"ADF Foods Limited Q3 & 9M FY-21 Earnings Conference Call"

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MANAGEMENT:	**MR. BIMAL THAKKAR – CHAIRMAN & MANAGING DIRECTOR.** **MR. SHARDUL DOSHI – CFO.** **MR. DEVANG GANDHI – COO.**
MODERATOR:	**MR. RISHAV DAS – PARETO CAPITAL.**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and Nine Month FY21 Earnings Conference Call of ADF Foods 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. Rishav Das from Pareto Capital. Thank you and over to you sir.

Rishav Das: Good evening, everyone. This is Rishav Das from Pareto Capital. We represent Investor Relations for ADF Foods. On behalf of ADF Foods, I welcome you all to our Q3 FY21 Earnings Conference Call. I have with me from the management. Mr. Bimal Thakkar, Chairman & Managing Director, Mr. Shardul Doshi, CFO and Mr. Devang Gandhi, COO. We will have brief opening remarks from the management followed by the Q&A session.

Please note that certain statements made during this call, maybe forward-looking in nature. Such forward-looking statements are subject to certain risks and uncertainties that could cause our actual results or projection to differ materially from those statements. ADF Foods Limited will not be in any way responsible for any action taken based on such statements and undertake no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances. I would now hand over the call to Mr. Thakkar for his opening remarks. Over to you sir.

Bimal Thakkar: Thank you Rishav. Good evening everyone. I welcome you all to our Q3 FY21 Earnings Conference Call. I hope all of you and your families are keeping safe and healthy. I will briefly touch upon our business model, some steering the quarter and our growth strategy. Thereafter, Shardul will take you through the financial update.

Further to our last call. We have continued to see robust demand across all product categories, with both our facilities operating at nearly full utilization levels. This was reflected in our consolidated revenue growth of 33% year-on-year in Q3 FY21. Our new lease facility in Gujarat would also become operational in the current quarter. That's giving us an additional push and help us cater to the increasing demand. The way we look at our business, it is divided under four heads. Under each head we have distinct brands, which have a unique positioning. Our core business under which we manufacture and export Indian ethnic foods globally. Saw a robust year-on-year growth of 40% increase in revenue in Q3 of FY21. There are four brands under this business, Ashoka our flagship brand, Truly Indian, Camel and Aeroplane.

Ashoka is targeted towards the Indian diaspora abroad with the highest number of SKUs in our product range. The brand has a strong presence in ethnic food stores in all geographies it's present in. Our Truly Indian brand is the second brand and has some products similar to Ashoka, but it caters primarily to the non-Indians or the mainstream clientele. The brand has a strong presence in Germany, and currently a limited presence in the US and is mainly available in the mainstream modern retail outlets. Camel and Aeroplane are the other two brands which are largely sold in the Middle Eastern markets. Camel is our premium brand, targeting the Middle Eastern diaspora and Aeroplane is our economy brand targeted to the Indian diaspora in the Middle East. These products are available in modern retail outlets and also the regular trade channels.

Our US brand operations which include the ethnic Mexican and Mediterranean food under PJ's and Nate's also did well this quarter with a revenue of 15 crores. These products are manufactured and sourced in facilities in the US and these products are primarily sold in mainstream stores in the US.

The third business our agency distribution business also reported revenue of around 15 crores in Q3 for financial year 21. Under this business we distribute consumer products of a fortune 500 FMCG company. We are adding more products from this company and distributing it within our existing clientele.

The fourth vertical is our India business which currently is very small in proportion compared to our overall business. Our products are available under the Soul brand and are sold in modern retail and online channels catering to the urban Indian consumer. Going-forward, we will continue to focus on product innovations to cater to evolving consumer tastes and preferences. We are investing in increasing our manufacturing capacity. In addition to the manufacturing capacity that we recently took on lease, we are looking at a Greenfield expansion to the tune of 30 crores. We are also looking at strengthening our distribution network. We will be investing in building our own depots in our key markets to ensure continuous direct supplies to retailers, thereby optimizing profitability and our margins.

Over the years we have created a strong base as reflected in our established brands reputation, a strong global distribution network and a robust balance sheet. We are excited to embark on the journey ahead filled with growth opportunities. For the moment this is all from my side and I'll hand over to Shardul for the financial update. Thank you, Shardul please.

