PFL/2023 **November 17, 2023**

To
BSE Ltd.
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Phiroze Jeejeebhoy Tower,
Dalal Street,
Mumbai – 400 001

National Stock Exchange of India Ltd.,
"Exchange Plaza",
Bandra-Kurla Complex,
Bandra (E),
Mumbai – 400 051

BSE Scrip Code: 500368

NSE Symbol: PATANJALI

Dear Sirs,

Sub: Transcript of Earnings Conference Call Q2 FY 2023-24 of Patanjali Foods Limited ("the Company')

This is in continuation to our earlier letter dated November 09, 2023 regarding audio recording of Q2 FY 2023-24 Earnings Conference call held on November 09, 2023. Please find attached transcript of the Earnings Conference Call.

The aforesaid information will also be hosted on the website of the Company at www.patanjalifoods.com.

You are requested to take the same on your record.

Yours faithfully,
For Patanjali Foods Limited
(formerly known as Ruchi Soya Industries Limited)

Ramji Lal Gupta
Digitally signed by Ramji Lal Gupta
Date: 2023.11.17 22:43:31 +05'30'

Ramji Lal Gupta
Company Secretary

Encl. As above

"Patanjali Foods Limited Q2 FY24 Earnings Conference Call"

November 09, 2023

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on November 09 2023, will prevail.

MANAGEMENT: **MR. SANJEEV KUMAR ASTHANA – CHIEF EXECUTIVE OFFICER**
MR. KUMAR RAJESH – CHIEF FINANCIAL OFFICER
MR. CHINTAN KOTAK – HEAD (INVESTOR RELATIONS)

Moderator: Ladies and gentlemen, good day and welcome to Patanjali Foods Limited Q2 FY24 earnings conference call. This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions, and expectations of the Company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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

I now hand the conference over to Mr. Sanjeev Asthana – Chief Executive Officer, Patanjali Foods Limited, for his opening remarks. Over to you, sir.

Sanjeev Kumar Asthana: Good morning and season's greetings to all the participants on this call. Thank you for joining us today for Patanjali Foods earnings call for Q2 FY24.

On behalf of Patanjali Foods Limited, I extend a warm welcome to everyone for joining us today on this call. I'm joined by the Company's CFO – Mr. Kumar Rajesh, Mr. Chintan Kotak who is the Investor Relations Head for us, and Investor Relations Advisors – Strategic Growth Advisors. We have uploaded the financial results and investor presentation on the stock exchanges as well as the Company's website for your reference.

Before I delve into our Company's performance, I would like to take a moment to talk about the contours of the market and some recent developments that impacted us and the industry during this period. Following the footsteps of the previous quarter, food inflation continued to persist in the last quarter as well. Macroeconomic factors, environmental and geopolitical tension & conflicts acted as stress points causing an overall subdued consumer demand. The quarter witnessed erratic rainfall throughout the country, affecting rural sentiments. Rural demand, which forms a substantial portion of the overall demand for FMCG products, saw some green shoots towards the end of Q1. However, in Q2, it was affected by the sustained inflation. Further, the delayed festival season affected the overall demand in Q2. Commodity pricing also had an impact on the overall inflation in the country. Despite the decline in commodity prices on a year-over-year basis, it is important to note that the overall input cost table remains at an elevated level. Additionally, we have observed a sequential increase in prices, especially in staples. In the edible oil business, the industry faced multiple headwinds leading to muted performances, primarily due to divergence between prevailing physical market prices and future prices during this quarter echoing our experience in the previous quarter. However, I'm pleased to report that the price divergence in Q2 showed significant improvement compared to the situation we encountered in Q1.

We are also very excited to share with you that we recently have signed a world-renowned cricketer, Mr. M. S. Dhoni, as the brand ambassador for branding and marketing campaigns for our Mahakosh and Sunrich brands. Patanjali edible oils, especially the soya, sunflower, and mustard oil are highly appreciated by the consumers. To further enhance the penetration and acceptance of these products, we have onboarded Mr. Mahendra Singh Dhoni as the brand ambassador. Mr. Dhoni and Patanjali share common values and both enjoy popularity and credibility with the public at large. His commitment to good health and the importance of healthy eating for a better lifestyle resonates with the products offered by Patanjali. We believe that this association will give a boost to our wide range of edible oils.

Coming to our financial and operating performance:

In spite of a challenging backdrop, we delivered a decent performance in both our top line and bottom line for Q2 financial year '24. The growth was led by our Food & FMCG segment. We continue to deliver on our promise and showcased strong growth in the Food & FMCG segment with the help of an expanding product portfolio.

