows, dealer boards so on and so forth. For the first time, we invested as much behind consumer offer, which was 10% extra or even on our products like Bikaneri Bhujia.

Not only did we restrict ourselves to domestic media investment, we also invested heavily in our international markets and that's where we did this work, this companionship of shows which was for Badshah, then participated in most of the events which happened, and these food festivals outside.



Now coming to the business, if we look at it, so in Q4 our volume growth has been 14.5%. If we look at revenue growth without PLI is 12.8%, however, if we add the PLI which is what is reported and you would see on the slide it is 32.9%.

Ethnic snacks in this quarter have grown at 10.5%, Package Sweets at 13.8%, Western Snack at 14.2% and Papad at 23%.

If we look at our full-year performance, the overall volume growth is 15.3%, revenue growth was 18.5%, and Ethnic Snacks at 13.4%, whereas if we look at Ethnic snacks volume growth is at 17%. Package Sweets' value growth was at 14.4%, Western snacks at a full-year level of 13.2% and Papad growth was at 10% this year.

The contribution of the Ethnic snacks continues to be highest and if we look at the shift between last year's Q4 and this year's Q4 it is almost the same, so there's hardly a movement there. All these categories have moved up.

Now coming on to how our markets have performed. We look at our India market in three segments i.e. Core, Focus and Others. So, here we look at our Core markets, which contributed to over 72%, it has grown at 9.1% in this quarter. Our Focus market has grown at 15.3% and the other markets, which is a small part have grown at 45.4%. Exports in this quarter were flat. However, if we look at our full-year numbers, Exports have grown at 22.2%. Core markets grew at 11.2%, Focus markets at 22.6% and Other markets at 14.8% here.

So, if we look at say by segment, the Core market contributes 74.4%, the Focus market is 12.9%, Others is 9.8% and Exports in this quarter have contributed 2.9%. However, at a full-year level, if we look at it, our Core market is 71.5% followed by the Focus market at 13.8%, other markets at 11.2% and exports at 3.5% contributing to our overall revenue.

The mix of packs if we look at, so the Family pack which is above INR 10 pack in this quarter has grown at 11.5% and the growth of the Impulse pack was 13.6%, whereas if we look at the full-year level, the Family pack and Impulse pack have almost grown the same, the Family pack at 13.5% and Impulse pack at 13.6%. The contribution of the large pack continues to be high and is at 59%, whereas the Impulse category is 39.5%.

**Rishabh Jain:**

So, overall revenue we have grown close to 18% post-PLI, EBITDA was close to INR 391 crores an 83% growth over last year and PAT is largely 93% we have done, PAT is close to INR 62 crores over the last year. So, largely when you look at the gross margin level, in Q3FY24 our gross margin stood at 31.5% and in Q4FY24 it stood at 33.1%. Largely, we are seeing improvements in gross margin as well as there are multiple works in improving gross margin be it raw materials supported plus we are passing some prices also. From the PLI level, we have booked close to INR 19.8 crores for FY22, INR 28.6 crores for FY23 and INR 45.2 crores for FY24. So, the last two years' PLI income has been realized from the government. This year of course we have booked as accrual income because we have fulfilled all the conditions of the government of these investment or sales support. We are hopeful that we will receive a grant



from the government before December '24. That's the part from the presentation. We are happy to answer all the questions.

**Moderator:** We will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Nuvama. Please go ahead.

**Abneesh Roy:** So, for the full year, you saw 15% kind of volume growth and 18% sales growth. So, my question here is, do you expect again early teens kind of volume growth and now most FMCG companies are talking about a 2% to 3% price hike in some part of the year, so would you expect that also to continue because in Q4 your pricing growth was not there, but will you expect that to come back in FY25?

**Rishabh Jain:** So, we have built up capacity across each Ethnic snacks and Western snacks largely in last 2-3 years and we are currently 40%-45% type of utilization. So, next year's target is also for the volume to grow at least a minimum of 13%-15%. Of course, this year it looks like, chana, and potato, both products prices are a little inflationary it seems like. We see that this year 2% to 4% price rise will be taken by us and so that's how the overall numbers will build up.

**Abneesh Roy:** And would you have seen market share gain because I don't think the industry volumes are growing at 15%? So, which states would you have gained more market share on a full-year basis?

