

05th November 2024

Corporate Relationship Department
BSE Limited
P. J. Towers, Dalal Street, Fort,
Mumbai - 400 001

Scrp Code: 519003

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015- Transcript of earning conference call held on October 30, 2024.

Dear Sir/Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith transcript of Q2 & H1FY25 earnings conference call for the Un-Audited Financial Results for the quarter ended 30th September, 2024 held on Wednesday 30th October, 2024.

You are requested to kindly take the same on your record.

Thanking You,

Yours truly,
for **MODI NATURALS LIMITED**

Akshay Modi
Jt. Managing Director
DIN: 03341142

Encl: as above



“Modi Naturals Limited
Q2 & H1FY25 Earnings Conference Call”

October 30, 2024

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th October 2024 will prevail.”



**MANAGEMENT: MR. AKSHAY MODI – JOINT MANAGING DIRECTOR
SGA – INVESTOR RELATIONS ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Modi Naturals Ltd. Q2 and H1 FY25 Earnings Conference Call.

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 call is being recorded.

I now hand the conference over to Joint MD, Mr. Akshay Modi, from Modi Naturals Ltd. Thank you, and over to you, sir.

Akshay Modi: Thanks. Good afternoon, ladies and gentlemen. Thank you for joining us for the Modi Naturals Q2 and H1 FY25 Earnings Conference Call. I trust you have had an opportunity to review our “Financial Results” and “Investor Presentation”, both available on the Company's Website and Stock Exchanges. SGA – our investor relations advisor, is joining me on this call.

Given that this is our “First Earnings Call” and for the benefit of the participants at large, I will give an overview of the Company, followed by financial performance for the quarter and half year ended September '24.

At Modi Naturals, our journey began in 1974 under the visionary leadership of D.D. Modi. From modest beginnings, we have grown into a household name and a trusted provider of healthy, high-quality edible oils and innovative FMCG products. With a vision centered on producing premium edible oil and food products, we have maintained an unwavering commitment to quality and innovation. In 1985, we expanded our operations by establishing a new solvent extraction plant in Pilibhit, Uttar Pradesh, as part of a green field expansion. This facility has evolved into a fully integrated oil extraction, refining and packaging plant. Our primary objective was to supply top quality edible oils to Indian households, which at the time had limited options for quality, purity and health benefits.

In the early years, our primary focus was on rice bran oil and a high-quality by-product, de-oiled rice bran, which is an animal feed ingredient. Through rigorous quality control and a commitment to traditional values, we quickly earned the trust of our customers. As demand grew, so did our product portfolio, expanded to include a variety of oils such as olive oil, multi-source edible oil and canola oil, each known for its nutritional benefits. We invested in advanced extraction and refining technology to ensure that every drop of oil met stringent quality standards, providing an added layer of health benefits that consumers could rely on.

At Modi Naturals, we have 3 divisions:

The Bulk Oil division.

Branded Consumer division.

The Ethanol division.

Let me begin with the Bulk division:

Our Bulk division is vital to our overall strategy, focusing on procuring, processing and distributing various edible oils in a dynamic market. This segment allows us to capitalize on price fluctuations and shifts in consumer demand, optimizing our inventory and maximizing profitability. By leveraging our extensive network of suppliers and customers, we navigate the complexities of the oil trading landscape effectively, along with backward integration.

However, the last few quarters have been particularly challenging for our Bulk division, which, despite having a manufacturing back-end, has a trading element. It faced significant obstacles due to government-imposed price restrictions on edible oils, leading to considerable inventory losses. Market volatility and shifting demand further exacerbated these challenges, impacting our trading margins and operational efficiency. Fortunately, we are beginning to see signs of recovery, prices have stabilized, and we believe the worst is behind us. Favorable rainfall across the country and the arrival of fresh crops are creating a more conducive environment for trading. As supply chains normalize and demand picks up, we expect to see positive momentum in our bulk trading segment moving forward.

Coming to our Consumer Branded division:

A major milestone in our journey was the introduction of Oleev, a brand of high-quality, heart-healthy cooking oils in 2012. Our flagship brand, Oleev, and particularly Oleev Active, quickly became a popular choice for health-conscious consumers in India, combining olive oil's benefits with everyday cooking oils' versatility. By focusing on scientifically backed products that addressed health concerns like cholesterol, cardiovascular health, and overall a fitness lifestyle, we successfully reached a rapidly growing market of health-conscious individuals seeking more from their everyday ingredients.

Oleev oils became synonymous with quality, lifestyle, and wellness, and the brand continued to innovate by introducing more varieties to cater to diverse cooking needs. We are currently the only major player in India producing multi-source edible oil with olive oil, and we are the country's third largest super-premium edible oil brand.

