



“Adani Wilmar Limited Q3 FY2022 Earnings Conference Call”

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- Moderator:** Ladies and gentlemen, good day, and welcome to Adani Wilmar Limited Q3 FY2022 earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you, and over to you, Mr. Menon!
- Manoj Menon:** A warm good morning, good afternoon, good evening depending upon the part of the world you are joining this conference call from. Representing ICICI Securities, it is our absolute pleasure to host the management of Adani Wilmar Limited for the first ever results conference call which happens to be the Q3 FY2022 call today. From the management, we have Mr. Angshu Mallick - Chief Executive Officer and Managing Director and Mr. Shrikant Kanhere – Chief Financial Officer. Now over to you Sir for the opening remarks and we will open it up for Q&A immediately after that. Thank you.
- Angshu Mallick:** Manoj, what we will do is that we have already uploaded the presentation. We will quickly discuss about the business for 10 minutes or so and then Shrikant can briefly highlight the performance of financial performance and then more on questions and answers that is the better way at least then we can interact more. I hope that is, okay?
- Manoj Menon:** Absolutely correct because there will be quite a few analysts would be reasonably new to the company in that sense 10-minute brief talking about and given this is also the first call will be super helpful for consensus. Thank you.
- Angshu Mallick:** We are also going through the learning stage because this is our first interaction after 22 years of working. This company as you see today has become one of the largest and the fastest growing through the FMCG Company.
- Now, we will talk something on the edible oil. In edible oil, what we normally look at is November-October period that is oil year, we look at oil year, so oil year starts from November to October and if you see this year, that is November 2021 onwards what we are seeing is that the per capita consumption is likely to go up around 2.5%-3% as against flat last year because of the COVID year, we expect this year 2022-2023 to be at least a better year than previous year because we assume that there is not going to be such kind of sporadic stoppage of activities or out of home consumption of all that.
- Most heartening part here is that the Indian edible oil domestic production is increasing and we will see almost 10% or even 12% increase in production, local production, this is very, very positive sign of self-sufficiency towards edible oil and this is one of the program that the government has initiated to grow more mustard seed, groundnut seed and soybean, so we will see a bumper mustard crop coming in March onwards and hence we feel that the market will be

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reasonably good; however, here let me give you an idea that between last year December and this year December 2021 that we closed the oil price...

I was talking about the domestic production most heartening thing is that it will grow by 10% or 12% and that is going to reduce lot of pressure on imports and that is what we are all looking at. Going forward as you know that the government has reduced the duty by almost 15% to 20% and that is going to cool down the prices as we go ahead.

Now, when it comes to our edible oil business, the last quarter that we have seen the urban and rural split was 70:30 which we have seen earlier, so for us the rural continues to provide us that 30% of the business and although the volume wise it has been flattish around 1% to 2% growth during the last quarter. As when it comes to food and FMCG, the urban market gives us around 50% of the business 20% from rural and 30% from export that is how the entire portfolio is B2B and B2C if you see are roughly around 70-30 where 70% come still from the B2C segment and B2B gives us around 30%. In case of industry essentials, 100% is B2B.

Now most interesting part is our focus on food has stable and staples that staples has been yielding results our last quarter we have grown at 30%. Our CAGR for the last five year has been in the range of around 30%, so we have maintained that growth rate these are all in volume terms I am talking, not value, we have reached business of around 1800 Crores for the first nine months in branded status and all our categories where we are operating particularly Chakki Fresh Atta, Fortune Basmati Rice and Nuggets we are growing faster than the market. We have shown that our growth is higher than the competition.

When it comes to overall food basket, so 34% year-on-year growth that is there. New products also in this quarter we have worked on, I am very happy to say that we have put Fortune Poha as a National brand, two varieties, one is the Indore variety and this is a different, little sweeter variety of Poha. Khichdi we have also two and this is based on the interviews of the children as to what they want and that was Mexican Salsa and Pav Bhaji and the first time in India we have launched Fortune Expert Total Balance, three-in-one blended oil with Flax seed as the latest type of oil that is added, so this is a new thing that we have done.

During our investor meet we have said that Fortune online has been one of the focus areas. 25 cities we are working more than 110000 downloads, and this is growing the business through Fortune online is growing. We have put 18 Fortune Marts so far and another 22 looks like will happen before March, so by year end, we expect that 40. This Fortune Mart is not only a sales place as well as interaction place for our consumers but also the fulfillment center for the online business, so for the online business from here we do all the deliveries, so Fortune Mart doubles up as a store from interaction center.