**Manoj Verma:** So, if you look at, our Focus states it has grown at about 22% and the Core states at 10%. So, what we assume is while we are yet to have this data, we assume that we would have gained shares in the Focus states broadly.

**Abneesh Roy:** One follow-up I had was, if I see your full-year performance in Core and Focus and compare that to Q4, in the Focus states there is a drop of around 7% in Q4 versus only a 2% drop in the Core states. If you could tell us why in Focus there is a bigger drop, was there a base effect? Was there a one-off and how do you see Focus states in terms of out-performance in FY25?

**Manoj Verma:** So, I think the right way to look at it is that if we look at a full year number which is what is 22.6%; however, we look at that this particular Q4 is not as good as because in Delhi earlier we did not focus or we could not get our eyes into the Delhi market, which is why we have done, some changes, some stuff which is happening. You will see by the end of Q1FY25, we'll be in a different pitch on the Delhi market as well. Besides this, if you look at the rest all other markets, has done extremely well. Also to tell the audience on the team while we were talking about fixed Focus states, what we have also done is here onwards, Chhattisgarh is where our new plant was commissioned in the last quarter and now we will have our focus on this Chhattisgarh state as well. So, here on when we'll talk, we'll include Chhattisgarh also as our focused market.

**Abneesh Roy:** Your export growth was flat in Q4 vs 22% for a full year. Again, here is there any one-off? Are you worried about all these surprise checks which are happening in Hong Kong, Singapore etc.? Because Indian regulator has said that in spices there is no problem but global regulators are saying there is a problem and it could have a trickle-down impact on other exports also. So, what's your comment on this?



**Manoj Verma:** We don't see primarily on the spices and that's also a factor which these spices companies are also trying to work upon. However, our peer group or ourselves are not impacted by it. This is nothing but some quarter shift from this quarter to another quarter and for export what we normally have is we have orders about 60 days in advance. So, this problem is not the reason you will see this coming back in the subsequent quarter. And at a full year level as we look at, that's how we measure and that's how our team carries or our distributor carries target, which is really in line with what we plan is ahead of 22%.

**Abneesh Roy:** And just one follow-up there. You also use a lot of spices obviously in your Namkeen, Bhujia, etc., So, there is no risk right from a global standard quality aspect?

**Manoj Verma:** Abneesh, we comply with the law of the land. So, whatever is permitted in that country is what only we export. So, this passes through very, very close and tough audit processes and that's how we export it. Even when our product goes to that country, we get those state compliances checked and that's how we are able to sell in these markets. So, we don't see as such any other challenges with us.

**Moderator:** The next question is from the line of Percy from IIFL Securities. Please go ahead.

**Percy:** Sir, my first question is on the Focus states. There your market shares are very low, right? So, I mean the percentage growths I mean can be very, very disconnected from the industry growths because of the low single-digit kind of market shares in many cases. So, shouldn't you be running at some 25% or 30% kind of volume growth in these states and what is required to get there do you think that is a realistic number to target first of all?

**Manoj Verma:** See, I think very well said that one can look at these numbers as well, but now in all these states, if you look at, so there is a situation wherein we have the market leaders and also below us the regional and the local players as well, right? So, that's the status in these states now. In the earlier concalls also we have spoken about that we don't want to be a discounter brand, a disruptive brand wherein we gain, do these kinds of volume gains and thereafter it becomes difficult to live with it or to continue with the stuff. So, that's the reason our investment is more on to get our distribution right. If you look at the distribution number, if you look at the coverage, both we are getting in these states. So, it will be a slow and steady and a slow work. This is what we always have been talking about. Even today, as we speak, we have grown at about 22%, that's a value growth, and if we talk about volume growth, it's about 25% in our Focused states. That's the volume growth we have delivered. And in certain states, we now speak about say UP which is a large market, of course, our shares are also very, very small, but there you know the growth is to the tune of about 44%. So, we are more or less in line with perhaps what you said, 25% growth. But more importantly, this is about getting ourselves right and future-ready for the time to come.

