HINDUSTAN FOODS LIMITED
A Vanity Case Group Company
A Government Recognised Two Star Export House
Registered Office: Office No. 3, Level 2, Centrium, Phoenix Market City,
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Date: February 13, 2025

To, The General Manager Department of Corporate Services BSE Limited Floor 25, P. J. Towers, Dalal Street, Mumbai- 400 001 Tel: (022) 2272 1233 / 34 Company Scrip Code: 519126	To, The Manager, National Stock Exchange of India Limited, Listing Department, Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400 070 Company Symbol: HNDFDS

Dear Sir/Madam,

Sub: Transcript of Analyst/Investors conference call held on February 10, 2025

Ref: Pursuant to Regulation 30(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

With reference to our letter dated February 4, 2025 intimating you about the conference call with Analyst/Investors which was held on February 10, 2025, please find attached the transcript of the aforesaid conference call.

The above information will also be available on the website of the Company i.e. www.hindustanfoodslimited.com.

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully,

For **HINDUSTAN FOODS LIMITED**

Bankim Dilip Purohit
Digitally signed by Bankim Dilip Purohit
Date: 2025.02.13 17:27:37 +05'30'

Bankim Purohit
Company Secretary and Legal Head
ACS 21865

Encl: as above

VANITYCASE
INTEGRITY INITIATIVE INNOVATION

"Hindustan Foods Limited
Q3 & Nine Months FY '25 Earnings Conference Call"

February 10, 2025

MANAGEMENT: **MR. SAMEER KOTHARI – MANAGING DIRECTOR – HINDUSTAN FOODS LIMITED**
MR. MAYANK SAMDANI – GROUP CHIEF FINANCIAL OFFICER – HINDUSTAN FOODS LIMITED
MR. GANESH ARGEKAR – EXECUTIVE DIRECTOR – HINDUSTAN FOODS LIMITED
MR. VIMAL SOLANKI - HEAD EMERGING BUSINESS & CORPORATE COMMUNICATIONS, HINDUSTAN FOODS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Hindustan Foods Limited's Q3 and Nine Months FY '25 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 of the date of this call. These statements are not 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. Sameer Kothari – Managing Director. Thank you and over to you, sir.

Sameer Kothari: Thank you, Michelle. Good evening, and welcome to our Q3 and Nine Months Financial Year '25 Earnings Conference Call.

I am joined on the call by Ganesh Argekar – Executive Director; Mr. Mayank Samdani – Group CFO; Mr. Vimal Solanki – Head (Corporate Communications); and SGA, our Investor Relations Advisor.

I hope everyone has had a chance to go through our Updated Earnings Presentation that was uploaded on the exchange and our company website. By this time, I am sure you are tired about management talking about the persistent slowdown in the FMCG sector, so I am going to skip that part. As far as the effect of the Union Budget, we at HFL are as hopeful as everyone that this should lead to the rejuvenation of the consumption story.

So, instead of talking about this, I am going to take this opportunity to explain how certain decisions taken by our company are helping us deal with the current situation. Our diversification into different product categories like ice creams, OTC pharmaceuticals, beverages and footwear is beginning to yield promising results. While it is still early days, I do believe that in the next two to three years the business profile of the company will be different from what it was two to three years ago when we first saw the signs of the impending slowdown.

We are excited about the strong momentum of our ice cream business as we prepare for the upcoming season. As a part of our growth strategy, we initiated a greenfield project in Nashik and are working on another greenfield project in the North. Furthermore, we are set to launch our backward integration strategy with the commencement of ice cream sticks manufacturing in April 2025. With these additions, the ice cream business will account for as much as one third of the gross block of the company by FY '27.

We have accordingly taken steps to strengthen our leadership team by designating the ice cream division as an SBU, which will be headed by Mr. Manoj Patani, an alumnus of ICT Mumbai, with a postgraduate degree in marketing from IFB, Hyderabad. Manoj brings nearly two decades of experience to this role and we are confident about his leadership and about his ability to grow this business.

A similar story is being played out in the shoe business, where the tailwinds in the industry, combined with a gradual stabilization of the acquired assets, gives us confidence to say that the shoe business should contribute as much as 15% to 20% of the turnover by FY '27. With three factories in the beverage industry and the successful ramping up of the Baddi facility, we are also eager to scale up in these two segments and are actively looking for growth opportunities.

These concerted efforts underscore our proactive approach to navigating markets' uncertainties, while positioning ourselves for sustained expansion and growth. I will now hand over the call to Ganesh Argekar – our Executive Director, to brief you on the operational highlights.

Ganesh Argekar: Thank you, Sameer. And good afternoon, everyone. I would now walk you through the operational and business highlights for Q3 and nine months FY '25.

Our OTC division in Baddi has successfully scaled up operations. Encouragingly, we have secured an additional customer for this facility and anticipate the commencement of production by the first quarter of FY '26. Furthermore, we expect to resume dispatches to Russia within the same time frame, making a significant milestone in our international business.

Our footwork division continues to make strides in efficiency. While challenges persist, we believe that we are on the right trajectory. Operational improvements in our local factories and ramp up our southern factories position us well for the future expansion. Moreover, the government's recent budget announcement highlighting footwear as a priority sector further strengthens our confidence in the long-term potential of this business.

The beverage division has made notable strides in fortifying its market position. We have recently commenced the production of DOY packs for an existing beverage client, enhancing our product portfolio. Moreover, the seamless integration of the newly acquired bottled-water plant in Odisha has further reinforced our capabilities in this segment.