Going forward in the market share, we have earlier said that how are we going to grow in edible oil and we have said that there are 60% of the market is still fragmented with small players, we are very happy to say that in the last quarter, we have grown from 18.3% to 18.9%, so that is a

significant growth even when the markets are flattish and markets are not growing but we have been able to grow.

Market share in Atta has grown from 3.4% to 4.2%, in Basmati Rice it has grown from 6.7% to 7.2% on YTD basis but happy to note that in the last quarter, we have reached 11.7% market share that is because we have been very, very aggressive in October to December period.

Going forward, one, domestic production of oil will increase so we are focusing more on domestic oil, in the IPO we have put capex for mustard crushing that will be 1000 tonnes per day almost 300,000 tons per annum we will add to our crushing capacity, so we would like to push it fast to become largest crusher of mustard seed in the country, we already do 300,000 tons a year and we will add another 300,000 tons more than half a million tons of mustard seeds we will be crushing.

In oil we are putting two-pronged strategy one, do premiumization in the stronger markets where we are strong, we hold more than 50% market share and where we have the ability to improve our margin structure and work on opportunity market, these are south and west where we see great opportunity in pushing our sunflower and other oils, so along with our Atta and Rice, so these are the two things that we are doing and we will see the results coming in fast because market share when it is growing up in all the categories, surely south and west will also help us grow.

We have done lot of bundling offers in the modeling format stores and E-commerce and that is one of the reason why our rice business has shown a market share of 11% from hardly 5.5%-6% that is because we have been bundling oil and rice together. We are mobilizing our existing distribution system and we are getting into more smaller towns.

We are presently available in around 5000 smaller towns that is the rural market but there are more than 20,000 such towns where we should be there. We are planned to enter into another 10,000 such towns to make it around 14,000-15,000 towns and we are going to add 2 lakh new retail outlets for the next year.

We have added roughly around 110000 outlets this year where we are now reaching around 500,000 outlets directly and 1.6 million to 1.8 million outlets indirectly. So we want to increase our direct coverage so we are working on special network on rural including the rural manpower and separating it from the urban sales team that is how we are working on.

On the revenue and EBITDA model, I would ask Shrikant to put in focus and then we can open up for all kind of question and answers.

Shrikant Kanhere:

Thank you very much. When it comes to the performance overview for the quarter ended December 2021, the operative revenue at 14,379 which is up 41% as compared to same period last year.

EBITDA at 531 Crores up by 64% and PAT at 211 Crores of 66% as compared to the same period last year. Overall, we have been able to showcase the growth in all the three segments; edible oil, food FMCG as well as industry essential, we have the revenue growth was actually centered around 40%-45% and we have been able to showcase the volume growth as well.

When it comes the nine-month performance, the operating revenue at loss of 39,000 Crores, it translates into 49% year-on-year growth. EBITDA at 1420 Crores translates into a growth of 35% and PAT has 569 results a Y-o-Y growth of 38% similarly same performance for the nine months also as we have been able to showcase for the quarter.

As far as the segmental numbers are concerned, edible oil revenue grew by 40% whereas segment results which are more to do with EBIT grew by 36% and volumes were at 9% for the quarter. Food FMCG growth as far as the revenue is concerned is 46%, segment revenue is 212%, though very smaller base last year same time 4 Crores versus 12 Crores this year, this is as we said earlier also it is more of a flattish EBITDA neutral business for us because we are growing this business as we move forward. Industry essential revenue up by 41% for the quarter and segment result EBIT up by 145%. Overall, it is 41% and 76% on the consolidate EBIT.

When it comes to nine months performance for the all the segments, edible oil up by 50%, the edible oil revenues more driven by higher raw material prices whereas the volume were only 6%. However, EBIT is up by 19% as we have been able to slow down all the gross margins which we have been able to generate from edible oil to the EBITDA level. Food and FMCG as I said it is EBITDA neutral business. We are still growing it, but the revenues are up by 33% and the difference between food and FMCG and edible oil is the revenue growth is also more or less packed by the volume growth; industry essential revenues up by 45% whereas the segment results up by 121%.

So, this is from my side as far as the financial numbers are concerned. Now we can open up the floor for the question and answer, happy to answer the questions.