In Q2 financial year '24, Food & FMCG contributed 31.8% of our revenue from operations, which is higher by nearly 666 basis points on a sequential basis. For first half '24, the segment revenue totaled Rs. 4,440 crores, contributing to 28.5% of revenue from operations. Our tactical shift of increasing the contribution of the high-margin Food & FMCG segment to the total revenue is working well for us, and we expect the thrust of demand to continue. The EBITDA of this segment is 15.25% for Q2 FY24 and 16.67% for the full half in financial year '24.

Our extensive range of products cater to our diverse array of customer types and preferences, and the majority of these offerings are experiencing a significant surge and momentum. Breaking that down, Nutrela is one of our strongest brands evolving as an umbrella FMCG brand for us. I'm happy to share that our Nutrela TSP has once again broken a record for highest-ever quarterly sales of 8,918 metric tons which is 11% up from the same quarter last year. Our retail outlet expansion expanded to 3.06 lakh retail points, with a 9% quarter-on-quarter growth.

Our biscuits portfolio continues to maintain strong momentum, with 20.37% year-on-year growth in Q2 FY24 and 28% year-on-year growth in the full half itself of FY24. Our marquee brands such as Doodh Biscuits grew by 28% year on year and Nariyal biscuits reported growth of 68% year on year during Q2. This is backed by our strong distribution system and continued expansion in distribution where our direct retail coverage has reached almost 1 million outlets now. Under nutraceuticals, we have launched new packaging and flavors launched in the sports nutrition and the division has grown in the high-teens. We have also improved our retail coverage registering 1.47 lakh retailers by September '23. Additionally, our distributor network has expanded to include 851 active distributors. These strategic moves enhanced our presence and accessibility in the marketplace. In the previous quarter, we had introduced multiple new products as part of our strategic premiumization initiatives. These included a new range of biscuits including 7-Grain, Ragi, and Digestive biscuits that have been well-received in the market. Expanding its reach, the Company successfully launched Nutrela MaxxMillets and Ragi

Choko in the West Bengal market following its successful debut in the southern markets. Nutrela Maxx Nuts which are available nationwide through the e-commerce platform will be further reaching every corner of India through our network of Patanjali stores. We have strong confidence that the dried fruit category is poised for significant expansion as we broaden our range with the new offerings and flavors.

Our growth during the said period was primarily fueled by customer-friendly products and pricing, strong operational execution, and the sustained momentum in our distribution strength.

Our FMCG products epitomize the perfect fusion of health consciousness and unparalleled taste upholding the core values that define the Patanjali brand. It enables us to strategically position ourselves in a market appealing not only to the masses but also effectively targeting a lucrative niche premium segment. We are committed to becoming a market leader in this space with comprehensive offerings to cater to choices to our consumers.

Now coming to the performance of our edible oil segment in the Q2 FY24, the edible oil segment had a revenue of Rs. 5,421 crores, registering a sequential degrowth due to further falling of prices in Q2. However, the volume has increased by 3% in Q2 FY24 and by 11% year on year in the first half FY24. Our premium oil segment has demonstrated remarkable growth with a year-on-year growth of 49%, which reflects the positive response and demand for our premium oil products in the market. Our branded sales segment maintains a strong performance consistently contributing over 75% of our total sales value. In Q2 of FY24, the edible oil segment recorded a negative EBITDA of Rs. -27 crores against INR of -435 crores in Q2 of FY23 and -97.8 crores in Q1 of FY24.

Let me take a minute here to provide you with an update on our oil hedges which affected our performance in this quarter. The oil hedges have once again shown a divergence from prevailing physical market prices in this quarter mirroring our experience in the previous quarter. However, the price divergence in Q2 narrowed in comparison to Q1. In specific terms, the price divergence in Q2 for palm oil was approximately 3%, a significant reduction from 19% that we experienced in the previous quarter. Likewise, for soya oil, the price divergence in Q2 was 8%, considerably better than the 25% observed in Q1. This quarter exhibited a more favorable level of convergence compared to the previous one. This misalignment in hedges persisted until August in the current fiscal year. While operating in the Indian market, our options for hedging are limited to the BMD in Kuala Lumpur and CBOT in Chicago due to the absence of a local hedging mechanism. Unfortunately, our hedging strategy across various commodity exchanges did not align with the dynamics of the local markets for physical trading. Consequently, the hedges incurred losses which were not fully offset by gains from physical trades. This phenomenon is truly exceptional and unprecedented in the world of hedge business. In risk management, it is indeed rare and extraordinary for us to proactively mitigate our exposure only to witness an unfavorable outcome. Given the current landscape characterized by divergent price movements, it is essential to acknowledge that hedging is not the best feasible option, but it's the only available option right now. However, even though the current market landscape shows divergence, the past trend indicates that the convergence between futures and physical markets is narrowing rapidly, and the trend of normalization is already very visible as we go into the quarter 3 and we are already seeing that this change is occurring.