Shardul Doshi: Thank you Bimal. Let me brief you on the financial highlights for the quarter and nine months. In Q3 FY21 our reported revenue from operations stood at Rs.99.5 crore a growth of 34% Y-on-Y compared to the same period, same quarter of the last year. The growth has been driven by increase in volume. Our standalone business which comprises exports and India business registered a revenue of 69 crore, up 41% Y-on-Y. Our US business comprising PJ's and Nate's reported revenues of 15 crores as Bimal mentioned and also agency distribution business has done a revenue of almost 15.5 crore. EBITDA for the quarter stood at Rs.20 crores as compared to Rs.13 crores in Q3 of FY20. A growth of 54% Y-on-Y, with EBITDA margin of 20%. PAT for the quarter is Rs.14 crore up 26% and PAT margin stood at 14%.

Let me now touch upon the nine month performance. Total revenue in nine months was 271 crores a growth of 30%, compared to same period last year. EBITDA stood at Rs.52 crores as compared to Rs.43 crores in nine months of FY20. A growth of 20% Y-on-Y with an EBITDA margin of 19%. PAT stood at Rs.35 crore a growth of 19%, with a PAT margin of 13%. Please note that our results for the quarter and nine months FY21 do not include the export incentive under MEIS. The current amount which will accrue to us is around Rs.5.3 crore. Considering this our revenue and profit growth would have been more robust as the entire amount flows into our bottom line. Just to give you reason for this, the government has deferred accepting of any claims under MEIS for the industry and the same will be accounted once governments start accepting claims for nine months. Also, MEIS will be replaced with RoTDEP and we are awaiting more clarity on the same from 1st of Jan 2021.

We continue to maintain a robust balance sheet with zero long term debt and short term debt and cash and cash equivalent of 79 crores as on 31st of December 2020. This is all from my side. We now open the floor for Q&A session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nilesh Maurya from AMSEC. Please go ahead.

Nilesh Maurya: Good evening Sir, I just had a couple of questions. First question was in terms of contribution to revenue, what I see quarter-over-quarter revenue contribution towards agency business is going up. And then, we are even making certain CAPEX towards our core business. So, where do I see this mix going forward, say after a couple of years?

Bimal Thakkar: So, at the moment our agency business accounts for Shardul, about 20%, 25% of the overall?

Shardul Doshi: 23%.

Bimal Thakkar: Yes, the agency business accounts for about 23% at the moment, our core business continues to grow with hefty double digits, and which is the reason why we are increasing our capacities. Going forward also we should probably see this kind of ratio - 65 being our core business and 35 being the agency business because we might add on some more agencies to this business going forward. But the focus is always going to remain on our core business.

Nilesh Maurya: Okay. So, in terms of addition towards our agency business which we are taking up to 35%. I guess this business is much lower in margin compared to our core business. So, why are we actually focusing towards increasing that business, which is actually hampering our bottom line?

Bimal Thakkar: So, what happens is firstly, this is we intend to take on, we have not yet finalized we are evaluating this, we will only take on good brands, complimentary products, what it does is, it actually indirectly also helps our core items to grow in, we have better hold over the retailers, if you like when you go with a basket of some good agencies, good products to that. Again, the main thing remaining that our core business, our core brands are always going to be priority and focus. But this helps both the businesses grow and strengthens our position with the retailer.

Shardul Doshi: Also, just to add to this, what happens is the capital requirements for the agency distribution business is very low. So when we look at the return on investment, it's pretty high when we look at the agency distribution business also. In fact, the current numbers we will be upwards of, in the range of 35%, 40%, when it comes to the return on equity.

Nilesh Maurya: Okay, understood sir. My next question is in line with our, with respect to the unexpected growth that we have seen due to the COVID circumstances that ready to eat business had gone up. And things like that way, if I look at the Q-on-Q numbers, our sales figures do not show the jump that we see a year-on-year basis. So, I just wanted to understand the stickiness around the business, is it still there or it's fading out as things are opening up, I'm not speaking about the European and the American market where the lockdown is still pretty persistent. But Indian and the Middle Eastern Market where things have started opening up?