**Percy:** Secondly, just wanted to understand your judgment on what happens to volume in different pricing scenarios. So, right now we are seeing a slightly negative pricing and the volume this quarter is around 14%-15%. Supposing if like next year you are saying 2% to 4% YoY pricing

growth, in that scenario does the sort of volume take a hit or do we still continue with our 14%-15% kind of volume numbers?

**Rishabh Jain:** So, largely as a company having a big capacity, so the target is to at least grow at 13% -15% volume at least for the next two years.

**Percy:** Lastly, coming on to your margin. So, this quarter if I strip out the PLI benefit completely, your EBITDA margins are 13%. I think you will be booking PLI benefit of somewhere around 150 basis points of sales, correct me if I'm wrong. So, would we be right in assuming that for FY25 we should be targeting a 14.5% kind of EBITDA margin?

**Rishabh Jain:** Of course, post-PLI target is around the same.

**Percy:** Sorry I didn't get you. Can you repeat that?

**Rishabh Jain:** Without PLI, our target is to at least improve EBITDA by 0.4% to 0.5%. This year gross margin improvement, we see a little bit challenge given the inflationary pressure. But overall, we have built all the costs, like set up all the capacity, fixed or so, in our books all the costs have been fixed. So, once we improve our utilization, the operational efficiency will come in and overall, we are targeting at least 0.5% EBITDA improvement this year along with PLI.

**Moderator:** The next question is from the line of Dinamera H from JM Financial. Please go ahead.

**Dinamera H:** My question is regarding PLI. What is the consistency in the PLI scheme we can expect for the next five years, are we going to continuously keep bidding for PLI in the next five years, how do we see that?

**Rishabh Jain:** Largely from PLI perspective, so we have received close to INR 261 crores of commitments from the government and we invested INR 438 crores. So, it's a six-year subsidy. So, three years have gone by and we booked close to INR 93.6 crores in a single year last year, it was for FY22, FY23 and FY24. For the next three years it will be on a quarter-on-quarter basis because we have completed all the CAPEX commitments, so it will be on a quarterly basis we'll book the PLI income for the next three years.

**Dinamera H:** How long approximately do we see the continuity of the PLI within our business?

**Rishabh Jain:** For the next three years.

**Moderator:** The next question is from the line of Mehul Desai from JM Financial. Please go ahead.

**Mehul Desai:** If you could give us some context on your plans for the frozen business, what is the status there, how are we looking at it from FY25 and FY26 perspective, and how are the margins in this frozen portfolio?

**Rishabh Jain:** So, largely frozen is in a very niche shape up now. So, largely we committed, we completed the CAPEX last December. We started trials. So, by the next two months, we will complete all the



trials and everything. So, the Frozen is largely for exports, of the overall exports close to 40% comes from Frozen. That's the overall shift that will be there when currently we are buying from a third party which will shift here. But overall, this year a good improvement in frozen and this will also help us in building our QSR business because we also want to be in this business. Of course, there will be a slow and steady pace in this. We don't want to go up. So, largely this year there will be 2-3 QSR outlets that we'll open, do a lot of trials and everything. From next year onwards this frozen will become a back-end plant for all the QSR verticals as well as of course we grow the frozen business in export.

**Mehul Desai:** Secondly, I think Percy did ask this question, but on the gross margin side, we have closed the full year 32.5% ex of PLI and 4Q was around 33%-odd and you are saying 2% to 4% kind of price hike, you think with that kind of price hike and current RM environment, you should be able to sustain this gross margin level?

**Rishabh Jain:** Yes, we will be able to sustain this because it looks as of now, we don't know post-election what will change. But yes, from the looks of the current scenario chana and the potato prices are very inflationary this year. So, chana in the last few weeks has gone haywire, increase close to 10% to 20% in a month's time. So, we are largely not dependent on a single raw material, like we are into 5-6 categories, purchasing a lot of pulses, not any single crop like we are dependent. So, largely any single increase in raw material doesn't take much on us. But yes overall we see that this year there will be little inflationary pressure, 2% to 4% price hike can work out well for us. In last year, when the price correction was there we did not pass completely, we cannot reduce the MRP we started to promo offers, we reduce full once we see that price inflationary pressure will come, so we have the budget in hand currently.

**Mehul Desai:** What happened to the staff cost? It was flat on a YoY basis. And secondly, the other income was quite high. So, if you can just explain that?