Our CAPEX for the new ice cream factory in Nashik is progressing and we are expecting commercial production from April '25. Additionally, we hope to start manufacturing ice cream sticks by April '25, which will mark our first foray into backward integration of the ice cream supply chain.

All our practices continue to perform along the expected lines. The turnover of some of the practical eliminated due to community inflation. Due to our business model, the bottom lines remain consistent.

With this, I will now hand out the call to Mayank Samdani – our Group CFO, to take you through the Financial Results for the Quarter and half year ended 30th September, '24. Thank you.

Mayank Samdani: Thank you, Ganesh. I will now run you through the Financial Performance of Q2 and nine months FY '25. First we will talk about the Financial Highlights of Q3 FY '25.

Total income increased by 21% to Rs. 886 crores from Rs. 730 crores in Q3 last year. EBITDA increased by 37% to Rs. 79 crores from Rs. 58 crores in Q3 last year. PBT increased by 35% to Rs. 39 crores in Q3 FY '25 from Rs. 29 crores in Q3 FY '24. PAT increased by 30% to Rs. 29 crores in Q3 FY '25 from Rs. 22 crores in Q3 FY '24.

Now we will talk about the consolidated Financial Highlights for nine-month FY '25:

The total income increased by 30% to Rs. 2,643 crores from Rs. 2,027 crores in nine months FY '24. EBITDA increased by 38% to Rs. 227 crores from Rs. 165 crores in nine months FY '24. PBT increased by 20% to Rs. 107 crores from Rs. 90 crores in nine months FY '24. PAT increased by 13% to Rs. 79 crores in nine months FY '25, from Rs. 70 crores in nine-month FY '24.

Revenue for Q3 FY '25 remained stable sequentially, but registered growth compared to the same period last year, driven by the contribution from the Baddi facility and the shoe business, which was not part of FY '24 financial. Notably, profitability saw a significant improvement both quarter-on-quarter and year-on-year as the Baddi factory has now begun making a positive impact and the integration of the shoe facility is progressing in line with expectations.

On the capital front, the company successfully converted warrants amounting to Rs. 120 crores by the end of December, which we plan to strategically deploy into new projects over the coming quarters. Subject to the weather conditions, we expect our seasonal businesses to perform well in the next few months. And with the shoe business approaching profitability and multiple new initiatives gaining momentum, we remain confident in our ability to drive sustained growth and enhance profitability moving forward.

With this, I would like to open the floor for the question.

Moderator: Thank you very much. We will now begin with a question-and-answer session. The first question is from the line of Vishal Gutka from HDFC Securities. Please go ahead.

Vishal Gutka: Yes. Hi, team. Hi, Sameer and team. Congratulations on the excellent set of numbers. Ganesh, one thing you mentioned in regards to backward integration for ice cream, so what exactly did you highlight you are planning to manufacture cones or what are you trying to do, if you can throw some light on that?

Ganesh Argekar: Hi, Vishal. So, back for integration primarily is into ice cream sticks, okay. Let me explain to you what we intend to do. Right now, presently, the ice cream sticks are used for production are all imported. It is made-up of birch wood. And we plan to have a manufacturing line next to our factory. This is what we intend to do with the ice cream facilities coming up in a couple of locations that I mentioned.

Vishal Gutka: And what will be the CAPEX involved for this? Is it a meaningful CAPEX or not a very relevant number?

Ganesh Argekar: I would say not a relevant number as such. This is a trial project that we intend to do. And if it is successful, we will put up factories across different locations because the cost of freight is very high as compared to what we manufacture in-house.

Vishal Gutka: Got it. Another question, Sameer, to you, given that recently government has announced of incentive in the budget for the footwear sector. If we can just broadly highlight how it should benefit to you and the recent investment you are planning to make in Karnataka, what kind of revenue we should see? Because I think North and I think Tamil Nadu we have one more plan, it is another state we are planning to enter. Can you just broadly highlight your strategy, is it going to be more distributed manufacturing for footwear, how is it going to happen?

Sameer Kothari: Sure. So, Vishal, before I talk about that, let me just circle back to what Ganesh was trying to say and elaborate on that. For us, this is a test balloon in terms of being able to get into the backward integration of ice creams. I want to take a minute just to explain the overall scenario as far as the industry is concerned. We continue to see momentum in the ice cream sector and what we are trying to do is we are trying to see if we can get a better or a bigger wallet share as far as the entire value chain is concerned. While the CAPEX of the ice cream sticks is very low, from a particular perspective, of the packs that we will be manufacturing a huge quantity of ice cream across these three factories, we believe that that can end up becoming an interacting way for us to get into backward integration.

Coming to shoes, you are right, the government has promised to announce incentives for the footwear industry. I am not sure that there are any specific proposals which have been announced as yet. On the other hand, the government has also announced a reduction in the import duty as far as footwear is concerned. So, from that perspective, we do believe that, yes, manufacturing of shoes will definitely grow in India for all the tailwinds that we have been talking about for the past few years. And it should gather steam in the coming years.

As far as our decision to venture into Karnataka, that's got to do with, you are absolutely right, we are looking at trying to decentralize our manufacturing. We do have facilities up in the North. We have set up a new facility in the South. We started work on that facility somewhere in September of last year. And like we mentioned in our opening remarks; I think that the facility has now started ramping up. And we expect that by March that the facility should be able to ramp up to its full capacity.

To begin with, the Karnataka factory will be the same size in terms of the capacity as our Chennai facility. And as time progresses and as we go up the learning curve, we will try and expand that. You have to bear in mind that in case of shoe it is not the CAPEX which drives the ramping up, it's the training of the people and the hiring of the people. That's why even in the South it has taken us nearly six months to reach the capacity utilization that we wanted in spite of having the demand and in spite of having hired the people nearly six months ago. So, in the case of Karnataka, we do expect a similar kind of a learning curve. But fundamentally, we are quite bullish about it.