Bimal Thakkar: So mostly, our business in India is very minimal, it's not even 1% of our revenues. We are continuing to see very strong demand happening across all our geographies, including the GCC and, of course America, Europe, Australia, the APAC region, all the geographies have been growing very strongly for us and we continue to see this growth even after things have opened up in these markets.

Nilesh Maurya: Okay, sir. So, that means the stickiness continues to be there and we can expect the same kind of growth at least for a few quarters more. If, I may just put it in a ballpark range?

Bimal Thakkar: Yes, I would think so.

Moderator: Thank you. The next question is from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

Ayush Agarwal: Good afternoon Sir. Congratulations on a really good set of numbers. My first question is regarding the agency business. Sir we had been growing by quarter-on-quarter in the first quarter of this financial year, but then the numbers came down from 23 crores, close to 20, and now to 15. So how should like, how should one look at these numbers and what is the kind of stable quarter we run with that, that the company tries to achieve?

Bimal Thakkar: So, in Q3, there were certain supply issues that we had from the factories, which is the reason why we couldn't grow the way we expected to grow in the other quarters. Q1 was exceptional in the sense, it was just during the lockdown, there was a huge pantry loading which happened. So that's why you saw Q1 being a little higher, but a steady state would be anywhere around 18 to 20 crores, we are adding on some other products as well. And then we hope to stabilize it up about over the next couple of quarters. We hope to get it to about 24, 25 crores per quarter.

Ayush Agarwal: Oh ok, that's great to know. Sir, my second question would be like, even in the commentary and other like the previous concall, that there were the management was quite positive about growth from all the geography. And yet we don't see a strong update on the upcoming section because, if you look at our quarterly run rate now it's around 65, 70 crores and at that rate, our lease capacity would only be able to do like 25 crores if I understand it correct. So, what's the kind of update on a Greenfield expansion and what are we doing about it and how are we panning out?

Bimal Thakkar: So, we've identified the place where we want the Greenfield project to come in, we're just waiting for a couple of months before we acquire the land and start work on it, just to make sure that we are making the investment in the right place from a point of view of labor availability, raw materials availability. So, we expect that within 18 months after the acquisition of the land at the latest, we should have the Greenfield project ready. But, in the meanwhile what we are doing is also we have tied up with another factory also for co-packing arrangement as well. So we are trying to make alternate arrangements to make sure that till the Greenfield project is up and running, we will try our best to make sure that either through a co packing arrangement or leasing of factories, we will continue to meet the demand.

Moderator: Thank you. The next question is from the line of Anupam Agarwal from Lucky Investment Managers. Please go ahead.

Anupam Agarwal: Good evening Bimal Sir and congratulations on the numbers. I have couple of questions, let me start with your lease client, just to verify as you alluded to us in the last quarter, that plants would give us 25 crore topline in two years?

Shardul Doshi: We should be able to do 30 crore in the first year in that range from the lease plan.

Anupam Agarwal: Okay, and how much did we do, when did we start this plant operations and how much did we do in Q3?

Bimal Thakkar: No, it's going to start from February. So it's not yet started, we are in fact next week we are going to do the puja and start production from next week.

Anupam Agarwal: Alright. Second question is on agency business, as I see the margin basically we did a 17% EBIT margin in the first quarter followed by 10% and back at 16.5%. What causes this volatility quarter-over-quarter in this agency distribution margin?

Shardul Doshi: What happens is typically, there are certain targets which we have to achieve and then there are some marketing promos which we have to run, there are certain incentives which we get for those. So, as and when then those income get accrued our margins go up in those quarters and on a steady stage affair, if you look at, if we average it out we should be in a position to do a EBITDA between 13% to 14% in agency distribution business.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.

Ravi Naredi: Mr. Bimal you are doing fine. I am shareholder since last few years and watching your activities carefully. It is good on my request you started concall and investor presentation, indeed it is good for our small shareholder who live remote from Mumbai. Sir basic purpose to raise the capital can you tell about this 70 crore amount?

Bimal Thakkar: So, we are looking at the Greenfield project we are looking at inorganic growth. So, because of that we have raised the capital. So, we are in discussions on inorganic growth as well.

