ADF FOODS LTD.
Feeding the world..

21st February, 2025

National Stock Exchange of India Limited,	BSE Limited,
Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.	Department of Corporate Services, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
Symbol: ADFFOODS	**Scrip Code: 519183**

Dear Sir/Madam,

Subject: Transcript of Q3 & 9M FY24-25 Earnings Conference Call.

Pursuant to Regulation 30 & 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we attach herewith a copy of the transcript of Earnings Conference Call held on Monday, 17th February, 2025.

The same is also available on the website of the Company at www.adf-foods.com.

This is for your information and record.

Thanking You,

Yours faithfully,
For **ADF Foods Limited**

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Date: 2025.02.21 18:16:28 +05'30'

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

February 17, 2025

MANAGEMENT: MR. SUMER THAKKAR – PROMOTER & GENERAL MANAGER, SALES AND STRATEGY
MR. SHARDUL DOSHI – CHIEF FINANCIAL OFFICER

MODERATOR: MR. RAVI UDESHI – ERNST & YOUNG

Moderator: Ladies and gentlemen, good day, and welcome to the ADF Foods Limited Q3 & Nine Months FY '25 Earnings Conference Call.

As a reminder, all participant lines will be in a 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 "*" and "0" on your touch tone phone.

I now hand the conference over to Mr. Ravi Udeshi from EY. Thank you. And over to you, sir.

Ravi Udeshi: Thank you, Steve. And good morning, everyone. We welcome you to Q3 and nine months FY '25 earnings conference call of ADF Foods Limited.

To take us through the results and to answer your questions we have with us the top management of ADF Foods Limited, represented by Mr. Sumer Thakkar, the Promoter and also the General Manager, Sales and Strategy; and Mr. Shardul Doshi, the Chief Financial Officer.

We will start the call with an overview of the business and the current business update by Mr. Sumer Thakkar, and then Mr. Shardul Doshi will give his comments on the financials. As usual, the standard Safe Harbor clause applies while we start the call.

With that said, I now hand over the call to Sumer. Over to you Sumer.

Sumer Thakkar: Thanks, Ravi. Hi. Good morning, everyone. Coming to the quarter gone by, our consolidated revenues grew by 13.8% to Rs. 147.5 crores on a year-on-year basis. This was driven by secular demand across all our brands.

We sustained EBITDA margins in the high teens despite ongoing investments in brand development and strengthening of our management teams. In addition to this, we faced increases in raw material prices and freight costs. However, stringent cost control measures, process efficiencies and the rupee depreciation helped minimize the margin impact.

Our strategy to broaden the reach of our India-focused ADF SOUL brand is advancing as scheduled. We have established a presence in the quick commerce market. And additionally, we have also expanded into select modern trade outlets of Nature's Basket, Reliance Fresh, Haiko, Food Square, Dorabjee's and DMart in the Mumbai and Pune region.

Our cold storage facility at Nadiad has become operational in the current quarter. This enhances our supply chain capabilities with respect to finished goods storage and the facility is now geared to optimize resources, better planning and more timely order fulfilment.

Overall, our core business continues to grow at a consistent pace and our investments in ADF SOUL and Truly Indian brands should start generating momentum over the medium to long term.

The expansion of our Surat greenfield facility to support both new and existing frozen food lines is actively underway, and we anticipate it to begin operations by the second half of FY '26.

We are confident that our ongoing investments will enable our brands and private label businesses to significantly scale in the future. Overall, we remain committed to achieving strong and sustainable financial growth.

I now hand over to Shardul, our CFO, who will comment on the financials.

Shardul Doshi: Thank you, Sumer. And good morning, everyone.

I will first share the standalone performance:

In Q3 FY '25, we saw revenues from operations at Rs. 121.1 crores. This marked a 17.3% Y-on-Y growth and a 3.6% Q-on-Q decrease. Our EBITDA for this quarter was Rs. 25.5 crores, a Y-on-Y decrease of 3.6% and Q-on-Q decrease of 8%. While our EBITDA margins were at 21%, EBITDA margins decreased 460 bps on a Y-on-Y basis and by 100 bps on Q-on-Q basis. The reason for the decrease has been stated by Sumer in his speech. PAT for the quarter was Rs. 20.2 crores, a 0.4% decrease Y-on-Y and 5.5% decrease Q-on-Q. Our PAT margin for the quarter stood at 16.7%.