**Rishabh Jain:** So, largely in other income, basically interest income has been booked, we have FDs close to INR 51 crores. That's the interest income being booked in other income. And staff cost is largely flat last year if you see the overall breakup when we publish the annual report. So, ESOP expenses was big this year because last year has been booked. So, this year our overall investment in people was big. So, when we see overall it's a percentage wise flat but investment in people is big.

**Mehul Desai:** What is the CAPEX plan for FY25-26?

**Rishabh Jain:** So, for the next 2-3 years we don't think major CAPEX coming in, just NPD, regular maintenance CAPEX, just we need to build some small mother warehouse type of thing but it will not be a big CAPEX type of thing, it will be just a small from interest accrual.

**Moderator:** The next question is from the line of Shirish Pardesi from Centrum Broking Limited. Please go ahead.

**Shirish Pardesi:** So, two questions in the beginning. Could you talk something about competition, how the reaction on the new markets when you are entering, is there any discounting which is going up

or you're primarily seeing a very sharp reaction for the organized players, any color if you can add?

**Manoj Verma:**

Competition certainly is there and it's going fierce only and from the top end place they're completely aggressive. And so after the small-time players which are local and regional players because now there was some price commodity benefit which these guys got and they started mushrooming up. So, in terms of competition, certainly, it is there, and you have to be competitive to hold your space and move on. That's what it is. But the good thing is that category has its momentum and there is also inorganic growth wherein it's a shift from unorganized to organized. So, that's helping all of us to move forward.

**Shirish Pardesi:**

So, let me ask you Manoj, a candid question. When you enter into the new market, do you take a pricing strategy and discounting as a placement or do you do the advertising route and do the local advertising? So, I think I'm just trying to understand how do you plan to or how do you penetrate these markets because obviously existing competition will be there and you are being a new player, obviously you will get with the right distributors and partners in the channel, but I'm just more curious about why this growth is happening?

**Manoj Verma:**

So, when we get into new markets, so certainly discounting is not a part of our strategy and that's completely outside of whatever we'll do. We are more into expanding our distribution reach, and quality, that's what we talk about and also is the investment behind marketing to create some demand and brand awareness. Keeping that in mind, we extended our contract with Amitabh Bachchan because of his stuff, we did certain research, and our marketing teams came back with the brand equity what we are getting and what we are leveraging. Whether we were there in the store or in those markets before or not but when our guys go there, so ours is not an alien brand. We are at par or plus/minus to the national or the key brands whatever is selling there. That's what we do. Also, Shirish, these markets are not virgin markets for us. We have been there for ages but we never focused on these markets. It was more of a trading model whoever had asked, we would go and then if supplies were not there, we would not service. Though there has been a challenge we are now getting into whole out in these markets, it will be a slow burn, but you will see over some time we will be amongst the top three players in these markets.

**Shirish Pardesi:**

Rishabh, on slide 24, you did allude saying that chana prices are going up. Just wanted to understand in the high inflationary situation, have we done any tweaking in terms of sourcing strategy or hedging strategy?

**Rishabh Jain:**

So, sourcing and hedging is a part of our strategy and largely we always book close to 40% to 60% of our overall requirement of the season we normally book and this year also we did the same, we have booked close to 35%-40% of overall demand. We have hedged, but of course we cannot completely foresee the price rise. But overall, we have secured our next 40%-50% of the requirement and the balance of course we need to purchase and that's how we'll be passing on a few prices in largely products which are in Chana or potato based.

**Shirish Pardesi:**

My last question is on the Chhattisgarh plant. When do you expect to start commercial production?