Ravi Naredi: Okay. It is a nice one, on nine months basis our procured and preserved food, profit gets down 40.59 crore from 42.32 crore. So what is the reason of down the margin?

Ravi Naredi: Sir on our nine months basis our procured and preserved food profit gets down to 40.59 crore from 42.32 crore?

Bimal Thakkar: Shardul will answer in more detail, but just to let you know, our first quarter we did not have a very good first quarter because of the lockdown. So quite a lot of our export business got hampered because of that. So first quarter was not the best, not as normal as what it should be. And then, as we mentioned, as Shardul mentioned MEIS license income, which we had last year, which has not been factored in this year. So there is still another 5.2 crores of MEIS is license income which still needs to be accrued, which we haven't done because the government is not taking on the application. So, last year had the MEIS income this year we didn't have.

Ravi Naredi: Right, right. I can well understand. Sir, are you getting any problem in export due to shortage of containers. And if yes, how much cost it is increases to us?

Bimal Thakkar: So, over the last three, four months there has been a big shortage on containers. But because we are one of the leading exporters of food products, we've been able to get priority from shipping companies to give us containers. But still having said that, it is the situation is tight. We are trying to do our best in getting maximum shipments out. There has been an increase in freight rates as well because of the shortage, in some markets we've been able to pass on the increase, in some markets we haven't. So that is, but we hope the situation improves over the next three months or so we expect the situation to improve.

Ravi Naredi: Thank you Bimal, will you allow one more question to me, quick question?

Bimal Thakkar: Yes, sure.

Ravi Naredi: While you paid $95,000 for legal charges, what was the matter sir?

Bimal Thakkar: So, there was a case the California government on certain rules for ingredients in the state of California, which is only unique to the state of California, so it was towards that litigation, lawyer fees that we paid those charges.

Moderator: Thank you. The next question is from the line of Ayush Aggarwal from Mittal Analytics. Please go ahead.

Ayush Aggarwal: I'm sorry sir I got dropped. Another question would be regarding the US business minus the agency business. So prior to the agency business when we did not have that which is like FY19, till FY19. Even making losses in that business, so has that business turned profitable now from whatever we are getting manufactured there. And what would be the revenue like we have given nine month and what kind of growth have we seen in that business?

Shardul Doshi: Yes. As you rightly said food also profitable. In fact, our margins there are in-line with what we are generating in India slightly lower than what we are getting, but they are in-line with what we are earning here also. And what was your second question?

Ayush Aggarwal: What kind of revenue, we do like this nine month and comparable figure for the last year, or like the whole year?

Shardul Doshi: 40 crores.

Ayush Aggarwal: Okay. So, Bimal sir I have this question, what kind of plans do we have for this line of business apart from the agency business and the year?

Bimal Thakkar: So even in this company, we are looking at adding on more products within the Mexican and the Mediterranean and the meatless line, we are looking at adding some more products there, we are increasing our distribution reach out there. So we expect this business also to start growing. We've taken on a new VP of sales, who's helping us increase our distribution points as well. There are some new products which are going to be launched in the next three months or so from that company as well.

Moderator: Thank you. The next question is from the line of Jignesh Desai an Individual Investor. Please go ahead.

Jignesh Desai: Bimal Sir, first of all congratulations for the robust numbers you have delivered. I am an individual investor I'm from Baroda, Gujarat. Actually, I had a question regarding actually our 95% shares is from export market right, so due to this pandemic is there any supply chain concerns, that is my worry going ahead?

Bimal Thakkar: So we initially had in the month of, the last week of March and most of April and a little bit of May there were issues in terms of supply chain where our factories weren't operational to the full capacity. But now things are pretty much under control. The only challenge being that there is a shortage of containers for export. But again, because of our clout with the shipping companies, we are able to get most of the containers. There may be a delay of a few days or a week here and there, but we've been managing to get most of our shipments out. So we're not seeing so much of an issue at the moment.

Moderator: Thank you. The next question is from the line of Duby Rex an Individual Investor. Please go ahead.

Participant: Sir could you please tell us about the roadmap for the Soul brand going forward?