Coming to the nine months FY '25 performance:

Our revenues from operations were at Rs. 343.8 crores, up 20.6% Y-on-Y. EBITDA was Rs. 75.9 crores, registering an increase of 8.2% Y-on-Y. EBITDA margin was 22.1%, a decrease of 250 bps on Y-on-Y basis. PAT was Rs. 58.7 crores, up 8% Y-on-Y with a PAT margin of 17.1%.

Moving on to the consolidated performance:

Our revenues from operations for Q3 FY '25 was at Rs. 147.5 crores, an increase of 13.8% Y-on-Y and 8.6% decrease from the last quarter. Our EBITDA for Q3 FY '25 was Rs. 26.4 crores, recording a decrease of 2.2% Y-on-Y and a decrease of 4.7% from the previous quarter. Our EBITDA margin stood at 17.9%, a decrease of 290 basis points on a yearly basis. The reason has already been explained by Sumer in his speech.

We expect our investment in brand building and strengthening management bandwidth will drive continued growth for all our brands and businesses. Our PAT for the quarter was Rs. 18.8 crores, marking a Y-on-Y decrease of 1.8% and Q-on-Q decrease of 4.6%. For Q3 FY '25, PAT margin stood at 12.7%.

For the nine months ended December 31, 2024, consolidated revenues from operations were at Rs. 430.5 crores, up 17.4% Y-on-Y, and EBITDA was Rs. 73.7 crores, a growth of 4.3% Y-on-Y. The EBITDA margin stood at 17.1%, a decrease of 220 bps Y-on-Y. PAT was Rs. 52.8 crores, up 8.3% Y-on-Y, with a PAT margin of 12.3%.

All our CAPEX plans are on schedule. Our CAPEX spend for nine months FY '25 were at around Rs. 22 crores. Our cold storage facility at Nadiad became operational in the current quarter. Our Surat greenfield facility expansion is well on schedule. We expect our greenfield project to commissioned by H2 FY26.

Our balance sheet continues to remain debt free as on date and we are sitting on a cash balance of Rs. 143 crores. Overall, we continue to judiciously invest in our manufacturing capabilities as well as our brand building exercise in order to focus on delivering greater returns in the long-term.

With this, I now request Ravi to open the floor for question-and-answers. Thank you.

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

Azharuddin Jariwala: So, we are making investment in ADF UK Limited, right? So can you please throw some color on that, and where are you planning to use this money?

Shardul Doshi: So, this money will be onward invested into our U.S. businesses. So there are a few things happening there. We need to shore up working capital because the demand is increasing for the Unilever product. We can see that happening. And we are also investing on to Truly Indian brand into that market. So, we will have to shore up the working capital there. And this is an enabling resolution which we have passed. And then we will transfer money as and when it is required.

Azharuddin Jariwala: Okay. And --

Sumer Thakkar: Sorry. Just to add, we have made some strategic changes in our distribution in both the UK market and the U.S. market. And in the next couple of quarters, we are seeing enhancements in demand. So, just to fulfil that, this is more a working capital infusion.

Azharuddin Jariwala: Yes. And why did distribution revenue experienced a sudden fall on Q-o-Q basis?

Shardul Doshi: Yes. So, in fact, in the last call also I had said that there are certain carry-forward. In the June quarter there were certain container-related issues in terms of availability. So when you look at both standalone as well as distribution business, they have not grown because there were certain carry-forward from the Q1 into Q2. And also what happens is, because these distributors stock up goods due to Diwali season, you had seen a jump in Q2, and hence, there is a drop in Q3, which is a follow-on effect. But I think we are seeing good growth happening into this segment in few next quarters to come in. So, I do not see this as an issue actually.

Azharuddin Jariwala: Correct. And what about margin and revenue going into FY '26, are we expecting margins to increase due to freight rate pressurization?

Shardul Doshi: The freight is something which is uncontrollable expense for us. But saying this, when we look at the Jan month, or even in the December month, we had seen a month-on-month decrease in December, and it had further reduced in the month of Jan. So, hopefully, freight should come down going forward. If Red Sea issue is also resolved, freight will drastically come down, I think, after Trump has come in now.

Azharuddin Jariwala: Thank you. That's it.