Vishal Gutka: Got it. Just last question from my side. OTC, now I think Russia also you are planning to supply for 1Q '26 and I think you have got one more customer out over there. So, what is the long term plan for OTC pharma? Any more plans to set up more plants? Or any plan to acquire in case they are available?

Sameer Kothari: So, we did mention that we continue to look for growth opportunities in this sector as well. Baddi has taken us longer than it should have in terms of settling down. I think there was some learning curve for us, that dealing with regulated products and dealing with regulated markets has required us to build in a slightly larger or a longer time horizon in terms of integrating the facility. We will definitely take lessons from that and we continue to look at any kind of acquisitions or any kind of greenfield projects. I think Mayank mentioned in his opening remarks that we have been able to sign up one more customer in Baddi, or I think maybe Ganesh mentioned it. And we continue to try and see if we can do something in this space.

Vishal Gutka: Okay. Thank you. Wishing you all the best, Sameer and team, for future quarters.

Sameer Kothari: Thank you, Vishal.

Moderator: Thank you. The next question is from the line of Mayur Parkeria from Wealth Managers India Private Limited. Please go ahead.

Mayur Parkeria: Good evening and thank you for taking my questions. Actually, I had a little long range question in terms of more financial, but from a strategic standpoint. After our CAPEX of Rs. 1,850 crores is done and when we reach FY '27, not exactly one year, but maybe FY '27-'28, somewhere one, one and a half year. Three things I am looking for in terms of, what do you think would our reasonable capital turns at that point in time? Given that ice creams are lower relative to our pasts, so that is one thing.

Second is, what kind of ROCs do you think we will reach? Will we reach back to 17% kind of which we had historically, 18% also at some point in time, 17%, 18% kind of percent from the current 14.5% kind of range which we have. And thirdly, do we believe that from FY '27 onwards, will we turn free cash flow positive in terms of our CAPEX being lower than our operating cash flows? Do we see these three scenarios playing out around FY '27 once the current strong CAPEX is done with?

Mayank Samdani: Hi, Mayur. This is Mayank. Mayur as regards, you are correct that this current CAPEX round is mostly greenfield, it is taking us time to build the factory. Once it is done, as you correctly said, we will be around more than Rs. 1,800 crores CAPEX, right. And as you have currently mentioned that we have different business verticals which have different asset turns, so we are confident that we will be around three asset turns going forward when our all these CAPEX will start delivering and ramp up fully, right.

The second question as regards, we have already told in one of our investor call that we expect that long term ROE expectation of between 18% to 20% posted, we are still maintaining that once our CAPEX is done and investment is over and then we ramp up the factory, we will be able to post these kinds of 18% to 20% ROE numbers. And third question was?

Mayur Parkeria: Free cash flows.

Mayank Samdani: So, free cash flow, as you are aware that we are very, very active in either putting up the CAPEX or doing some M&As, right. So, if our growth rate of CAPEX is 15%, 20%, we will manage in our free cash flow going forward also. But if the growth rate is more than 15%, 20%, we have to lookout for the money outside.

Mayur Parkeria: So, just to follow up, to clarify this number, we are talking of capital turns of three and not fixed asset, because fixed asset turn would be higher than the capital turn.

Mayank Samdani: No, we are talking about the capital turn, because ice cream has a capital turn which is much lower than shoe is, right. And the asset turns are lower in ice cream, so we are talking about the average fixed asset turns.

Mayur Parkeria: Average fixed asset turns and not average capital turns?

Mayank Samdani: Yes.

Sameer Kothari: Mayur, this is Sameer. And I think I think between you and Mayank, you guys are splitting hair as far as capital versus fixed asset turns. We have maintained that it would be not right to evaluate or look at our company using turnover matrices. We kind of insist that you try and look at it from an ROE, ROC perspective. And the number of three that that Mayank talked about is not written in stone, he is talking about fixed asset turnover, if I am not mistaken. I think you are talking about capital, where you are including working capital.

Mayur Parkeria: No, just to get an understanding, it is just that conceptually our fixed asset turns are higher than the capital turns, so I just wanted to clarify which number we should look at as three, that's it.

Sameer Kothari: Yes, clear.

Mayur Parkeria: And ROE closer to which is currently 12%, 13%, you are assuming it will go back to 18% kind of levels over the next three years, broadly it will go back to FY '27 by that time to those levels.

Mayank Samdani: Right. So, we have raised some money. In my opening I have told that Rs. 120 crores has just come in December end, right, which is yet to be deployed. That is pulling down the ROEs. But we expect and we have committed also that it will be around 18%, 20% going forward when all the investment is done and the factory is ramped up to capacity.

Mayur Parkeria: Okay. From questions point that is all we had. And one small suggestion again I will repeat, in the previous quarters also I have repeated and requested. If possible to provide some segmentation color, the segmentation requirements, whether it is in terms of 10% thresholds of the various risk and reward segments or whether how the top management reviews the various businesses of the company, it will be helpful for investors also to understand some segmentation colors as part of the disclosure, if it comes, it will go a long way in understanding the business a little more clarity and reduce also the question flows which are very obvious ones. Because now we have a lot of segmentation and product segments which are there, and clearly the risk reward for, let's say, an ice cream will be much different than FMCG, which is much different than beverages. So, whichever way you all feel right to group them, we understand it's not possible product wise, but whichever way segmentation product wise will be helpful as we go ahead. That's it from my side. Thank you.