- Rishabh Jain:** So, we have done a commercial production in March.
- Shirish Pardesi:** Obviously, since Manoj has said that there will be some trading and the product will be available, but if you can share in FY24 or maybe FY23, what kind of revenue would you have got in Chhattisgarh and what kind of expectation you are seeing because you're putting the infrastructure now?
- Rishabh Jain:** So, largely Chhattisgarh, currently a small number, so we see in this year FY25 we'll do at least close to INR 17-18 crores topline this year in Chhattisgarh versus last year maybe even more of course.
- Moderator:** The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.
- Gaurav Jogani:** So, the question is with regards to the target of the 13%-15% volume growth. If you can help us dissect, how are you looking to target the volume growth within these various categories? So, for example, what will be your target for volume growth in the Ethnic part of the business and what would be in the Western Snack and the Package Sweets part of?
- Manoj Verma:** So, the growth in Western Snack would be slightly couple of percentage points higher than the Ethnic Snacks going forward, because the way we have commissioned our factories across, the way this brand is picking up, it will be ahead of the Ethnic snacks. However, all these plants do have the capability to produce our Ethnic snacks as well. It's only in Bikaneri Bhujia, and Namkeen, which primarily will continue to be produced and supplied from our Bikaner factory.
- Gaurav Jogani:** What about the Packaged sweets? I think package sweets which was also one area for you and there were talks about the democratization of these sweets into smaller packs, so that the reach increases. So, any update on that front?
- Manoj Verma:** So, we spoke about two things, that sweet has a huge seasonality impact, right? So, during the season time, the demand is by far higher than the capacity that we have. And in case of the time we see the reverse of this stuff. So, what we've done is that we've started from INR 5 Patisa packs and all that stuff. And in the last quarter is what we've done twice it is getting well accepted. I think it will take a while whereby when we'll be able to settle these small packs, because the market for sweets in small packs is also not very big. This would be about creating an opportunity, creating a market for that and that's what we are working on.
- Gaurav Jogani:** My second and last question is with regards to the margins again, I mean, if you look at the margins on a full-year basis for FY24 ex of the PLI it is around 2.5%, the gross margin that is, and on an exit basis we have already done I think 33% kind of gross margins. With the inflationary impact that we're seeing right now, how much of an impact can we see on the margins going ahead and how much can we negate this with operational efficiencies, now simply the capacities are around that.
- Rishabh Jain:** So, largely what we are targeting in this year the overall gross margin will be around 32.5%-33% this will be a range this year, this is what currently we are looking at. And the operational efficiency, of course, we are targeting at least 0.5% improvement in below the line level



(EBITDA) because last year we did a lot of investment in people, setting up teams, setting up plant cost, everything. So, this year we'll have some result of that.

**Moderator:** The next question is from the line of Nitin Gupta from Emkay Global. Please go ahead.

**Nitin Gupta:** I just wanted to check on this margin question again. Like this chana price increase like even we have the 50% to 60% of seasonal requirements. So, like do we have any effect on our gross margin in Q1 or since we are high that we don't see any impact?

**Rishabh Jain:** So, in Q1, we don't see any major impact. In Q2 of course, we'll look into it but in Q1 we don't see any major impact.

**Nitin Gupta:** And secondly, on your A&P spending, so like in FY20 when we sort of signed Amitabh Bachchan, there was a bunching of A&P spending. So, similarly this time around when we have signed in, we have short multiple videos and all. So, do you think A&P spending as a percentage of sales will come down in the following years?

**Rishabh Jain:** Signing up with Amitabh is one thing and it also depends on the marketing strategy. So, largely we are keeping close to 1.7%-2%, there's a marketing budget because this marketing budget, we always keep ahead from all the competitors be it in the consumer mind as well as the distributors in mind. So, this is a branding intention what we planned.

**Nitin Gupta:** My next question would be on your Core market. We have grown at 9%. Can you provide some flavour in terms of how has been the growth in Rajasthan, Bihar, and Assam?

**Manoj Verma:** So, between these three, four states if we look at, Assam has been the highest followed by Rajasthan and then Bihar. Bihar, if you look back, Q2 has not been a great quarter for the industry also in Bihar because of heavy floods what happened early monsoons and all that stuff. So, that's where the growth of Bihar is about 7.8% and the rest both these Rajasthan and Assam are double-digit growth.

**Nitin Gupta:** So, in Bihar, it was 7.8% growth?

**Manoj Verma:** Yes

**Nitin Gupta:** But this quarter, what was the impact? Can you see -?

**Manoj Verma:** So, Q2 was the impact which has brought down the growth, rest of the quarters if you look at or even the exit stuff it's back on track.