Bimal Thakkar: So, we are getting out our entry strategy for India. And we actually wanted to do it last year, but because of the pandemic, we didn't, but this year we intend to in the next three to four months, we intend to finalize our plans for India, we will probably start with very limited distribution through either through e-commerce and modern trade. So we're just working out our plans for that. So this year, we will see the India business also getting some investments and us working out a roadmap for the Indian market.

Participant: Any particular reason we have not scaled it up in the last few years, so much in the Soul brand?

Bimal Thakkar: We've just not been able to in terms of priority we had a lot happening overseas for us. So we were just, we didn't want to spread our resources too thin, and decided to take on all the opportunities we had in the international markets. India, as you know is a very complex market. The distribution network is a big challenge and we didn't want to, we had a lot of low hanging fruits in the international market. So we decided to focus there, but this year we would start off with it.

Moderator: Thank you. The next question is from the line of Kamlesh Kotak from Asian Market. Please go ahead.

Kamlesh Kotak: Sir, I wanted to understand how the overall revenue pie would look like over the next two years? If you can help us understand the segmental kind of a breakup?

Bimal Thakkar: In terms of between India and international markets, is that?

Kamlesh Kotak: No, the overall four segment which you define, core, US, Agency and Indian business all put together if we had to see how the shape, it will shape up?

Bimal Thakkar: So, as I mentioned earlier, the agency business, this is they're looking three years down, two to three years down, the agency business could go up to as high as 30% to 35% of our overall business, but 65% will continue coming from our core business.

Kamlesh Kotak: And within that core business, the other two US and Indian business, how they will shape up?

Bimal Thakkar: The Indian business will continue, Indian business as in the core business of exports of ethnic Indian foods will continue to dominate, which will probably be around 70% to 75%, 25% will come out from the Mexican and the meatless products and India over the next three years may probably be it depends again, they are also looking at some inorganic growth opportunities here in India. So, India could be around 15% to 20% of our business three years down the line.

Kamlesh Kotak: And could we expect in three years the business, size of the business would be across 500 crore?

Bimal Thakkar: Yes, I would definitely hope so. And that's what our endeavor would be.

Kamlesh Kotak: And coming specifically to the agency business, are you looking at getting agency business into more geographies or it will be more products or more companies how it is going to scale up so much?

Bimal Thakkar: So we are looking at currently the two geographies we have this is America and UK, our focus moment will be the US and UK over the next two, three years. We will add on either more brands or more products of the same company in these two geographies. But you will not look at other geographies level.

Kamlesh Kotak: Sure, but that would be, will it be comparable margin business or it will be slightly lower because of the core businesses are slightly higher at EBITDA margin business. So, in that sense the EBITDA growth would slightly be lower?

Bimal Thakkar: Yes, on a consolidated basis see, the agency business as mentioned by Shardul it's anywhere between 13% to 14% EBITDA margin right. Our core business is at a much higher EBITDA margin. So, the agency business will never see those kind of EBITDA margins. So, we will be there at around 13%, 14% so on a weighted average basis we are coming to around 20% which we will continue to maintain.

Kamlesh Kotak: Okay. And overall what kind of investment we need to make to double our revenue to that extent?

Bimal Thakkar: Well, right now we are looking at, we looked at about 30, 35 crores we're looking at some inorganic growth opportunities as well. So, we are well capitalized for the moment and with the warrants money, yet to come in, we are good for making sure that we are able to take care of double the growth of what we have at the moment with us.

Kamlesh Kotak: My understanding I wanted to have is what kind of an investment we will need to make?

Bimal Thakkar: So, we are looking at for the Greenfield project, as I mentioned is about 30, 35 crores that is there, for inorganic growth we don't know what kind of investments it all depends on the opportunities. So it's very difficult for me to give you a number from that point.

Kamlesh Kotak: Yes, so this 500 crore plus which you are saying is it embedding any inorganic opportunities as well?

Bimal Thakkar: No, so we should be able to do it with our current agency business, our expansion of the Greenfield project, we should come to the 500 crores with this kind of numbers, hopefully. The inorganic growth will help us further grow this business, there are some depots which we will be looking at putting in, in couple of our markets, those will require an investment of maybe $3, $4 million at best. So, with those kinds of investments, we should be able to look at getting to our 500 crore mark or doubling the business and then inorganic growth will be additional.