Mayank Samdani: Sure. Thank you. Thank you, Mayur. We will try to do this. Thank you for the suggestion.

Moderator: Thank you. The next question is from the line of Priyank from Vallum Capital. Please go ahead.

Priyank: Yes. Hi, team. So, our gross block has moved from Rs. 1,238 crores last quarter to Rs. 1,330 crores, so we have somewhere capitalized around Rs. 75 crores of assets. Could you help me with which are these assets which we have capitalized?

Mayank Samdani: So, Priyank, this will be mainly in the CWIP of Nashik which we are doing, and we expect to start production in April, right. This is what we told you the Nashik ice cream factory which we are building, right. Mainly this quarter the major CAPEX is gone in this.

Priyank: Perfect. So, Nashik was somewhere around Rs. 185 crores of total CAPEX, of which broadly Rs. 70 crores, Rs. 75 crores would be towards the –

Mayank Samdani: And this quarter also some more will come.

Priyank: Perfect. Now, again refreshing the bridge from the current gross block to the target Rs. 1,800 crores, of which ice creams will have a major share of somewhere around Rs. 400 crores, and balance would be across beverages, color cosmetics and bottling plant, is that the right understanding or some numbers would have changed after the ice cream backward integration somewhere, thought process from previous quarter to this quarter?

Sameer Kothari: So, Priyank, the bridge that we had mentioned, the glide path in terms of getting from Rs. 1,250 crores Rs. 1,300 crores to Rs. 1, 800 crores remain the same. As is the nature of our business, those contracts have been signed. As a result, CAPEX has been committed. We do not expect that to change from quarter-to-quarter. So, our guidance from now to FY '27 in terms of the announcements which have already been made, are contracted, and will not change.

Mayank Samdani: Yes, perfect. And within the shoe, we had done total Rs. 100 crores of CAPEX and we have added another visibility of Rs. 50 crores, is that the right understanding? Or Rs. 50 crores includes the Rs. 100 crores of total investment plan?

Sameer Kothari: No. So, the Rs. 50 crores is a new project that we are doing. I mean, there are multiple projects going on in shoes. One was the investment that we are doing in terms of debottlenecking and improving the efficiencies in the asset that was acquired. The second set of investments were being done in South where we said that we are gradually reaching a situation where we will perform at the proper capacity utilization from March. And the third set of investments is a fresh set of investments that we are announcing for a new set of factories coming up in Karnataka.

This is a slightly longer term, the Rs. 50 crores investment will take time. I spent some time in explaining in the earlier question that as far as the shoe industry is concerned, the gestation period is much longer than some of our other projects because it requires training the people and ensuring that they are skilled enough to start manufacturing for our customers. So, this Rs. 50 crores number is what we expect to invest in the next couple of years. We do not expect that that investment will happen at one go. Having said that, that's the breakup of your investment in the shoe business.

Priyank : Yes. So, just celebrating my numbers, Rs. 100 crores is what we have done till now and the Rs. 50 crores is the fresh one that we will do in couple of years. And would it be possible to call out even the lot of directions that are changing within footwear, what are the kind of asset turns that we are looking out versus the CAPEX that we have already done? Maybe you can exclude whatever we would be investing now.

Sameer Kothari: So, difficult to answer that because some of the CAPEX that we are doing is actually going into debottlenecking and improving the efficiencies. Let me give you some clarity, which might be a little bit technical for some of the people, but we are investing a decent sum of money in terms of the compounding and in terms of sole manufacturing, which may actually not lead to some major increase in terms of asset turnover but will lead to hopefully better profitability and better margins. Because we will then be able to do some amount of backward integration as far as sole is concerned. So, from that perspective, very difficult to do a one to one correlation between our investments and the expected asset turns. But as a thumb rule, if you look at shoes, and we mentioned this before, shoes are far more labor intensive and asset turns in case of shoes should be between 5x and 7x as opposed to, let's say, an ice cream where it is maybe 1.5x to 2x.

Priyank: Perfect. Thank you.

Sameer Kothari: Thank you, Priyank.

Moderator: Thank you. We will take the next question from the line of Rohit Mehra from SK Securities. Please go ahead.

Rohit Mehra: Yes. Thank you for the opportunity. Sir, my first question is, what is the outlook in the footwear business? And what is the scale and size the company wishes to achieve in this segment?

Sameer Kothari: Rohit, we are extremely bullish about the footwear segment. As some of the questions asked earlier and as what we mentioned, we see a lot of tailwinds in this industry, we see a lot of import substitution, we see a lot of Make in India story. So, from that perspective, the outlook seems to be bright. Of course, this has to be caveated with the fact that it's got to do with the consumption story. And we likely mentioned in our opening remarks, as long as the consumption story is robust, we do believe that the shoe industry should do well as well. Sorry, what was the second question?

Rohit Mehra: So, the second question is related to the margins only that what margins are we looking in the shoe business and what will be the ROC?

Sameer Kothari: Yes. Now I remember, you asked me first about what is the expected turnover.

Rohit Mehra: Right, yes.

Sameer Kothari: Yes. So, again, in my opening remarks I mentioned the fact that, we believe that shoe business should become significant for the company. It should account for maybe 15% to 20% of the turnover by FY '27. And I think we stand by that. In terms of margins, it's a little premature to talk about it, especially since we have been actually making losses in this business for the last three quarters now. The losses have reduced in the last quarter, as Mayank mentioned in his opening remarks. But I would hesitate to give out any kind of guidance in terms of margins till we are able to stabilize the operation. So, hopefully by Q4 or later by Q1 of next financial year.