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

Arpit Jain: Thank you for the opportunity. My question is on the distribution business side. As we are doing pretty great in the food processing business, but when it comes to the distribution business, it has been very volatile. So, how do we see the distribution business going ahead as it is causing a drag in our overall business?

Shardul Doshi: Sumer, do you want to take this?

Sumer Thakkar: So, like you mentioned, the volatility is more on the supply side of things, demand continues to remain robust. And in terms of why we got into the distribution business in the first place, to help strengthen our own brand, that continues to remain. And it also helps bring down our operating costs. So, once the supply chain is resolved, this business will continue to generate positive returns in the near to long-term.

Shardul Doshi: Even if you see the returns coming from this business, they have been very robust in the current financial year.

Arpit Jain: Okay. And my other question is that, we have some issues related to that post-acquisition issues, so those are resolved or what?

Shardul Doshi: Sorry, can you just repeat that question, which -- are you referring to Vibrant?

Arpit Jain: Sir, in distribution business we have some post-acquisition issues on one of the players in that segment, so my question is on that, that ITC has given some products like tea and all to other distributors.

Shardul Doshi: I think you are referring to Vibrant, which used to be our 70% company and in the last quarter it became 100% company. Yes, the performance is not up to mark, and hence we have completely bought over the stake. And this company actually has been really helpful for overall business of ADF. In this market where it operates, our share used to be like, say, $1 million and $1.5 million, it's already at $5 million which is the sales routed through this entity. So it's been really good in terms of strategy. But even on a standalone basis, this company has to make money and we are all working towards it. Hence we acquired the 100% stake so that then we can do all strategies which we want to implement over there.

Arpit Jain: Okay. Thank you, sir. That's it form my side.

Moderator: Thank you. The next question is from the line of Kuber Chauhan from Anand Rathi. Please go ahead.

Kuber Chauhan: Yes. Thank you for taking my question. And I have a couple of questions over here. Actually, I joined the call late, so can you explain me what were the reasons of our sequential dip in our top-line business? And number two, have you seen any kind of more acceptance for Truly Indian brand in U.S.? Actually, ideally you mentioned about 1,300 new stores were there which we penetrated. And the third question is, in last concall you told that a SOUL brand will be placed in modern trade channel as well, so it has been placed or it's still remaining?

Sumer Thakkar: Shardul, do you want to get the first question, I will answer two and three.

Shardul Doshi: Yes. Okay. So in fact, Kuber, just I had covered this in the opening remark. But just to give you a perspective here, in Q2, rather in Q1 in the month of June there were container availability issues, and hence there were certain sales which actually they were carried forward from Q1 to Q2, both on the distribution as well as on the processed food segment. This is something which we had mentioned in our call also when we saw a significant jump in Q2. Also what happens is, towards Diwali the distributors start stocking up the goods before Diwali and that's how you see a jump in Q2. We are seeing good demand for our products across all segments, even on the distribution side. And we are hoping these numbers will be better going forward.

Sumer Thakkar: Yes, Kuber. So, on the second question, for Truly Indian we remain at 1,300 store mark. It's still early days, it's not even been six months but we ran certain promotions in the last quarter and we saw good action in secondary sales. In fact, we saw a huge bump up. But like I mentioned, it's still early days, but we feel fairly confident, 1,300 stores will start generating revenue in Q1 and Q2 next year, and we also are looking to increase this number in the short-term. With regards to SOUL, we have entered modern trade, so we have entered Nature's Basket. So we are doing it regionally, first we are starting with Mumbai and Pune, and then we will expand further west. So we have entered Reliance, Nature's Basket, DMart, Haiko and the Dorabjee's in Mumbai and Pune.

Kuber Chauhan: Okay. And can you provide some ballpark guidance for the next year because the international markets are a bit shaky, so how we are looking forward and what are strategies we are adopting to mitigate it and to protect our margins?

Shardul Doshi: So, in the next financial year we see that Truly Indian and SOUL will start contributing in a better way than the current year because of all the things which have happened with both this brands in terms of successful listings across the stores, as well as on the online platforms. Ashoka also has been giving us a good growth and we are also simultaneously seeing that when we are approaching big retailers for Truly Indian, there is a private label business also which is coming into us. So, we see good growth happening on all these segments in the next financial year.