Shardul Doshi: Just to add, for agency distribution business only requirement of investment is into the working capital. So, that we wanted to understand that but, that's the only requirement over there.

Kamlesh Kotak: So, sir if you're taking that into consideration, what would be the ROC profile of the two businesses, maybe EBITDA business at front, but at ROC level, what kind of number you're seeing for both businesses, core business and agency business?

Shardul Doshi: So we have generated almost 28%, 29% of the last financial year, when we look at the agency distribution business standalone we should be able to generate around between 30% to 35%. So that's how it will be.

Moderator: Thank you. The next question is from the line of Ashish Kacholia from Lucky Investment Managers. Please go ahead.

Ashish Kacholia: My question is basically to do with the stickiness of the agency business because it's a fairly attractive ROC profile. So, could you talk about how sticky this business can be from our perspective and our principal's perspective?

Bimal Thakkar: Ashish, we have as far as the US market goes, we got the agency distribution agreements signed up for five years. That's already in place, the stickiness can remain like I mean, say for example the third quarter there were supply issues from their side. So we couldn't capitalize on the Diwali sales, so we ended up getting stocks late and Diwali the season had already gone off. So from that point, it could be a problem and then of course, if we don't meet targets or are not able to meet up to their expectations, and of course there is the danger of the agency being taken away, or the territory being divided. So, those are nuances of any business, this is the same kind of problem, even our distributors faced for our own business as well. If we are not happy with their performance, then we will either take the agency away from them, or we will divide their territory and include someone else. So other than that, I don't see really any other problems with the business.

Ashish Kacholia: Right. And just to ask you a little bit about the India business versus continuing to invest more in our overseas business, given the fact that our brands in the overseas markets will also need investment, does it really make sense at this point of time to kind of invest in India market, which is more of fresh food market versus our package kind of offerings. So, any thoughts on this allocation of capital to India versus overseas?

Bimal Thakkar: So, our focus will always remain on the international side Ashish, but we still want to have our presence in India, India is, the consumer is going towards packaged foods it is, this pandemic has helped the whole packaged foods industry in India as well, the acceptance of packaged foods is happening. So we don't want to keep ourselves baited from this market. It is an expensive market in terms of brand building and everything. So we are going to go with a very slow and a cautious approach where we are looking at online and modern trade to begin with. So we will do it in a phased manner, we will not go all out and put in 100s of crores in this market. No, that's not how we intend to do it. So we will do it in a cautious way. But we want to be here in that market, that's why three years down the line also I don't see us being anywhere, overall maybe being 15%, 20% of the overall business in India.

Moderator: Thank you. The next question is from the line of Advait Shah an Individual Investor. Please go ahead.

Advait Shah: Good evening Bimal, very nice results. I have a question with respect to the EBITDA margins, and the volume growth, from what I've seen from your historical financials, financial year 19-20 and these nine months, EBITDA margins are stabilized to the tune of around 21%, the growth is coming by the increase in the sales. So for the next three years, what is the visibility or scalability with respect to the EBITDA margins, possibly remaining the same and growth coming more from volume and sales. Can you throw some light on that?

Bimal Thakkar: Yes. So, I feel fairly confident that we should be able to maintain these kind of EBITDA margins going forward and in terms of volume growth, we are adding on increasing more capacity. So yes, we will continue to see volume growth also in double digits.

Advait Shah: Sir mostly it will be a function of volume growth and EBITDA margins being maintained at the same level?

Bimal Thakkar: Yes.

Advait Shah: Okay. Second question was with respect to diversification across the existing markets, and additional SKUs within the basket of the existing products, can you throw some light on the same?

Bimal Thakkar: So we are constantly adding on new products, consumer tastes, preferences keep changing. So we closely monitor the new trends. So we are constantly adding new products. So innovating and renovating existing products and taking out some products. So that's a constant process for us. And we will continue to do that, we continue to add more geographies as well, increase our distribution depth within our existing markets. So these are things which constantly happen for us.