Rohit Mehra: Understood sir, that answers my question. Thank you.

Sameer Kothari: Thank you, Rohit.

Moderator: Thank you. We will take the next question from the line of Nitish Rege from Kris Capital. Please go ahead.

Nitish Rege: Hi, thank you for the opportunity. So, my first question is, so the loss which you are making in new business, you said, so just doing the consol minus standalone, is the loss only related to the shoe business?

Mayank Samdani: So, the consol minus will be a loss for the shoe business and a seasonal loss of ice cream business also.

Nitish Rege: Okay. So, second question, so assuming we do a Rs. 600 crores top line in FY '26 for the shoe business. And just shoes have an ideally a better margin, say around 5%, is it fair to say that shoes can contribute 30% to the PAT for FY '26 versus a loss this year?

Sameer Kothari: Nitish, like I said in reply to the earlier question, a little hesitant to give out any kind of margin guidance as far as the shoe business is concerned. So, give us a quarter or let's say at least start delivering some performance, I mean, positive performance as far as the shoe is concerned before we actually start talking about what we will be able to deliver in FY '26.

Nitish Rege: Okay. And any targets on how the consol PAT margins for next year, what you target in nine months is around 3% PAT margins, anything on FY '26, internal targets, or something you can highlight?

Sameer Kothari: So, we cannot have targets set for the entire company, right. Like somebody else, I think Mayur was saying, that we have got so many different SBUs now that targets are being set at individual factory levels. And from that perspective, it's a little difficult to say what the target for the company as a whole. Also, when you are talking about the fact that as far as shoes is concerned, especially in this year the shoes contributed negatively for the entire year. Baddi took its own sweet time.

And lastly, I mean, when you look at target and when you look at margin as a as a percentage of sales, we come back to the same problem that in our case any kind of commodity inflation or deflation ends up distorting our revenue numbers. What we have done is, for each of the factory we have EBITDA targets, and that's the way we evaluate the performance of each of these factories. Having said that, you also have to note that in this particular year we have had a higher tax bracket in terms of the overall performance, which we think will end up getting regularized next year, and that should lead to some amount of change in terms of the percentage anyways.

Nitish Rege: So, by when do we target to reach the 18% to 20% ROE band?

Mayank Samdani: So, in one of my earlier answer I told that we have a running CAPEX, right, that is why our ROAs are not at that line which will be there. Once these CAPEX start delivering through the expected ramp up, we believe that we will come back to 18% ROE numbers.

Nitish Rege: So, any timeline for that?

Mayank Samdani: FY '27 we are hopeful that all the CAPEX is done and we start to ramping up all the factory.

Nitish Rege: Okay. Great. Thank you so much.

Moderator: Thank you. The next question is from the line of Akhil Parekh from B&K Securities. Please go ahead.

Akhil Parekh: Hi, thanks for the opportunity, and congratulations to the entire team for a superb execution. Sameer, just on the same, you mentioned sports shoe can become a 15%, 20% of the business by '27, and with the expected gross block of Rs. 1, 800 crores and 3x to 3.5x asset turn, ballpark we can do around 5.5% to 6% of the top line FY '27. So, is it fair to assume that the match is right, right, Rs. 800 crores to Rs. 1,200 crores is what we are looking at the sports shoe business basically by '27?

Sameer Kothari: Akhil, you do not need me to check your math.

Akhil Parekh: No, because the capacity we have right now I believe is enough for us to clock around Rs. 500 crores to Rs. 600 crores of top line, right. So, it's almost 50% to 100% over and above that. So, are we anticipating more capacity addition in sports shoes, apart from what we have?

Sameer Kothari: We already announced the capacity addition in Karnataka, and we have already announced the earlier capacity addition which was happening in Chennai, etc. Those facilities have still not ramped up to their peak performance. So, from that perspective, yes, there will be a capacity addition, there will be some more CAPEX, etc., which is going in. And that should take us close to the number that your calculator and mine surprisingly showed the same number.

Akhil Parekh: Sure. Do we have enough space at the existing manufacturing units in North and South to reach this kind of number?

Sameer Kothari: So, in the case of North, it has got to do more with debottlenecking rather than expansion in terms of lines, etc. And from that perspective, we do not foresee a situation where we will be expanding further in the North. In the South, we do have space which should allow us to set up capacities maybe at least double of what we are currently manufacturing there. And in the case of Karnataka, it's a greenfield project anyways, so we will see how that works out.

Akhil Parekh: Sure. So, South will be say 20% to 30% of the capacity by end of March as compared to North what we have?

Sameer Kothari: I do not think we have given out numbers in terms of the numbers of pairs, etc. that we are manufacturing there, Akhil.

Akhil Parekh: Sure. And the second question on the Baddi unit. I mean, would you like to share some numbers, like what kind of sales run rate we are doing over there? And in Q3, it is fair to assume that it is PAT positive at this point of time?

Sameer Kothari: So, again, no point in breaking down numbers from a factory perspective or from a division perspective. But, yes, one of the key reasons why you see a big delta in terms of the numbers is because Baddi has started contributing positively. I have mentioned this before in an investor call as well that Baddi and the shoe business kind of depressed our performance for the last two quarters. In this Q3, Baddi is positive, you are absolutely right, the shoe business still has some way to go. But at least we are in the right direction, even with the shoe business. So, from that perspective, we expect that starting from this quarter and next, the shoe business should also start becoming positive.

Akhil Parekh: Okay. And for shoe we are EBIT positive, is that a fair assumption?