Kuber Chauhan: Okay. And have we listed our SKUs on Amazon?

Sumer Thakkar: Yes, we have. Sorry, is this Amazon India?

Kuber Chauhan: Yes.

Sumer Thakkar: We are on Amazon India, we are on Amazon U.S., we do Amazon EU, and we are just starting in the UK as well.

Kuber Chauhan: So have we increased our SKUs, or the existing ones have only been there?

Sumer Thakkar: Again, I am not sure which market you are referring to.

Kuber Chauhan: Across the market, sir.

Sumer Thakkar: But the ADF SOUL in India is across, I mean, we have all our SKUs listed apart from Frozen, which is a new launch.

Kuber Chauhan: Okay. So we have listed Frozen, right?

Sumer Thakkar: Not at the moment. We have just launched Frozen. It has gone into modern trade this month. But yes, we do have plans on getting into quick commerce and e-commerce.

Kuber Chauhan: Okay. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Kumar Saurabh from Scientific Investing. Please go ahead.

Kumar Saurabh: Yes. I have two, three questions. So first on Truly Indian and SOUL, what are their latest monthly revenue run rates? That is one. And this nine months, how much they have contributed to the losses in terms of percentage or absolute? And what is the revenue level at which they will breakeven? If you can connect all three things for Truly Indian and SOUL.

Shardul Doshi: So Truly Indian has a run rate in U.S. will I think do around $1 million in the current financial year, all in put together. And additionally, whatever we are doing Germany, I think we should be at around Rs. 20-odd crores for Truly Indian. While if you look at SOUL, the current run rate is around Rs. 70-odd lakhs on a monthly basis.

Kumar Saurabh: Okay. And together combined, have they contributed to losses at EBITDA level?

Shardul Doshi: Yes, because we are in an investment mode for both these brands, right? So --

Kumar Saurabh: So like, what percentage of total EBITDA they have eaten up?

Shardul Doshi: So EBITDA at SOUL will be at around, say, 150% when it comes to the top-line. This includes all the marketing spend, the people cost, what we have employed there. While Truly Indian will be around, say, 30% to 40%.

Kumar Saurabh: Okay. And at what revenue level do you expect them to breakeven at EBITDA level?

Shardul Doshi: See, Truly Indian and SOUL both are high-margin business, so as soon as we are able to reduce the marketing spend there, both these brands will become breakeven. Like, they will start breaking even.

Kumar Saurabh: Any tentative timeline, I am not looking for exact time, but maybe six to 12 months window, or one to two years, like, where you are expecting that this would happen?

Shardul Doshi: So SOUL should take another 12-odd months for us to breakeven, while Truly Indian maybe six to eight months.

Kumar Saurabh: Okay, great. And my last question is on the margin. Like, if you compare December-to-December the margins have dipped, and you have given reasons like freight, but we are also investing, we have built a leadership team. So if you can, for the difference of whatever 3%, 4% margin gap, if you can provide the details what has impacted how much percent of margin?

Shardul Doshi: So freight itself had a 3% impact in terms of our margin. And marketing spend will be around, say, 1.5%. And your cost of goods, the raw material will be around 1.5%. So, that's broadly the breakup. And of course, the overall EBITDA will not add up, but there are some savings which we have done on other expenses then the fixed cost gets apportioned over the higher cost.

Kumar Saurabh: Okay. And my last question, the distribution side of business, like, I am not bothered about the quarterly fluctuations, but can we say at the annual level or 12 months level, given last quarter things changed, and the hope was, now these businesses will continue to do well? So, if we keep the quarterly fluctuations aside, can we be assured that on a yearly level, things will be good on the distribution side from here on?

Sumer Thakkar: I was saying, once the supply chain issues are resolved, and if we get continued supply of goods, I am fairly confident this business can generate, on a steady state, anywhere between $12 million to $14 million annually.

Kumar Saurabh: Great. Thanks. Thanks a lot. And I wish you all the best.

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

Ravi Naredi: Thank you very much to give the opportunity. Sir, you have nice management, debt-free, doing hard work by management, took Patanjali agency, doing good agency work of Hindustan Unilever. And in spite of so many efforts you are doing of expansion in capacity, warehouse in USA, PLI from Government of India, we are at same stage in last nine quarters. From December '22, since last nine quarters, we are at same figure in bottom line. So, will you give some hope, what is going on, where we want to go?