Angshu Mallick:

Before that I will just add that in Industry essentials if you see our business in Oleochemical, we have added capacity of 400 tons taking our Oleochemical capacity to 800 tons per day, so Mundra Oleochemical complex becomes a largest India's Oleochemical complex. Now, our market share in all the three products have improved, we are at Stearic acid, we are at 32% glycerin, we are improved from 23% to 25% of country's capacity and soap noodles we are now 11% of the country's capacities all the three we have added, and these are all value-added products and hence the margins are very strong.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mihir P Shah from Nomura. Please go ahead.

Mihir P Shah:

Thanks for taking my question. First question, is I just wanted to know you mentioned in your opening remarks that you expect the oil demand product is expected to increase in this year, as I

wanted to just check we are largely branded player and during the pandemic the consumption is increased, mobility was restricted and consumers were not reaching out, increasing mobility for branded players, can we see reverse happening this year as consumption at home start, out of home consumption start increasing, so thoughts on this Sir please?

Angshu Mallick:

Sorry Mihir, we actually to be very frank with you we could not hear you properly I think your voice is breaking. Till whatever I understood, Mihir you are saying that going forward there instead of in-home there will be out of home consumption and regarding the edible oil consumption growth you are saying above that. See, we assume that next year is going to be much stable year in terms of normal what we call. This year out of home consumption was impacted to large extent. Now Adani Wilmar Limited is a big player in both edible oil and Basmati Rice for the out of home consumptions. We have lot of contracts with leading hotels, restaurants chains, and caterers for their annual requirements or quarterly requirements. Now banquets, marriage these are all big occasions for consumption and people like to buy branded products particularly edible oil and rice for their requirements, so we have seen that business come down drastically, so the growth was not seen although people were only consuming in-house or ordering from the restaurants or so but our major business also comes from marriage season particularly Five Star banquets or big caterers who buy lump sum from us and make deals with us for such type of occasions, so we expect that to happen and consumption to grow and we are hopeful about it.

Mihir P Shah:

Thank you.

Moderator:

Thank you. The next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra:

Thanks for the initial comments. My first question was on distribution if I heard you correctly you mentioned the direct reach of 500,000 currently as an indirect 1.6 million, so for a company of your turnover scale, why is distribution still 500,000 is it that edible oil low margin the incremental cost of distribution has really justified at a much big turnover and in that scenario for current scale what do you think your reach could be in two, three-year time?

Angshu Mallick:

You are right Arnab. We are not able to have a super stockiest culture because edible oil margins are very small and we need to cut on any middleman type, so it is better to go directly to a distributor and appoint, presently we do not have any super stockiest. As a result, our direct reach has been less than what it should have been like any other FMCG product, but this is maybe in the Tier-II and Tier-III and smaller towns. We have understood this as a place where we can improve our performance. This year we are creating a separate rural team to cover one lakh and below and that team will only work in one lakh and below and I am sure with that we will add from 5,000 towns that we are doing to another 10,000 towns we will add so this we have identified which towns we will add and how many number of people are required, what is the thing and that will add at least 100,000 to 125,000 outlets plus 70,000-75,000 outlets we will get

from opportunity markets like South and West where we still feel our reach is less than the competition. So all put together we are working on 200,000 retail outlets each so that from 5 to now actually we have more than 6,50,000 outlets listed with us but because of COVID, there has been closure of lot of outlets, one and two we have not been able to reach all the outlets during the COVID time, so as a result distributors have refrained from given them credit or something out of fear that they may close down or run away or something, so that has impacted direct reach, so I am saying it is 500 otherwise we have invested of 6,53,000 but we had another 2 lakh it will go up to 700,000 and the 1.8 million is the take, we should be in the range of around 35% to 40%, it should be our target going forward next year.

Arnab Mitra: Thanks. That is very clear and the other thing I wanted to ask you on the food business distribution, so could you just highlight, what is the current distribution on the foods business and how can that ramp up over the next few years as this scale the business?

Angshu Mallick: Food business is much lower than edible oil. We are hardly at 150,000 in Atta if you compare because these are mainly in the metro cities or big cities and then in the smaller towns, we are only in A class major towns, so we have a great scope to ramp up at least to 300,000 outlets although Atta universe is much smaller than edible oil universe but still it is also growing and we see an opportunity. We have done lot of work on unifying some places for sales team or distribution and all that so I think our target would be to improve both distribution of rice, wheat flour, Besan, and Chunks. Chunks at least we are at more than 100,000 outlets which I think which is almost 60%-70% of the universe. So, in Chunks we have been able to reach that much but in Atta we are long way and we have lot of scope honestly.