Advait Shah: Lastly, last question by me. You are raising capital by the preferential offer. What is the run rate for the next three years, will this capital be enough, or you may require to raise the capital maybe three years from now, what are you targeting for the next three years?

Bimal Thakkar: So, as I mentioned earlier at the moment we feel we should be okay. It all depends on what other opportunities we have in terms of inorganic growth, if something interesting comes up. And if we need more capital, then we will look at raising more capital by way of debt or equity.

Advait Shah: By steady state of appears without any Elena Food acquisition what do you feel this will be enough for next three years?

Bimal Thakkar: Yes, we should be comfortable with that. And if at all we need anything more, we might just raise some debt. But otherwise, I feel we should be okay with it.

Moderator: Thank you. The next question is from the line of Dhwanil Shah from I-Wealth Management. Please go ahead.

Dhwanil Shah: Good evening Bimal ji and congratulations on very good set of numbers. Just a couple of questions, first was on our process food side, when I see sir last two quarters, we've been growing by 30%, 35% on the processed food division. So just wanted to understand more on this, how we are seeing this going ahead and what kind of growth rate can we see here next two, three years on this side of the business?

Bimal Thakkar: So, as I mentioned we continue to see good demand for packaged foods. During this pandemic, it has, in fact further increased because people have not been going out so everyone's been at home eating packaged foods, packaged food is life in all the international market. So we continue to see the growth even after things have opened up, the consumption on packaged foods is still growing. So, I feel confident and comfortable with double digit growth over the next several quarters with this category, we are adding on more products, we are adding on more geographies, we are increasing our distribution. So all those things also help in continuing with the growth on in this category.

Dhwanil Shah: Okay. So, sir this year, last year we were close to 240 odd crores of sales from the processed packaged foods on the annual side. And this year may be keeping the current run rate say we may touch 300 crores. So, post that you think that 500 cross, 600 crores can be, we can double the sales from here as we are going to put up the new plant. And we've already have the warrant money where we can scale up more. So what's our internal target, how big we want to be become from current 300 crore run rate?

Bimal Thakkar: So, our internal target is to double up in the next three years. That's what we would like to do within all our categories, within all the verticals of our business. That's what the plan is to collectively look at a double than what we are doing at the moment.

Dhwanil Shah: Okay, and just last question on the new lease facility, which we were targeting to start from Q4. Is that on stream, the timing of it is on schedule?

Bimal Thakkar: Yes. As I mentioned, we are going to do the puja next week and start commercial production from next week.

Moderator: Thank you. The next question is from the line of Anupam Agarwal from Lucky Investment Managers. Please go ahead.

Anupam Agarwal: Sir, in your earlier concall you did mention buying your new lease plant under Greenfield, something about automation with new acquisition, it is the new acquisition of distributor **,** can you throw some light how should we look at this next year?

Bimal Thakkar: So the automation is we've been able to do some automation in our factory, which is why we've been able to increase our output in the factory as well. And again, this is an ongoing process we are still looking at doing some more automation within the existing factories. I didn't get the second question if you could please repeat that?

Anupam Agarwal: Yes, sir. You talked about acquiring some distributor in the US market and also probably UK. Can you throw some light with how that business is going to look like?

Bimal Thakkar: So, there is still work in progress and I hope to have some news on that for you all within by the next quarter.

Moderator: Thank you. The next question is from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

Ayush Agarwal: Sir, when we look at the US and the UK market and for a brand like Ashoka, what is our benchmark brand like what other brands do we look up to or how do we compare ourselves to those brands?

Bimal Thakkar: So, each market has different competitors so for example in the US we compete with a brand called Deep Foods, which is a local homegrown brand in the US. In the UK, we have brands like Pathak's who we compete with in the supermarket trade. So that each market has different then there is Tasty Bite in the US for the mainstream side, where we have our Truly Indian brands. So, within the different categories and different markets, there are different brands which we compete with.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Rishav Das for closing comments.

Rishav Das: Thank you all for joining the Q3 FY21 earnings call of ADF Foods. For any further queries, please get in touch with us at Pareto Capital. Thank you.

Bimal Thakkar: Thank you very much.

Shardul Doshi: Thank you very much.

Moderator: Thank you. On behalf of ADF Foods Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.