Shardul Doshi: No. Sir, in fact, except this quarter, there has been quarter-on-quarter and Y-on-Y growth which we have seen, both on our top-line and bottom-line. Not sure what you are referring, but even top line we have been growing at around 17% to 20% year-on-year. So, I think, I am not sure, when you are saying nine quarters, we have been stagnant. But saying this, the plans are in place. As you are aware, Ashoka has been growing in double-digits for us. Truly Indian and SOUL, there is an investment which is happening and will start giving us a good contribution.

And even private label will become a bigger business for us. That's what we are expecting to happen in the year to follow. Even on the margin side, as I have explained, freight has come down, your dollar rate has improved. So, hopefully, even margin-wise we should be better off, despite our investments which we are doing on marketing as well as manpower. So, I think, we are seeing next financial year we will have a much better number compared to what we have right now.

Ravi Naredi: That is okay. But in December '22 we have Rs. 19 crores bottom-line and today also Rs. 19 crores, so just I have asked. You gave Rs. 1,000 crores top-line target for financial year '27, so many points to ask whether at Rs. 1,000 crores our margin will be same, increase, or likely to decrease? That commentary we need from you.

Shardul Doshi: Yes. As I explained, in fact, so many things we are doing in terms of investment on our brand, as well as we can see cost coming down, mainly important is freight. RM is of course still high. And the foreign exchange rate is also favoring us. So, margin profile should also be better for us going forward.

Ravi Naredi: Okay. Thank you.

Moderator: The next question is from the line of Sumit from Arth Equity. Please go ahead.

Sumit Chandwani: Yes. Hi. Good morning. Thanks for the opportunity. So, sir, you had given a guidance of Rs. 1,000 crores revenue by FY '27, so are we sticking to that guidance?

Shardul Doshi: Yes.

Sumit Chandwani: Okay. And what kind of blended margins do you expect, broadly, can you give us a range?

Shardul Doshi: We have always been saying we will be in high teens when it comes to the EBITDA margin. So, we should be in a position to achieve that.

Sumit Chandwani: Got it. All right. Thank you.

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

Ashish Agrawal: Yes. Thanks for the opportunity. I had two questions. So, basically, our main business is in the USA, whether we take Ashoka or Truly Indian. I mean, a lot of the revenue comes from the U.S. Now, based on the tariffs that are anticipated or coming up, what is the plan to safeguard our margins? That's the question number one. And second question is, basically, you said that in SOUL we have launched frozen food categories in last month, I think, January, this quarter. So what are the various products that we have launched? And how many SKUs we have launched in the frozen category? That's it. Those are the two questions.

Shardul Doshi: So if you look at, I think, Indian government is working with U.S. government to see how this will work. But anyways, regardless, whenever it happens, it will happen for the entire industry. It's not only like we will be the only one who will be impacted. We are already paying duties as such. It's not that we are not paying duty in U.S. We will have to see how much incremental duties will come in.

But if it is happening for the industry, I think most of us will pass it on to the customer because, anyway, the pricing of our products, they are in all single-digit dollar number. So, it will not really impact as such when it comes to the market. It may slightly had an impact, but we do not see any major impact happening. We are waiting to see how things are, anyway, developing on this front. And we will talk about it once we have a complete clarity on this aspect.

Sumer Thakkar: And just to add to that, I mean, the way we safeguarded ourselves a couple years ago when freight cost went up, our brands have very strong brand equity, so we are able to pass on price increases if need be. As for your second question on SOUL, last month we launched a frozen bread, so this includes stuffed parathas, kulchas, naans, and a few snacks like paneer pakoras, various samosas. We are doing the frozen lunch in two phases, but it's mostly spread across breads and snacks, and over the next three months, it will be a range of about 15 SKUs.

Ashish Agrawal: Okay. And it's launched as a pilot in some cities or across our modern trade and e-commerce?

Sumer Thakkar: So we are test marketing across quick commerce, so Zepto, Instamart, as well as a few select modern trade outlets in Mumbai and Pune.

Ashish Agrawal: Okay. Yes, that's it. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for their closing comments.

Sumer Thakkar: Thank you everyone for joining in. Thanks.

Shardul Doshi: Thank you.

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. Thank you.