Allow me to provide you with an overview of our risk management strategies which are integral to our operations. These strategies are carefully designed to both navigate opportunities and mitigate risks in our ever-evolving market landscape. First and foremost, we actively engage in contrapositions on global exchanges leveraging our expertise and technical indicators to make informed decisions about the timing of this. This approach allows us to seize opportunities while prudently managing risks. To maintain agility and responsiveness, we continuously review and replace our physical positions through selling in the marketplace. In line with our commitment to efficient risk management, we strategically replace positions with lower rate purchases. We have carefully reduced our hedge ratios considering the divergent price movements between the physical and futures market. Our hedge ratio, for example, has decreased from 38% at the end of June to nearly 25% by the end of September, reflecting our proactive approach to risk management and our responsiveness to market changes. To ensure our strategy remains aligned with the market's ever-evolving dynamics, we regularly review our risk management strategies Thes reviews serve as a platform for refining our risk management strategy and optimizing our response to market dynamics. To counter this vulnerability, we have strategically diversified our operations and along with government initiatives of making India aatmanirbhar for edible oil, entered the palm plantation business. This decision aligns with our commitment to strengthen our presence in the edible oil sector which actively mitigates risks associated with price volatility.

As part of our strategic move, here are some key highlights. We have successfully developed over 4,500 acres of palm plantation across India in this quarter significantly expanding our footprint in this sector. During the last quarter, we imported 15 lakh seed sprouts which signifies our dedication to scaling up our oil palm plantation efforts. We actively participated in the mega oil palm plantation drive conducted in 7 states as part of the Government of India's initiative underlying our strong partnership with the government efforts. We have signed Memorandum of Agreement with the Department of Horticulture in Andhra Pradesh securing the allotment of 13 new mandals and 3 districts further strengthening our presence and commitment to growth. In line with our expansion strategy, we established 8 nurseries across 5 states providing us with a solid foundation for future growth. Our growth trajectory for coming quarters is expected to be primarily driven by volume as we anticipate favorable market conditions. Festive demand trends that we are seeing on grounds are encouraging. Further, the demand in the current quarter will be fueled by the onset of the wedding season. These trends are expected to have a positive impact on both segments of our business. Additionally, the demand for some of our products such as chyawanprash, honey, and premium dry fruits will be boosted during the winter months.

With all these updates, I would like to summarize our overall financial performance. Our revenue from operations in Q2 FY24 clocked at INR 7821.9 crores with a growth of 0.71% Q-on-Q and negative 8.13% on year-on-year basis. The total income recorded is Rs. 7845.8 crores. The EBITDA for Q2 of FY24 increased by 97.75% on quarter-on-quarter basis and stood at Rs. 419.20 crores, while EBITDA margins improved to 5.34% versus 2.7% in Q1 of FY24 and

2.41% in Q2 of FY23. The PAT for the quarter was Rs. 254.54 crores versus Rs. 112.29 crores in Q2 of FY23 and the PAT margins improved to 3.24% from 1.12% in Q1 of FY24 and 1.32% in Q2 of FY23. We continue to export to 23 countries with a value of Rs. 41.65 crores.

In the first half of FY24, the numbers stack up as follows. Our revenue from operations is INR 15,588.99 crores. The total income recorded is Rs. 15,656.3 crores. Our EBITDA declined from Rs. 755.95 crores in the previous year to Rs. 631.2 crores. The EBITDA of last year included the preference share income of Rs. 149 crores as well just by way of record. Our PAT recorded at INR 342.3 crores.

With this, I conclude the call. Thank you all for your patience. If you have any further queries, please contact SGA, our investor relations advisors. I'm very happy to field your questions.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Abneesh Roy from Nuvama Institutional Equities. Please go ahead.

Abneesh Roy: My first question is on the hedging losses' impact. We have seen the past few quarters for both you and the No. 1 player in edible oils, there has been a big impact. My question is what is the impact on the local regional players, smaller players, and unlisted players in the edible oil? From a hedging losses' perspective, how have they managed? Do they have the same kind of very strong hedging policy which has not worked for you and the No. 1 player? But do they have such things? If they don't have, has that helped them in the business because then they would not have those losses? If you could comment on their hedging policies. And in terms of real market share - I'm not referring to the Nielsen market share - in terms of your own gut feel in terms of how they have done in terms of the volume growth, that will be very helpful.