Arnab Mitra: Thanks and my last question was on the food margin currently we are at a breakeven level in the business so at what scale do you think you can start making some reasonable margin share and would it be a gradual ramp up from current level of margins to whatever is exponential margin or would you possibly be at a close to breakeven for a two year that you are growing and only after few years we will start seeing positive margins in the segment?

Angshu Mallick: I think on the food business our whole focus is that currently the volume in a volume mix food contributes around 13% now when we went into the IPO and the DRHP number is 11% but as you stand today in the quarter the food participation in the overall scheme of the things is around 13%. What we are saying is that once it reach or crosses 20% mark that is how where we can expect as a food to deliver bottom line in terms of EBITDA, till that time it will be in a developing stage where you have to build reasonable volumes and that is where you can then expect margins to start coming in.

Arnab Mitra: Okay, that is it from my side. All the best.

Moderator: Thank you. The next question is from the line of Manoj Menon. Please go ahead.

- Manoj Menon:** Just one clarification, Arnab's question and the response for example, what I understood that in fact that is another question which I also had actually, that is why, I thought his question was let us say for the company of 40,000 Crores revenue the distribution of 0.5 million direct etc., appears a very low number, let us take the Unilever with a 50,000 Crores revenue, they say it is like somewhere between 2.5 million and 3 million direct reach etc., but I think during the time of IPO the discussion was again considerably understanding which I have is given that the products what Adani Wilmar self is more of a monthly nature, the opportunity to let us say present in lot of these beyond the large grocery outlets is not there, so in that sense the entire universe is really not your target universe, right, is that the correct interpretation? Sir did you hear any parts of my question; I am just wanting should I repeat?
- Angshu Mallick:** Not heard anything, Manoj.
- Manoj Menon:** In fact I had a question a part of which the previous analyst Arnab asked. Basically the question what I understood sounds something which I heard saying that for a company of 40,000 Crores revenue having like let us say 0.5 million direct reach appears low distribution direct reach as we speak, basically what he did not ask but I will ask is like for example the competitor which analysts is a Unilever or Hindustan Unilever 50,000 Crores revenue let us say 2.5 million to 3 million direct reach but as I understand conceptionally for the categories what you sell which is largely monthly or low frequency purchases, suppose you are not selling sachet which I will have to consolidate it every day so in that sense we target market for you from a retail reach point of view is definitely not 10 million, right, it is far lower number, it is a question of how do you get those throughputs, is that the correct interpretation saying that I should not even compare with Unilever because they are selling very different set of SKUs with a different set of usage patterns versus what you sell?
- Angshu Mallick:** Manoj, you are very right. Actually the type of product that we sell are not stored and sold by everybody, so many of the retailers do not sell packed grocery and even if they sell packed grocery, they only sell packed oil but rest of the grocery is mostly loose and little bit packed in which there can be one or two local brands or one or two private label of his own shops like that he does it but the total universe is 4 million as per Nielsen so that is also edible oil, highest is Atta 1.6 million that is the universe that we are saying, now we obviously out of 1.6 million Atta outlet is not easy go to 3 million, it would be very good job because let me tell you 80% business comes from actually 20% outlet, so these 20% for us is more important to begin with the journey of pushing things because Atta has low shelf-life so our distributor boys are also afraid to give to those outlets where their offtake will be slow because you have a limited time in which it has to get liquidator from the shop, so they always like shops which are high in terms of throughput, so this is a very common thinking that they have. We are pushing of course to widen this base and as you rightly said the comparison may not be correct for us. We know that we should reach 40% direct coverage in edible oil that is our target and we are hopeful of reaching that, this year being COVID, last two years what has happened is every time we started the project, we have to stop it

then again recruit boys to go to the market then again had to stop it, like this we had two or three intervals or breaks, that is why we could not do it but next year I hope we add 200,000 outlets.

Manoj Menon: Understood, just I also wanted some numbers but in fact thanks for answering all that, so basically what I understood is the universe for an edible oil is let us say 1.6 million, you are currently at 0.5 million, you have another 200,000 which you will add in the near future and would largely take care of your appropriate reach 80-20 point of view?

Angshu Mallick: Correct.

Manoj Menon: Understood and the Atta what you said is it is like one and half million of which three lakh or 300,000 is the again 80:20 out there?