Sameer Kothari: Yes, we have discussed earlier as well that the shoe business has always been EBIT positive, it's not been a problem. We are not making cash losses in the shoe business for a couple of reasons. One is that the demand position is very good. So, in spite of all the screw ups that we are doing, our customers continue to support us. And from that perspective, EBITDA was always positive, that was never even a question. But we have always been talking about PBT figures from a perspective of profitability. I mean, it does not make sense looking at EBITDA.

Akhil Parekh: Just a few booking questions. One is the debt position at the end of 3rd Quarter, operating cash flow number, if Mayank can provide that. And in 3rd Quarter, did we face any price deflation? Just two, three book keeping questions.

Sameer Kothari: Akhil, can you just repeat the questions?

Mayank Samdani: Debt position; operating cash flows, if possible, by end of 3rd Quarter; and if you faced any price deflation in 3rd Quarter.

Mayank Samdani: Just a minute, I am calculating, Akhil. So, net debt is around Rs. 650 crores as on Q3. Regarding the operating cash flow, because we have not prepared a full balance sheet, I am hesitant to give the net cash flow position to you. And third question was, Akhil?

Akhil Parekh: Price deflation we saw.

Mayank Samdani: So, for this I will ask Ganesh to give you answer.

Ganesh Argekar: Akhil, price inflation, you are asking about deflation or inflation?

Akhil Parekh: No, price deflation, I am asking was there price deflation or inflation because our EBITDA growth was ballpark 30%.....

Sameer Kothari: So, Akhil, frankly, prices have not deflated, prices have actually remained elevated. The reason why the EBITDA numbers have changed disproportionately to sales is because of the bigger issue that we always had in terms of shoes. As we have mentioned before, shoes we were manufacturing, but we have been manufacturing them inefficiently, and that's been the problem. So, now that we are beginning to manufacture them efficiently, you will see a disproportionate amount of effect coming into the EBITDA and then hopefully into the PBT.

Akhil Parekh: Sure. Thanks a lot, and best wishes.

Sameer Kothari: Thank you, Akhil.

Moderator: Thank you. The next question is from the line of Amit Tyagi, an individual investor. Please go ahead.

Amit Tyagi: Thank you for the opportunity. And my best wishes to the Hindustan Foods Limited Management and the team. My only question is regarding, as we are in expansion mode, so I see that there is an increase in your working capital requirement in totality, basically this inventory as well as the receivable thing. So, is it like with this expansion or with this takeover of the shoe business, are receivables and inventories related requirements have gone up and going forward, this remain at the similar level?

And how we are going to do the further financing as we have recently got the warrant converted, so will those money may be used for this inventory management to fund this working capital management going forward? How the things will be like?

Mayank Samdani: Hi, Amit. So, you are correct in saying that working capital requirement is predominantly increased because of shoe business as the receivable days are much more in shoe business as well as the working capital requirement of inventory because to make a shoe it requires a three to four weeks' time to cut it, and then we have to have the inventory in place for the RM and PM also. So, the working capital requirement in shoe as regard to our other businesses is very huge. And as far as we are funding it, we are taking the debt also and we are we are using some part of the equity. So, as we have told, we will maintain 1:1 debt equity ratio to all these things. So, that is what we are working on.

Amit Tyagi: So, it is fair to accept that like, okay, the kind of inventory levels or the kind of receivables they will be maintained at the similar structure going ahead with the expansion and going ahead with the ramp up of the facilities?

Sameer Kothari: So, Amit, that's a which Ganesh can answer, and of course his objective is to try and reduce the working capital which has been invested in the business. And just to elaborate on what Mayank was saying, we obviously have not raised the money to invest it in working capital. We have raised the money with a very clear idea of investing this in capital assets. We do believe that investing in working capital is unproductive. From that perspective, Ganesh's main job is to ensure that our working capital is as low as possible.

Amit Tyagi: Yes. Fair enough. As this requirement of funding into working capital is impacting our ROC, so I thought like, okay, going forward how the numbers will be, though you have already given the clarity during this interaction just now. So, thanks a lot, sir. My best wishes as a shareholder, sir.

Sameer Kothari: Thank you, Amit.

Moderator: Thank you. We will take the next question from the line of Ritwik Rewadia, an individual investor. Please go ahead.

Ritwik Rewadia: Thank you for the opportunity, sir. My question is, could you please provide with the revenue split by segment? Also, it will be very helpful if you can provide a segmental revenue growth percentage as well.

Mayank Samdani: So, in one of the earlier answers Sameer told you that it is very hard to give the segmental revenue right now, because we do not look at, we are not looking at these parameters. As Sameer told you that we are looking at the factory level, EBITDA, Right. So, we will try, just like somebody suggested that we will try to have some segmental thing and we will try to do that. In the opening remarks Sameer told you that something about ice cream and shoes already, that 15% to 20% of FY '27 sales will come from shoes. And our one-third of the gross block will be invested in ice creams. So, we will see how we can better the segment thing, because for us it is the only segment as a contract manufacturer. So, we will see how we can develop the reports to give you here.

Ritwik Rewadia: Okay, sir. Alright, that's my only question. Thank you for the opportunity.

Moderator: Thank you. The next question is from the line of Priyank from Vallum Capital. Please go ahead.

Priyank: Yes. Would it be possible to call out what would be the ballpark margins and working capital in ice creams? I understand it's a turnover with 2x, 2.5x. What would be margins and working capital in this segment?