Sanjeev Kumar Asthana: There are 2 sides. One is that several of the smaller players do their hedging pretty much in the similar exchanges. I would not like to comment in terms of the caliber and the quality of policies that they have, but in general, the impact across the board would be pretty much the same for all the players. The difference is that the distribution reach that the players have and also the brand loyalty with the customers display and where they are willing to pay a premium for the products that are being offered by Company A versus Company B. From an impact perspective, to answer your question, it's pretty straightforward that they are subjected to pretty much the same market dynamics with most of the edible oil prices which are imported are pretty much working on the pass-through basis. And thereafter, the change happens in terms of the efficiency of operations, the cost of manufacturing, the brand loyalty, the distribution, etc., and that's where the differentiation comes in. If you were to compare, let's say, a larger player and the one you referred to also and people like us, they would tend to be more proactive in how they manage the pricing, the working capital cycles, the distribution, etc., and which I would imagine for the smaller players while they may have the benefit of being more nimble and smaller, but typically the macroeconomic forces would tend to impact everyone pretty much in the same way. And what is also one trend we are witnessing right now is that as you can notice that the volume growth year-on-year basis for the larger players is tending to favor them more on account of the volatility in the market, on account of the working capital that is required versus the smaller players. So, I would imagine that some part of share loss is happening in very small players and mid-sized players as well, who are finding it exceedingly difficult in the last 1 year to deal with the market volatility.

Abneesh Roy: My second and last question is on the downtrading which is being felt across many FMCG categories. If you could comment how you are able to meet that and is that a big concern? Because, edible oil, clearly, customers play between quite a few brands. Whichever has their promotion from the modern trade, e-commerce, or say lower pricing in the general trade also, they do shift there. Your thoughts on how the industry is grappling? Because, this is a very common trend across many FMCG. And related to that, in terms of Dhoni as brand ambassador, would you increase your overall mass media advertising also? I understand Dhoni himself will charge. But the bigger question is in terms of mass media secondage, will there be a sharp ramp-up next 1 or 2 years?

Sanjeev Kumar Asthana: To answer the last part of your question, sir, yes, absolutely. We will ramp up our advertising, both at ATL and BTL levels. We are increasing our distribution reach. We are adding a lot of traction with the new SKUs that we are offering to the consumers. This part definitely will remain. In terms of the switching of loyalty between different brands by the consumer, I think it is very much common across the board. And the only part I will say the difference is that where the traction is very strong with the brand, especially the core loyal base of customers who typically would comprise about between 75% to 80% would tend to stay with the brand and the 20% who are switching between the brands owing to various reasons - the pricing factor or the affordability or otherwise - would tend to switch. But I think 75% to 80% would tend to stay loyal with the Company, which is why we see that pretty much the branded part of our portfolio is pretty consistent as we are seeing in the numbers, and that number between 75% to 80% will always remain.

Moderator: The next question is from the line of Dhiraj Mistry from Antique Stock Broking. Please go ahead.

Dhiraj Mistry: Can you help me with the revenue breakup in FMCG between foods, biscuits, nutraceutical, and other businesses?

Sanjeev Kumar Asthana: Basically, in the food business (acquired from PAL), our revenues were Rs. 1,831 crores versus the previous quarter where we had Rs. 1,354 crores. There is a sharp spike that we saw in the revenue numbers. Likewise, our biscuits & confectionery recorded a very handsome gain. We were Rs. 455.58 crores versus Rs. 381.16 crores in the previous quarter. In Nutrela, which is our core protein-based business, the premium brand, our revenues were Rs. 187 crores versus in the previous quarter of Rs. 155 crores. And in the nutraceuticals, our revenue was Rs. 14.53 crores versus Rs. 62.47 crores in the previous quarter. There was a negative EBITDA of 21% in Nutraceuticals that we saw and I will explain the reasons for that as well.

Dhiraj Mistry: What we have seen is that there is a massive growth in foods business. Earlier, before this quarter, we were talking a run rate of somewhere around Rs. 2,000 per quarter for our foods business, and this quarter, it is more of a 2,400 kind of run rate. What would be the steady state quarterly FMCG run rate in terms of revenue what we can expect going ahead?

Sanjeev Kumar Asthana: We have maintained pretty much the same level. And I will explain the big jump that we saw, the reasons for that. It's pretty much we have said that 15% growth is what we anticipate in our FMCG space and we will maintain that growth momentum as we go forward on an overall basis. Now, some segments are faster. As I just mentioned that biscuits & confectionery grew at 20% and Nutrela is picking up momentum now with the added new categories, i.e., the new product lines that we have introduced, with an EBITDA of 19%. And the food is also gaining momentum. Many times in certain quarters because of the nature of our business, some parts of the staples also tend to have a sudden pickup in the demand. That helps in foods, but overall, our projection is that we should maintain a regular run rate on an overall basis of 15% year on year.

Dhiraj Mistry: The second question is on the margin. The 14.8% or let's say 15% EBITDA margin is quite commendable, but this is still lower than our long-term average or sustainable average of 18% what we had earlier guided. Can you explain the reason for this 15% EBITDA margins versus 18% guidance?

Sanjeev Kumar Asthana: What happened was that during the quarter, our substantial amount of revenue came on account of the pickup in the staples demand owing to the festival season and the wedding season which is ensuing and the staples typically tend to have lower margins which push us down on the margin construct. That is one. Second is that on the nutraceutical side, we had some decline in the margin. These are the 2 reasons why the margin was lower. If we take out the staples, at least the increased portion of the staples and normalize in the nutraceuticals, your margin would be typically pretty much in the same range of 16% to 18%.