Angshu Mallick: Our target would be reach at least 250 to 300 is it 300 it should be very good, let me tell you honestly.

Manoj Menon: Sir one comment from you will be very helpful, how do we think about the growth in the universe itself that is 1.6 and 1.5 because these are categories which are let us say, I am not sure of edible oil but may be an Atta business is formalizing and consumers are coming into the brand and fold but what is the rate of growth off the universe in your assessment or what Nielsen tells you?

Angshu Mallick: Nielsen is only showing 1% or 5% growth this year and in edible oil it has actually shown degrowth of 1% that is possible because lot of shops has actually closed down during this COVID, so it is possible. I am not going by one year. We know this was that every year 5% to 7% increase in outlet is happening in edible oil and foods, so we will go by that rather than to go with the COVID year's statistics.

Manoj Menon: Understood and I have got couple of questions, but I will ask one and I will come back in the queue. Is there any cyclical in the edible oil business, I know it is stupid question, but I am just wondering is there any sort of cyclical in whichever way is amongst the four quarters in India in consumption?

Angshu Mallick: We all consume edible oil throughout the year, so 80%-85% of the business or even 90% of the business is stable. During the festival, there are some sparks or spikes which happen particularly during say Holi is coming now, so now we will find some spike, or Bihar we will see that. Second marriage season is season when we get it and peak festivals we get say Dussehra, Durga Pooja this time in east, what people do is that they keep little more oil in their pantry because they do not want to miss out from any festivity that they want to have. Now, between the four-season summer is little low and OND, October, November, December is the highest, that is because one more festivals in October, November, December, and weather conditions are very good for parties and home get together and all that, so we generally our first half at 40%-45% of the business and 55% of the business will come from October to March, that is how it is typical.

In food it is little different, Basmati Rice is 65% or 70% is from October to March and 40% or 35% is between April to September. Weak flat is more in winter like as summer because in summer kitchen they do not want to go in the kitchen for long hours, so they do not want to have rotis made in hot summer, so that is how we are seeing that in Bihar, UP, rice goes up and this comes down, like this it changes but these are all small percentage by and large.

Manoj Menon: Understood Sir. Thank you. That is helpful. I will come back in the queue I have got a couple of more. Thank you.

Moderator: Thank you very much. The next question is from the line of Amnish Agarwal from Prabhudas Lilladher. Please go ahead.

Amnish Agarwal: Couple of questions, first being on the edible oil, we are having your Palm oil, Soybean is there, Sunflower and Mustard oil, so how is the sales mix in Palm oil that is one and second now is the reduction in the duties, will there be any change in the profitability of the company and thirdly with domestic production rising and shift towards some of the other segments like Mustard oil or do you see a change in the margin profile of the industry?

Angshu Mallick: Your first question was on Palm oil sales mix; in Palm you are saying the sales mix or you are saying the total?

Amnish Agarwal: Overall?

Angshu Mallick: Freight accrual as a strategy we have developed a portfolio of all, so that our risk or dependence on any one particular oil is not very high. Today Palm contributes around 35% of our total edible oil consumption and in that also the supply to institutions such as the biscuit manufacturer, the prime people and all that hotels, restaurants that is big, so that is constant, so there also we have no issues, so we have divided our portfolios. Soybean is our big oil, now your second was that duty reduction recently.

Amnish Agarwal: How much you are mixed of all these like Palm is 35.

Angshu Mallick: I will tell you, 35% is Palm, almost 25% to 30% is Soybean, 10% is Mustard, almost 15% is Sunflower oil and rest is 5% which includes Rice Bran oil, Cotton seed oil and others, so we have a very good basket of oil and possibly the only company to have such kind of basket with us so that we have regional preference plus we are nationally Soybean, Mustard, Sunflower and Palm, these are four oil which is consumed at a national level. Now, your duty question was right we have been asking the government debt, there has to be at least 10% duty difference between crude palm oil and refined palm olive but government all of a sudden reduced it by 5% gap as a result olive got imported now that 2.5% duty reduction has come in which is working out to around \$40 actually the disparity was roughly in the range of around \$25 to \$30, now that government has reduced it again crude Palm oil will start coming and we have already ordered for a higher quantity of crude palm oil because that will help us in running our plants, one, two,

we will get BFAD and styrene which we can visit for our Oleochemical business, so all on all we are much better placed. Now, third question, what happens if the mustard goes up, we are very happy when India will produce more mustard oil seed, we are the largest mustard oil brand in the country, Fortune Kachi Ghani Mustard oil is the most premium and also the largest selling. Now, we are in the mustard crushing business also and we have large number of units are in pack, so for us the higher the domestic production, we will ramp up our capacity for crushing and obviously we are already doing around 250000–300,000 tons of mustard oil a year, so for us if we can reach half a million tonne of mustard oil, we will surely be the undisputed leader in mustard oil so we are very happy when India produces more mustard seed.