Sameer Kothari: Okay. Priyank, Ritwik and Mayur, I am just going to go back to all the three of you. I am assuming that you guys are still on the call. We try not to give the segmental individual breakup for numbers for a particular reason. And maybe I should spend 30 seconds on trying to explain that reason. The ice cream business that we have entered into is a very capital-intensive business. All the three contracts that we have entered into are take-or-pay contracts, which basically means that irrespective of the turnover of the company, we have very clear visibility of what we will make by way of ROE or ROCE.

That's one of the reason why in our opening remarks we talked about the amount of fixed assets or the amount of CAPEX that will go into the ice cream business. On the other hand, the shoe business is on a shared manufacturing basis where it is not capital intensive, there's a huge component of labor. And given the fact that it's a shared manufacturing business and the costing model is not a take-or-pay, there some of the questions in terms of margin profiles, etc. are relevant.

In terms of shoes, we do not pay that the questions about margin profiles are irrelevant. What we said is that we do not have the visibility right now because we have taken it over in March, the first three quarters we have actually made losses, though on a decreasing trend. We said, give us some time, maybe another quarter or so and we will start talking about the margin profiles about the shoe business. But to equate margin profiles across a businesses like ice creams or shoes will just end up distorting that at a company level.

So, what we said is that the company level we will not be able to give you any margin guidances or any kind of discussions about margin profile success. However, at individual levels we will be more than happy in giving some more information. We have made a start this time as we talked about the total amount of investments that's going into ice cream. We have also made a start in terms of giving some kind of a guidance in terms of the shoe business. We will definitely come back with the margin profile of the shoe business hopefully in the next quarter or so.

Priyank: No problem. I understand your business model. Just wanted to reconfirm this, ice creams also with that 18%, 20% kind of ROE fits model tied up when it comes to anchor-tenant model which we are running. So, I mean, I have got the idea, yes.

Sameer Kothari: Absolutely, Priyank, I think you are bang on, on that.

Priyank: Yes, I got it. The other question is Baddi, when we are investing Rs. 20 crores, shall we fully cover up the space and capacity or would there be further space to add new clients around it?

Sameer Kothari: There is some capacity which is available. In case of Baddi we have different product lines, we manufacture liquids, we manufacture tablets, we manufacture lozenges, and we manufacture personal care products as well which is in the form of tubes. So, from that perspective, we have capacities on some lines, and we do not have capacities in others. Again, unfortunately, I cannot give you a straight answer. The answer is that, yes, there is still some scope for expansion as far as Baddi revenues is concerned even after doing this investment of Rs. 20 crores.

Priyank: Perfect. And even this Rs. 20 crores pose as a dedicated manufacturing block, which is perfectly take-or-pay, right? I mean, the whole aspect around it is, you are not getting anywhere in to shared manufacturing when it comes to outside shoes.

Sameer Kothari: So, Baddi specifically is an anchor tenant model where we acquired the facility from Reckitt. Reckitt has contracted and undertaken or committed a certain part of the capacity. We are free to go ahead and parcel out the remaining capacity to other customers. What we have announced is a specific investment which is being done for another customer in the same site, which is also dedicated. However, that may not be all the time, there will be some other customers who will come in without CAPEX. And in that case, they will be coming in without any kind of commitment.

As far as your question about whether the shared manufacturing model is applicable only to shoes? And the answer is no, we are not restricting it to any kind of products. If you have been a shareholder for some time, you would know that when we acquired the beverage unit in Mysuru, it was a shared manufacturing facility. Over a period of time, it has evolved to a facility where we have anchor tenants where certain customers of ours have guaranteed certain amount of capacity. But we are happy to evaluate the model based on what our customer requires us to.

Priyank: Okay. I just require a few timelines with respect to the few projects. So, there is a beverages Rs. 15 crores project timeline around that, color cosmetics Rs. 40 crores, and bottling plant of Rs. 35 crores, then as well as Baddi would it be within next one and a half years or would be beyond that?

Sameer Kothari: So, Baddi, again, regulated. I do not think one and half years, I do not think we have mentioned one and half years in case of Baddi anywhere. We are hoping that Baddi should be far sooner than. Hopefully in another six months we should be able to commercialize that Rs. 20 crores investment. In the case of beverages, we talked about the fact that we had announced an acquisition in Odisha, this was a going concern that we required. And as a result, we expect it to start contributing towards the turnover immediately. Having said that, and before this question comes in, this is a facility which is working on a job work, which means conversion cost model. So, a result, it may not make any large difference at the top line level. However, we have take-or-pay with the customer, and as a result we have a guaranteed ROE on the investment that we made at that site. And the third one was?

Priyank: Color cosmetics and bottling plant timelines.

Sameer Kothari: Okay. So, the color cosmetics one was also, which was announced I think in the last quarter, we have actually finalized that, we have already gone ahead and acquired it. This was a facility where manufacturing was already going on, we acquired this company I think nearly two years ago. The building that was acquired as a part of this acquisition was on rent. We have gone ahead and now bought the building. And as a result, we expect that money, anyways the ROEs will start accruing immediately because the rent has been stopped.

Priyank: Okay. Perfect. Thank you.

Sameer Kothari: Yes, Priyank.

Moderator: Thank you. The next question is from the line of Vishal Gutka from HDFC Securities. Please go ahead.

Vishal Gutka: I have just one bookkeeping question, with regards to other income that shot up disproportionately. Can you just please highlight the reason what was the reason that other income shot up so disproportionately?

Sameer Kothari: In fact, Vishal, we just discussed this a minute ago, a couple of things that have happened. One of course is we have raised money, and as a result some of that money is lying in the FD. And the second thing is, we have acquired the asset which was earlier on rent, and that led to some amount of increase as far as other income is concerned.