Dhiraj Mistry: Sir, my next question is regarding the oil business. Now that on a sequential basis, our EBITDA losses have reduced, but going ahead, now although commodity price being slightly volatile as of now also, but can we expect that for the full year basis we can expect EBITDA neutral for all your business where second half would come back to the positive trajectory?

Sanjeev Kumar Asthana: Whether it will be EBITDA neutral or positive, I think the signs are healthy right now. We are clearly seeing a way more reduced volatility. The domestic demand has picked up very well at the back of the festival season as well as the weddings. And I'm expecting that potentially it could not just be neutral, it could also be more positive. We are wiser with the changes that we saw, we are proactive, and right now even the macroeconomic numbers and the features of the commodity market at both the futures and the domestic levels are showing a lot of promise. So, I am very optimistic that we should do a lot better in the edible oil category in this quarter and the next quarter.

Moderator: The next question is from the line of Akash Mehta from Capaz Investments. Please go ahead.

Akash Mehta: My first question was on the nutraceutical range. I just wanted to get your outlook on that since we have introduced new products and we have also onboarded a new head for this department a few months ago. How are we looking to grow this and what would be the target in the near term?

Sanjeev Kumar Asthana: Nutraceuticals basically is dealing with two parts of complete rationalization of our portfolio and complete relook at the overall distribution structure, the retail expansion, etc. The markets have been less predictable, even though while we would like that it sequentially continues on the growth path. For example, some of the overhang in the earlier quarters continued for 2 distinct quarters. We saw a very good pickup in the first quarter, which has declined in the Q2. And my anticipation is that as we rationalize and expand on our distribution, we bring in our new products and redesigned offerings that we are giving more contemporary, better structured, which is a learning for us too and add newer products to the range, I'm expecting that nutraceuticals overall should continue to get not only better, it should also become one of the mainstays of our overall business in terms of the FMCG portfolio that we have. Whether it will happen in this quarter itself, I'm not able to give a guidance on that, but overall, I'm optimistic for the full year, we should certainly be a lot better than what you are witnessing in this quarter. I'm still positive that it's going to be a high-margin high-growth category. It is just that we have to make sure and which we are working toward that our offerings or the products sort of fine tuning the changing demand of the customers and what efforts that we are doing are going to start fulfilling the basic consumer aspiration and the Company's offering as well. That bit ideally could have happened sooner, but I think we are going through that process of learning and rationalizing and regrouping ourselves in terms of how we offer it to the marketplace.

Akash Mehta: On the second question, I just wanted to know for our biscuits & other Nutrela products, if you could just give me a geography-wise division if that is available.

Sanjeev Kumar Asthana: Geography-wise, one is that it is pretty much universally sort of growing. And as I mentioned in my remarks that both have been nothing short of spectacular in how we have gone about building that business at the back of distribution and high quality products that we have. Between the regions if I were to say and precise numbers I can share with you in a separate call, but pretty much we would be evenly divided. North would be the highest followed by the eastern part of the country, then the western part of the country, and then the south. North share would be pretty much…. if I were to add north and east, it would be about 65% and the balance 35% would be between west and southern India. Two changes which are there, there were certain white spaces on the distribution side that we are covering and expanding our reach further into the northeastern part of the country and southern part of the country, which are still, in terms of the penetration, we believe there is a lot more opportunity that we have to expand our reach.

Moderator: The next question is from the line of Yug Mehta from EP Capital. Please go ahead.

Yug Mehta: For dry fruits, do we just pack what we are importing or do we do some value addition like adding flavor or creating a trail mix?

Sanjeev Kumar Asthana: That is part of the plan now as we go forward. Right now what we are doing is that the almonds we are processing when we bring it into the country and simply decorticating and putting it in the packs. But in terms of the flavors, variance, etc., that we have not yet started. That is on cards and you will see that hopefully by the year-end we will start offering our variance on the flavors and the spice sort of offering that we will have. Currently, it is pretty much a straight offering that we have and we will also be adding more products also. In terms of dates and the more value added higher-end dry fruits, that we will start expanding on.

Yug Mehta: Also, what is our current capacity for dry fruits and what is the outlook on the same?

Sanjeev Kumar Asthana: Outlook is very positive. I have mentioned that before also that it's a large category. India is one of the fastest expanding markets. The consumers are increasingly becoming more discerning and more oriented towards buying from better brands. There are a couple of successful examples which are there. Patanjali already is there in the dry fruits category and which are exceedingly well received. This range we have launched under Nutrela. Our plans are large. In terms of the guidance, it's very early stages. Right now we are on e-commerce. In the next few weeks, all our stores, more than 5,000 of those, will start carrying the dry fruits on their shelves. Thereafter, we are going to be reaching out to modern trade and general trade. At this point of time, it's very early days, just about less than 4 weeks since we went live. This is going to set to grow. Numbers guidance I don't have right now. We have got ambitious plans, and we will keep you posted as we go forward in the next few quarters.