Amnisha Agarwal: Is there a margin differential between you can say when we import the oil brand it and sell it and when we procure the oil seeds in a domestic market?

Angshu Mallick: Oils are different. When you import oil you are importing palm oil or sunflower oil, sunflower oil there is nothing in domestic, everything is imported, so we have to depend on imported. Soybean we have both domestic as well as imported but if you are using end to end like soybean to soya DOC then soya flower, soya lecithin, soya nuggets like which we do then end to end obviously it gives us more value and we are crushing that but that does not meet our entire requirement of soybean oil because our soybean oil requirements are more than 1.3 million ton a year, so you cannot get it from your from your crushing, so we have to import, so the margins are different because the value change is different. When it comes to mustard, it is not substitutable oil you cannot import anything like mustard oil although canola oil is available, but canola oil does not have any flavor or aroma like the mustard oil, so mustard oil has its own marketing things and the margins are surely better in taste oil like mustard oil.

Amnisha Agarwal: Sir that is very useful. Just one thing incremental like we have now launched Poha, and we have also gone into Khichdi, so what the products which we are launching their more like you can say they are the ingredients which go in the kitchen, so what sort of a product pipeline or which all product segment is planned to enter in the coming years?

Angshu Mallick: We are working on several products which are similar like this one of them is Daliya, it is a good product, very good product but not very strong or marketed well. Daliya with Oat mix is another good option where it is Indian yet it is very healthy, we are working on that, we are also working on Soya Mince with Daliya which will give you high protein meal, we are working on ready-to-make Biryani cake which you can make it at home, so that is almost ready, we are working on Pasta which we will launch soon, so whatever we are working on is our basic product that we have that is Rice, Wheat Flour, Dal, Besan and from that we can add value. We are working on low GI rice with institute, NIN and all that and we are also working on 45 drives, so this type of things we are working on, so hopefully in next two quarters to three quarters one can see them coming in.

Amnisha Agarwal: Thanks a lot.

- Moderator:** Thank you. The next question is from the line of Aniket Sethi from ICICI Securities. Please go ahead.
- Aniket Sethi:** Thanks for the detailed presentation. In the food and FMCG segment for the nine-month period volume growth is slightly ahead than the value growth but for the quarter when we see, value is actually quite ahead of volumes, so can we discuss the specific moments over here and is there any product mix impact in the quarter given as you highlighted earlier a heavy quarter for Rice or something similar?
- Shrikant Kanhere:** Between volume and value, you do get such kind of variation on quarter-to-quarter and nine months because we do have export basket also in food, so in a quarter or in a particular period if your exports is more normally you get better value and that is the reason why you are saying this difference when you compare the quarter versus the nine months.
- Angshu Mallick:** In October, November, December what happens is the Basmati rice season starts and our Basmati rice sales improves, now Basmati rice is little costly, and anything average around Rs.75 – Rs.80 a kilo minimum, it goes up to Rs.100, so our value wise, it goes jumps up, this will continue in March also, January, February, March and then slightly reduce from April but if the hotels and outside, out of home consumption improves and then it is going to be very good. Eid, I think is on May 1, so we look forward to that also as a time when Basmati rice consumption also goes up.
- Aniket Sethi:** Sure Sir, that is clear and two follow ups, any inflationary trend when you saw in Q3 in this segment and second the export is mainly Basmati rice in foods?
- Angshu Mallick:** In foods export is Basmati rice, non-Basmati rice also we are doing very well because Wilmar Rice has very good business contracts with Malaysia, Vietnam, Thailand, China and there lot of non-Basmati rice or what we call is that Indian raw rice, white rice with 5%, 25% broken is consumed and required, so we are doing that also through Wilmar Rice Desk as well as we are also selling Basmati rice but apart from that, we have branded Basmati rice exports which we do that is there plus we have now started exports of wheat flour that is Chakki Atta and little bit of food products also to different countries including Australia.
- Aniket Sethi:** Next question do you see any inflationary pressure on food?
- Angshu Mallick:** Inflationary food pressure on food, I do not see because rice is okay, rice prices are stable, Basmati and non-Basmati both, dal, Channa and besan these are all stable in fact new season of Channa is coming so I do not see any inflationary trend there. Sugar is also stable in the range of that 40-45 you get so no issues on that. By and large food is much more stable than oil, in oil also it looks like we have reached a stable level where upside is less chance, downside is still possible after a couple of months.