**Nitin Gupta:** So, this 7.8% is the full year growth you are saying?

**Manoj Verma:** Yes, correct.

**Nitin Gupta:** How would be Q4?



- Manoj Verma:** Q4 is back at double-digit growth.
- Nitin Gupta:** The next question would be on how is the profitability? Can you provide some flavour on your Core and Focus market?
- Rishabh Jain:** So, largely from profitability perspective, so it's close to 1.5% lower than in the Core market versus in Focus market.
- Nitin Gupta:** 1.5% gap between Core and Focus?
- Rishabh Jain:** Yes, close to couple of percentage.
- Nitin Gupta:** We are looking to grow Western Snack. Can you provide like how we are looking to sort of manage the margin where we have appointed C&F agent and have a local production facility, but the spot is something that Western pricing generally are margin-dilutive proposition. Can you provide some on that how we are to manage our margin?
- Manoj Verma:** See, there has been a paradigm and to a certain extent there also that Western Snack are margin dilutive. Now the reason has been one, but there are more on INR 5 and INR 10 packs, so which is more of air or say low density stuff and hence the cost of logistics becomes by far high. For us, if we look at now, Western Snack is one of the categories where we place or contribution of Western Snack is just 8%. So, therefore it does not impact as much on our bottom line or the EBITDA numbers because we sell a lot of stuff which are identity products like say sweets which is very, very high Papad and all and this tags along over and above this. Therefore, this is one reason that it is not a margin dilutive for us. Second is that earlier it was sold because you could not transport it from say Bikaner to the other corners of the country. But now that factory is coming up in the local area, in the regional area, this further reduces this. And our focus has been not just INR 5 and INR 10, we are into INR 20, INR 30 and INR 50 chips or large packs. So, that's how we look at it and we're pretty conscious in terms of that there is a threshold that our margins would not go beyond this stuff. If it comes to e-shop maybe we'll have to pass the price to the consumer, but not take a hit in this.
- Nitin Gupta:** One last question I wanted to check on is the dividend policy we have. Given like our CAPEX is going to be limited, so how do we see the dividend policy ahead?
- Rishabh Jain:** This year we have given 12%. Besides we did a lot of investment we have also taken care of all the investors. So, overall, in coming our target is to take this current 12% to 20%-25% in the next three to five years.
- Nitin Gupta:** Any thought like we have will be needing CAPEX after maybe 3-4 years or maybe 2-3 years, so how do we want to use the cash generation?
- Rishabh Jain:** So, largely, see currently our major focus is to utilize this capacity. Of course, we are looking at opportunity. If we see any good acquisition opportunity, currently, looks very expensive because this category is very hot as of now. But yes, overall we are looking into some acquisitions also



in the coming years to come. But yes overall currently we are majorly focusing on utilizing this capacity.

**Nitin Gupta:** Since you are talking about acquisitions, what kind of acquisition it's going to be, is it something like if we want to get hold of any market, we will acquire some regional competition like I just wanted to understand like what kind of acquisition we do and will be likely to be?

**Manoj Verma:** So, I think you rightly said that we would look at, say, some local or regional stuff and not that with the lens of the capacity what they have. This would be more from the lens that if we get a leverage their distribution strength.

**Moderator:** The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

**Gaurav Jogani:** I'm just repeating the question on the Western Snack part. You said that yes, we have a bit of more higher price point packs versus the others. But sir still given the fact that even this year we have seen the pricing actually correcting for the Western Snack. So, how should one think about margins in this particular segment because this segment is expected to grow the fastest?

**Rishabh Jain:** So, largely, Gaurav, overall growth what we are planning in Ethnic Snack versus Western Snack, corrected close to 8% of topline and we are engaged in next three to four years, it will be less than 10.5% And the margin gap between the two categories is close to 3% largely. So, it will not impact my overall EBITDA because if 8% goes to 10%, so it will be 0.05% on my EBITDA and there are a lot of other works which we are doing. So, we don't see any major impact of Western Snack hitting my bottom line.

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

**Manoj Verma:** Thank you very much the organizers and the participants who took their time out to join this call. Hopefully, we could answer the questions what you brought up and would be glad to take offline as well if anything you feel was unanswered or you miss asking in this forum. Thank you once again for showing your confidence, interest in this organization.

**Moderator:** On behalf of S-Ancial Technologies, that concludes this conference. Thank you for joining, and you may now disconnect your lines.