Yug Mehta: In the last call, you mentioned you will be expanding into dates in the dry fruits range. Is there any updates on that?

Sanjeev Kumar Asthana: I had just mentioned to you that within the later part of this quarter or early part of next quarter, the dates and the other products we will be adding to the portfolio, which will start getting offered to the marketplace. That work is already going on.

Yug Mehta: Do we have any CAPEX plans for this year and the next year?

Sanjeev Kumar Asthana: As I have mentioned that our CAPEX cycle is pretty much between Rs. 80 crores to Rs. 100 crores year on year, which is largely in routine maintenance and certain new CAPEX that we do in terms of the nurseries or certain packing machines or otherwise. There are no large CAPEX plans which we have on an immediate basis, but certainly, in year 4 and 5, we will have a larger CAPEX which we will be incurring but nothing major this year.

Moderator: The next question is from the line of Kuldeep Gangwar from ASK Investment Managers. Please go ahead.

Kuldeep Gangwar: Can you please share that margins being achieved across different segments like acquired Patanjali or with our business Nutrela, biscuits, and nutraceuticals?

Sanjeev Kumar Asthana: In the acquired business, our margin was 14.02%. In the biscuits and confectionery, our margin was 20%. In the Nutrela basket, our margin was 19%. The base is very small, so percentages don't matter. We were Rs. 3 crores negative in nutraceuticals, which on the margin basis is about 21%.

Kuldeep Gangwar: What should be the expectation for the second half? Whether there should be some seasonality expected or it's quite similar to the first half in the FMCG part?

Sanjeev Kumar Asthana: On the percentage terms, Kuldeep, we should do a lot better because as I mentioned earlier in my call, 2 parts of this. There is a drop of almost close to 100 basis points on an overall basis, led by 2 parts. One in our expanded sales of staples that we had in the foods category; the rice and pluses, etc., which is the demand-led offering that we do. And second was on the nutraceuticals. Otherwise, we would have been pretty much on course for the guidance that we have for FMCG businesses between 16% and 18%. We would have been pretty much there. I don't have the exact math right now for that, but minus staples and the nutraceutical neutralization, we would be pretty much there.

Kuldeep Gangwar: On a full-year basis, nutraceuticals should be how much in revenue terms?

Sanjeev Kumar Asthana: In revenue terms, it looks like we have more work on hand to do. We are still hopeful that we should end the year between Rs. 150 crores to Rs. 200 crores, which is a bit of rationalization that we have done. But we are pretty much positive that this negative sort of P&L which is appearing on the lower base of sales for no other reasons, I think this we should be able to correct and move forward. I think on a full-year basis, I would anticipate right now that we should be anywhere between Rs. 150 crores to Rs. 200 crores.

Kuldeep Gangwar: Edible oil plantation revenue and EBITDA contribution this quarter?

Sanjeev Kumar Asthana: Edible oil on the side of the palm oil; for example, on the palm plantation, we did about a revenue in the second quarter which is a low season, was about Rs. 315 crores, our EBITDA was Rs. 52 crores, and the percentage of margin is 17%.

Kuldeep Gangwar: In the second half, whether it's reasonable to expect that edible oil segment margin should be normal like the range generally you discuss 2% to 4% margin or say 3% margin?

Sanjeev Kumar Asthana: Attempt is pretty much that. There are 2 trends in the marketplace right now that the prices are on an uptick which tends to benefit us always on the physical market side as we are seeing more demand and the supply side is more challenged owing to various reasons. The El Nino effect what we are likely to witness in southern America and that's the peak planting season, I think, should be largely helpful. For example, our revenue this quarter was Rs. 5,421 crores. So, my anticipation is that if we keep the same revenue even though we are expanding, we in the next 2 quarters should be closer to about between Rs. 10,000 crores and Rs. 11,000 crores in terms of the revenue. And margin construct-wise, I think it should be significantly better because I think the worst is behind us - this whole divergence between the futures and the domestic prices. So, I think pretty much, keeping fingers crossed, we should be able to recover what we lost in the first 2 quarters. And on an annualized basis, we should be pretty much either EBITDA neutral or on the positive side because we should be certainly even if we look at an average range size of, let's say, between 2.5% to 3%, I think we should be pretty much be able to recover over the next 2 quarters what we lost and should be able to show profits in these 2 quarters.

Moderator: The next question is on the line of Amit Shah from Ace Securities. Please go ahead.

Amit Shah: Sir, how is our palm plantation business looking as we speak? And is there any more land that we are looking at to get allocated?