- Aniket Sethi:** Understood Sir. That is very clear. Just I believe I actually missed your comment on industry essential, but have you lowered focus on some of the products given there is a sharp volume decline in the segment?
- Angshu Mallick:** I will tell you the volume decline has happened in Mustard De-Oilcake what we call is Mustard DOC. Last year we were the largest exporters of Mustard DOC, what happens last year, the Mustard seed prices were reasonable and the DOC was competitive in the international market, so what we did last year was that we would procure from the market also and we would export along with our in-house production, so all put together we became the largest exporter and we had lot of would contacts with Wilmar other countries they operate and we could push it but this year what happened Mustard seed prices went up much faster and around Rs.70 to Rs.75 of kilo Mustard seed, the DOC was not compatible and we could not fight in the export market since there was no possibility of any export what we did was that we sold our stocks in the local market and we did not do any export and that is why you see the volume has come down, otherwise in castor, our volumes have been stable what we have earned around 10% volume.
- Aniket Sethi:** Understood Sir that is very helpful. Lastly, you have also mentioned that inorganic growth will be a degrowth driver also, so can you discuss the focus areas over here?
- Angshu Mallick:** As we said earlier that acquisition root is important to grow faster and we are examining any proposal that comes to us mostly in the food arena or food basket, we are only looking at the compatibility, distribution fit, brand fit and how can it grow in future if we feel that it is good, we will go ahead and do it. We cannot say anything right now, but it looks like in the next couple of months, we might have one or two coming up.
- Aniket Sethi:** This will be for the initial period; it will be focused on foods is what I assume?
- Angshu Mallick:** We would like the brand to be on food, so we are looking like that.
- Aniket Sethi:** Okay, and those of assets we are quite well there right, in terms of our manufacturing?
- Angshu Mallick:** Asset is also there are stretched assets say Dal mill or something or flour mill because we need flour mill to expand our flour business so not necessary that we have to buy it out, we can do tolling also but if it is a good buy and it is worth it we do not hesitate to buy and then expand it that is also we look at opportunity and there are lot of stressed assets in the country, so we will not shy from not buying.
- Aniket Sethi:** Understood Sir that is very helpful. That is it from my side. Thank you and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Urmil from Narotam Sekhsaria Family Office. Please go ahead.

Urmil: Thanks for opportunity Sir. I repeat my first question, how is we are placed on supply chain part of the food FMCG part of the business as we are really strong in edible part of the supply chain but how is the supply chain for food FMCG and the second what is percentage of revenue as a food business can be say five or six years down the line?

Angshu Mallick: Edible oil you know we have created a very big infrastructure across the country, now there is the talk of this infrastructure, this infrastructure is not necessarily only meant for edible oil, now a factory is a factory, we have enough land and everything there, we have infrastructure like this in labs everything people are there, we only have to put a flour mill there or a rice mill or a dal mill and always, so what we are doing is that we had seen what is it that we require, say Basmati rice we have factory in Punjab and in this IPO financing we are putting up big 600 tons per day Basmati milling plant in Haryana. With this our capacity would be roughly around 1000 tons per day, so obviously our Basmati requirements will be met from here that is paddy to rice along with this we are putting rice to rice units, so that we can get some rice also from outside if we want and then we can polish a millet and pack it, so we are putting all this integrated lines of ours along with any option of taking on tolling if we require. Apart from this, in wheat flour we already have one new plant coming up 500 tons per day in Bundi Rajasthan where we already have our Mustard oil unit and we have put that Dal mill rice this wheat flour mill in that complex because the compatibility between mustard, soya, and wheat we are going to use that, we are putting another in Guhana we are putting wheat mill 200 ton per day and then we are looking at other place also to expand our lines, so supply chain what we are doing certain things we are putting our own, certain places we are going for hiring units and putting that put together if we were to grow at 30%-35% per annum for the next period then we are working out what is the capacity that we want and we want to stay ahead in capacity so that if we get a chance to grow faster than this we should be able to run faster and capacity should not be a constraint to us, so we are expanding our capacity. Presently, we are at so far we have done around almost 0.4 million tons till nine months and we hope to do at least 0.6-0.65 million tons by year end. We are growing at 30%-35%, if we grow at this speed you know in three year's time we should minimum double so if that is the case then we are planning our, first is production, manufacturing, packing then comes procurement, procurement obviously we have a team which is already on the market and doing all this job and we are increasing our procurement strength we are putting more IT enabled solutions to help us procure and get better. Supply chain we are already on top of it and we are ensuring that supply chain is smooth enough so all the chain of the business that is the fourth period that we have been talking, one is sourcing, one is manufacturing, one is supply chain and one is sales and distribution these four pillars need to be continuously monitored, observed, improved and detected how can we do better and I am sure as a company all the four pillars will become stronger and stronger as we go ahead.