Vishal Gutka: Got it. thank you.

Moderator: Thank you. The next question is from the line of Amruta Deharkar from Wealth Managers India Private Limited. Please go ahead.

Amruta Deharkar: Hello. Yes. Thank you for this opportunity. I just want to clarify some of the region specific operations, as in, in Nashik so we earlier had this DMU for soup and meal maker and now we have added a facility for the ice cream, so now we have two units working there?

Sameer Kothari: So, Amruta, you are absolutely right. The facility which was manufacturing soups and other powders was owned by a company called Avalon Cosmetics. We announced the merger of that facility into HFL, I think two quarters ago. And the legal process for that merger is continuing. In the meantime, we have started the investment for setting up the ice cream facility, which we believe should start commercial production from April. Once the merger process is done, both the powder manufacturing facility as well as the ice cream facility will get consolidated and integrated into HFL.

Amruta Deharkar: Am like the second question was regarding, sorry if I missed the details, but you mentioned that we will be adding an ice cream facility in the North, so have you given the details where exactly are you planning to add this facility?

Sameer Kothari: We are in the process of short listing the land, we have not given out the details of where it is going to be. It's basically going to be in the larger NCR area, but we will come back to you with the details hopefully by next quarter.

Amruta Deharkar: Alright, thank you.

Moderator: Thank you. The next question is from the line of Mayur Parkeria from Wealth Managers India Private Limited. Please go ahead.

Mayur Parkeria: Thank you, management, for taking my questions again. In the next 12 months to 15 months horizon, not a very long-term horizon I am asking, nowadays 12, 15 months is long, but still near term 12 to 15 are there any new product segments on the consumption side which is on the table or drawing board for us to look into and venture into? We have been adding new product segments over these years and that has helped us continue to maintain growth rate, but it has also become a very wide portfolio. So, how do we look at, I know it's a rolling basis and over the next three, four years many can get added, but let's say over the next 12 to 15 months what's on the drawing board for the management to look at in terms of newer product segments or categories which are there on the consumption side?

Sameer Kothari: So, Mayur, we keep looking at various product categories. I mean, I think I spent some part of my opening remarks talking about the fact that we were a little ahead of time in terms of identifying some of the segments like ice creams or beverages, etc. We as a team believe that pet foods could be one category which we think could continue to grow. As far as specifics is concerned, obviously, we do not have anything specific to talk about. We will obviously make a public announcement as and when we sign up any contracts, etc. But we have been agnostic as far as product category is concerned. We continue to look at growth wherever we can find it, whether it is in ice creams, beverages, OTC pharma, pet food or even if growth comes back to our traditional sectors which is home care and personal care, we will be happy to grow in any of those categories.

Mayur Parkeria: Okay. And in home care and personal care, especially these two categories, are you seeing any kind of trend as far as post-COVID we saw a lot of companies from the D2C segments and other segments trying to give a good challenge to the original incumbents in the large ones. But now the things are getting settled down, do we have any kind of exposures or how do we see that, I mean, what are your initial readings around that? And how does that impact our business model, if any?

Sameer Kothari: So, we try to hedge our customer base by working with all kinds of customers whether they are large players or small players, whether they are D2C players or they are the incumbent brands working across various channels of distribution. So, from that perspective, we believe that we have been able to hedge our bets across various product categories. From a perspective of trends, I think the overriding trend has been the fact that it is a definite slowdown as far as consumption is concerned. I think that has hit all brands, irrespective of their preferred way of distribution. So, whether it's D2C brands or whether it's traditional brands, I think all of them have been hit as far as the slowdown is concerned. I think that's the overriding trend. This debate about whether B2C brands will be more successful than the traditional brands, etc. is currently at least on the back burner. I think what's more important is how does the consumption story come back.

Mayur Parkeria: But it will be safe to say that currently there is nothing in our exposures to any of the clients where there is a risk of a client, small or mid, going under where we have made investments, will it be fair to say that?

Sameer Kothari: No, that will be never fair to say that, right. I mean, we obviously are exposed to a bunch of customers. While we try all our ability to mitigate that risk, the fact remains that we are making upfront investments on behalf of our customers, whether it is for larger customers or for smaller customers, any kind of changes in business plans, any kind of changes in consumer behavior can affect. We take a lot of steps, whether it's contractual or whether it is practical, by way of reducing our working capital exposure or by way of Mayank insisting on security deposits, etc. But the fact remains that we will always be exposed to what is called as a counterparty risk.

Mayur Parkeria: Okay. I will come back later sometime on this questions later. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to Mr. Vimal Solanki – Head Emerging Businesses and Corporate Communications for closing comments. Over to you, sir.

Vimal Solanki: Thanks, Michelle. So, while we are actively working through integration challenges, however, with a strong growth potential in ice cream, the footwear and OTC pharma sectors, we remain confident in our ability to deliver strong results. Moreover, our recent expansions in the beverage segments have further bolstered our confidence in expanding our market presence. And as we encounter new opportunities, we will focus on those that are sustainable in the medium to long term, and align with the broader markets' growth trajectory. We maintain a positive outlook on our growth paths backed by those strategic initiatives and our steadfast commit commitment to progress.

I would like to express my gratitude to everyone for joining today's call. We trust we have addressed all your questions. But if you need further information, please do not hesitate to reach out to us or connect with our investor relations partners which is SGA, Strategic Growth Advisors. And here's wishing you all a wonderful Valentine's Day in advance. And thank you for your ongoing support.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Hindustan Foods Limited that concludes this conference. We thank you for joining us. And you may now disconnect your line. Thank you.