Sanjeev Kumar Asthana: The palm plantation business, as you know, is a little longer term in nature. We are continually expanding and moving forward in that. Our growth rates are very decent. And as I mentioned earlier, in this, we have added 4,500 hectares afresh. We have signed up with newer people; with the government of Andhra Pradesh, 13 new mandals. So, from the access to the availability of land to farm on is quite high. We have set up a large number of nurseries now both in the northeastern part of the country as well as we already had existing nurseries. We have added a series of nurseries. We have imported nearly 15 lakh sprouts in this quarter. That is going quite well. That partly I am pretty confident that it's an execution-led play now. That is what we want to check on. The whole part is that the progress in the northeastern part and the southern part of the country is quite satisfactory. I am quite optimistic that we will not only keep pace with what the projections that we have made and we are continuously improving and getting better at that now. We have set up nearly 75 farmer producer organizations. By adding each of them, we would have a large number of farmers. In terms of a readymade pool of farmers to get access and start planting our oil palm sprouts and the seedlings, we are very optimistic that this is going to go far and it is certainly getting a lot better.

Moderator: That next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Just 2 questions. In the beginning, the biscuit business has shown a very strong traction and Doodh biscuit has been growing ahead of 25%. This is largely distribution led or there is a volume growth also which is picking up on the biscuits?

Sanjeev Kumar Asthana: This growth is obviously volume led. Because the price in the categories of biscuits tends to remain in a tight band, much more efficient handling of our sourcing, which has shown a very solid margin this quarter. We have done at both levels. As I mentioned that we are nearly now reaching a million retail outlets, we are expanding distribution to all the white spaces where we had lesser coverage which we did not have defined and the volumes are also sequentially increasing. We are witnessing 2 trends on the biscuits side. One is that the market for premium products for our offering is looking positive to good. That is gaining traction. We have a series of new launches which are lined up. And the second trend is that the stronger brands like Nariyal and Doodh biscuits are gaining a lot better traction compared to the other offerings in the marketplace because the overall category is not expanding at the pace that we are expanding. So, the same locations with a better distribution are showing a better trend. Newer locations as we are adding are of course adding to the volume of the same. And I expect this trend to pretty much continue, as we go forward into the next 2 quarters.

Shirish Pardeshi: What I wanted to check with you is this 20.6% growth we have reported YoY. Is it safe to assume that two-third will be price and one-third will be volume or half-half?

Sanjeev Kumar Asthana: I would say that it will be 50% volume and about 50% on price.

Shirish Pardeshi: Second, on the nutraceuticals. I wanted to have a little more clarity. You mentioned that there is some more work which you want to do. What is it that and when we can see the result? And the other question is that this nutraceutical business is going through a similar channel for FMCG or we have a specialized field force and channels for delivering these products?

Sanjeev Kumar Asthana: We have a specialized channel as you know that nutraceutical doesn't go through general trade channels in any case. We have this quarter gaining a lot of traction on the e-commerce and B2C. For example, 31% of our sale is happening through e-commerce channels now and that is looking very positive. Similarly, we have got dedicated chains which are doing health products, especially pharmacies and more specialized health chains that we have. So, it's gaining except that the reason part of that as you said more work to be done. So, it is not so much about distribution. There is a demand and there is a growth that we are witnessing. The point is of fine-tuning our strategies and growth which is building up. And from a channel perspective, we are also using our AK/CK channels also. For example, our mega stores, our arogya kendras, and chikitsa kendras have also been exceedingly helpful in terms of our overall growth that we are witnessing. So, my expectation is that clearly in terms of work to do are basically our product range, refinement; continuously responding to the changing market needs, and adding different categories and different products. That work is continuing and we will do our distribution at the same pace as what we have done so far and take it forward.

Shirish Pardeshi: My last question is on the margin front. Though it is impressive that they have improved the EBITDA margin at 5% to 5.5% range, given the volatility into the edible oil, and I think there are a lot of things which most of the players are seeing in terms of hedging and other instruments, barring apart that part, the rest of the part where we see the input raw material prices are slightly on a negative territory. In fact, milk is also expected to have deceleration in the second half and sugar is also going to look benign. In that context, should we look at reaching 5.8% to 6% or we will remain at 5% to 5.5% margin? Your qualitative comments on that.