Urmil: Sir my second part of the question that there is an aspiration to take FMCG as part of the revenue about levels in next six months to seven months we will see that percentage growing to I not upholding you I am just telling what is the aspiration to, for next seven years where will be the part of the revenue this business can be?

- Angshu Mallick:** Seven years I think to talk about six seven years where it would be difficult to say like this, but I can give you an idea, our CAGR if you see is roughly around 30%, you are talking of food and FMCG also?
- Urmil:** FMCG, yes?
- Angshu Mallick:** When it comes to staples and all this, we have a past record of 30% this year; we have also grown by 34% whether COVID, no COVID whatever it is we have grown, so I am sure next year also we will continue to push ourselves at these levels. If we can do this for the next five years, we will be anything at 2.5 million to 3 million ton at surely as the largest food and FMCG because oil also will become 3 million ton little more than that, so all put together will be around 6 million ton - 7 million ton of agri business, so I am sure that volumes will be will enough for us and we should surely do that, our job is quarter-on-quarter monitor and do at least 32%-35% that is what we are doing.
- Urmil:** Sir if you may allow one last question is how much usually we want to spend on an advertisement, does a percentage of revenue ballpark number, not it neither?
- Angshu Mallick:** In edible oil because we are the leaders, in edible oil we are the leader so our share of voice must be equal or more than market share, so if our market share is around 18.9% or 20% resume, then our share of wise must be 20% and we are maintaining that in all the category of oils average now in one particular category we may be more say Mustard oil possibly we may be more because we are very bullish on Mustard oil, and otherwise may be little less but overall, overall edible oil has a category, our first concern is that our share of voice must be equal or more than market share, so today if you ask me we spend roughly around half a percent in terms of value or around Rs.750 a ton on edible oil which is the above the line I am talking of ATL, I am not talking of BTL and all that because any dealer trade scheme we are not taking about it. I am just talking of advertisement and brand building cost. Now in case of food, it is different. We cannot go by the same logic because our market share is 5% I cannot have a share of value 5%, here we have multiple times say it can be 30% share of voice it can be 35% share of voice, either share of voice will be disproportionately higher than share of market, here our average cost is around 4% roughly around Rs.1800 ton to Rs.2000 ton is our brand building exercise cost that we do. So, if you ask me rupee wise in nine months, we have spent roughly around 137 Crores and last year we have spent around 173 Crores. Even if it is a COVID we have not shied away from brand building or anything and that is why you will also see that we are visible across the year, I am saying business staple, we cannot see only selective during one or two times a year, we have to be there possibly 365 days.
- Urmil:** Thanks, thanks for answering the questions.
- Moderator:** Thank you very much. Ladies and gentlemen that was the last question for today. I now hand the conference over to the management for closing comments.



For a healthy growing nation

Adani Wilmar Limited
February 14, 2022

Angshu Mallick:

Thank you. Thank you, Manoj. It is our first investor conference that we are having. This is also a learning exercise for us and we have been trying to see how well we can explain our business. It cannot be equated or compared with anybody because we ourselves could not find a peer with whom we can do any kind of comparison. We are different company right from the beginning and we work and produce results also little differently than predictable way. We are aggressive. We feel that we have lot of opportunity in the country. The country is young and country will lead that food, branded food and we have great opportunity. Since we see that opportunity and we can read it. We are aggressive in our mind and that is why we are growing faster than the market I can assure that we will continue to work in that same way. Thank you.

Moderator:

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