Sanjeev Kumar Asthana: Overall I think barring all the points that you mentioned are correct. I think prices while they look benign but as slightly 1 or 2 deviations are there, especially in the case of wheat, etc. The edible oil prices, are trending to look after having gone through the cycle of dropping substantially, seem to be on an upward tick actually. So, 2 trends will define the profitability. One is that obviously the input prices of raw materials, I think, is really very critical for us. And in certain areas like the benefit in the Q2 that came because in the biscuits category, we clearly were beneficiaries on account of the lower prices on the edible oils; the sugar prices, the wheat prices, etc., which were more in control. I think it will benefit. In terms of the overall uptick whether we head towards closer to 6% to 6.5%, we will have to wait and see. But broadly, our targets are two-fold. One is to stabilize our FMCG business portfolio entirely between 15% and 18% range, which is our clear objective, to get edible oils back between 2% and 4% in these 2 quarters. Hopefully, the market looks supportive. So, I'm quite confident that we should get there and make sure that we continue our strategy of expanding our distribution, building up further premiums into the edible oil brands that we have in the marketplace with the new brand ambassador, and work on more launches of the premium products. Yes, the whole idea is that we want to expand our margin construct by adding newer and more premium categories to the portfolio that we are offering to the consumers.

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

Niraj Pahlajani: I just wanted to know what should be the growth guidance overall in terms of top line and bottom line in the current year and the coming years. Tentatively, what can we expect?

Sanjeev Kumar Asthana: Current year our growth guidance I just mentioned that we would like compared to the overall last quarter's more in the direction of keeping that growth momentum on the FMCG side between around 15% plus growth in revenue terms, margins of between 16% and 18% EBITDA, edible oils we did have a challenge in the first 2 quarters. I am hoping that we not only recover, but we post positive numbers. And in the next 2 quarters if we can hit closer to between 2% and 4% EBITDA margins, we will be very happy. And in the years to come, it's pretty much the same guidance that the growth will come from 2 sides. One is that new product categories that we add, newer business categories which we might add to our portfolio, and the organic growth that we are witnessing in our business and wanting to maintain that. And if we continue to over a longer period of time since you asked that question that, how do we take our EBITDA margin towards the double digit is the core objective over the next 5 years that we would like the EBITDA margin on a blended basis closer to 10% and which is where the Company is directionally headed.

Niraj Pahlajani: One last question, Sanjeevji. Since we know palm oil plantation is a little bit of a long term kind of project, by when we can expect that palm oil plantation business will start contributing to our revenues? How much time approximately?

Sanjeev Kumar Asthana: Incidentally, palm oil plantation actually already supports our revenues quite a bit. For example, in the first half of this year, we have done Rs. 600 crores in the revenue and had an EBITDA of nearly Rs. 100 crores from that. Palm oil business is a consistent revenue generator. It's almost like an annuity income. A year before, it was Rs. 162 crores. Last year if I remember it right, it was upwards of Rs. 220 crores. This year now we are getting into the peak season. I'm quite optimistic that we should have pretty much similar numbers. The new plantation that we do, yes, they have a longish gestation, but the growth in the current plantation and how it is going to yield income to us, that will continue at the same momentum as we go forward.

Niraj Pahlajani: What would be the kind of growth we can expect in the current plantation which has already been done?

Sanjeev Kumar Asthana: Every year, nearly 5,000 to 6,000 hectares continue to get added to the revenue generation because what we planted 4 years back will start yielding results now. Typically, the organic growth rate is about 10% year on year. In 4-1/2 years' time, you will see a substantial peak of the new plantation that we are doing. Then, the growth momentum will be exponential. But that is we will have to wait for a couple of years before these current plantations that are happening in last year and this year. And from next year, you will see a huge uptick in the plantation because there is a 15-month gestation between getting the sprouts, planting them in the nurseries, and giving to the farmers. And after that, the farmer takes about 4 years before the fruits will start coming and start yielding results. A big uptick will happen probably in 4 years' time. But sequential growth of 10% to 12% year on year will continue.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Sanjeev Asthana for his closing remarks. Over to you, sir.

Sanjeev Kumar Asthana: I really appreciate high-quality questions. And thanks for joining us on this call. We have a lot of ambitious plans for the Company to continue the growth momentum that we have witnessed. The market keeps throwing its own challenges and the effort is how do we neutralize those challenges, how do we make our business more consistent, and how do we bring more predictability to certain areas. One or two areas we still need to deal with and work through are in the FMCG space. Edible oil as everyone knows and is witnessing that while it's a challenging place, but I want to just repeat again that it's an attractive business from two filters. One is there is a growth momentum in the country. There is some consolidation that we are witnessing which is going on for nearly the last 2 years now. And the consolidation will tend to benefit the larger players who both have the wherewithal to deal with the volatility, their financial strength to deal with the working capital requirements, and above all are able to build up a distribution and the brand reach. That is what continues. And I am reasonably confident that in the coming months, you will hear more premium launches, newer product categories getting added to our portfolio, and there should be a good momentum in the overall business.

I wish to greet and wish you all a very happy Diwali to you and your family. A very happy trading, Happy New Year ahead. With this, I would like to close my remarks.

Moderator: On behalf of Patanjali Foods Limited, that concludes this conference. We thank you for joining us. And you may now disconnect your lines.