Our journey was not without its challenges. As the Company grew, we faced intense competition from both domestic and international players. The edible oils market is highly competitive, with numerous established brands and the constant pressure of fluctuating raw material prices. However, we approached these challenges with resilience and strategic foresight by implementing cost-effective manufacturing practices without compromising quality and building strong relationships with suppliers, we were able to maintain stable prices. Furthermore, we adopted a multi-pronged approach, expanding our distribution network,

strengthening our R&D efforts, and implementing modern marketing strategies by partnering with retailers and distributors across the country.

We achieved nationwide reach, making our products accessible to both urban and semi-urban consumers. Our strong logistics network became a competitive advantage, allowing us to maintain a robust presence throughout India and some neighboring countries. We strategically selected our market presence. Our Consumer business does not focus on commodity-based edible oils such as soybean, mustard, and sunflower oil. Instead, we cater to the premium Multisource Oil segment, which includes blends like Rice Bran Plus Olive Oil and Rice Bran Plus Sunflower Oil. We market these products under brands Oleev Active, Oleev Gold, and Oleev Smart.

Additionally, we have also extended our offerings into the super-premium edible oil category, which includes Olive Oil and Canola Oil. These products are marketed under the brands Oleev Kitchen, Olivana Wellness, and Miller Canola Oil. Additionally, we reinforced our commitment to quality and transparency by investing in R&D facilities and enhancing our product packaging to clearly communicate health benefits. This dedication to innovation and consumer focus paid off, as more people recognized and trusted Modi Naturals as a provider of healthier, high-quality oils.

While we had already established a name in edible oils, our ambition did not stop there. Recognizing opportunities in the FMCG sector, we strategically diversified our product line to cater to a broad range of consumer needs. This expansion enabled us to enter new product categories, including premium oils and other food items, thereby creating a strong, diversified brand presence.

Recently, we also ventured into the ready-to-cook snack category, introducing products that align with our philosophy of health, convenience, and taste. We have developed strong brand identification to better align our products with consumer expectations. For example, the Oleev brand is associated with health and wellness, which is why we extended it under a sub-brand, Oleev Kitchen, with which we guarantee healthier-for-you food products with significant innovation and product differentiation, ensuring our consumers receive high quality with great taste and nutrition.

This range includes items like Oleev Kitchen, Pasta and Peanut Butter and Super Soup, India's first ready-to-cook soup with pre- and probiotics. Additionally, we elevate the snacking experience. We introduced Pipo, a popcorn brand, which comes in flavors such as Cheese Burst, Peri-Peri, Tomato Salsa, and Tandoori.

Our roasted peanuts also offer both international and local flavors, including Smokehouse, Barbecue, Himalayan Rock Salted, etc. To enhance the beverage experience, we launched Jynx, a line of powdered, ready-to-mix drinks available in various flavors enriched with vitamin C. Our products cater to a generation seeking quality, taste, and nutrition in quick-to-

make food options. The decision to expand into FMCG was driven by our desire to provide consumers with choices that are not only healthy, but also flavorful and convenient, aligning with modern lifestyles.

Additionally, we will leverage the ecosystem that supports our oil business, including quick commerce and e-commerce platforms, a robust network of distributors, and direct access to retail stores, modern outlets, and CSD Army canteens. This approach will allow us to efficiently distribute our products while ensuring they are readily available to consumers in various shopping environments. By utilizing these established channels, we aim to enhance visibility and accessibility, ultimately driving sales and strengthening our market presence. This integrated strategy maximizes our reach and fosters greater customer engagement and satisfaction. This will reduce our effort to a large extent. Introducing these new products is a testament to our adaptability and vision. By closely monitoring consumer trends, we swiftly identify and address market gaps.

We have been in the Branded Consumer business since FY12, and from day 1, we have approached our decisions with extreme caution and careful analysis. Our business has been profitable from the very beginning, which underscores our commitment to sound strategies and prudent management. We will continue to uphold this philosophy as we move forward, ensuring sustainable growth and long-term success in a competitive market.

Let me now move on to our new segment, the Ethanol division:

We strategically entered the Ethanol division, promising economic growth and a positive environmental impact. Let me explain the reasoning behind this expansion. India is aggressively pursuing energy self-reliance with an ambitious goal to achieve a 20% ethanol blend in petrol by 2025. This shift toward ethanol, a biofuel derived from biomass resources, holds great potential for reducing fossil fuel dependency, enhancing energy security, curbing environmental pollution, and increasing farmer and rural income. The government's strong push for ethanol production via the EBP program presents a valuable opportunity for companies like ours to diversify into a sector with rapidly growing demand.

We have a rich legacy in processing Agri products. With decades of expertise in oil extraction and refining, and safe handling of resources, we have developed the necessary infrastructure and technical know-how to transition seamlessly into ethanol production. Our Agri processing sector experience equips us with the critical skills required for efficient processing and product quality management, two key aspects of ethanol production. Furthermore, with decades of experience in handling various types of oils, we have a deep understanding of grains and protein byproducts as commodities, which allows us to effectively navigate the complexities of this market. This expertise is the reason we have decided to enter the grain-based ethanol sector, positioning ourselves to leverage our knowledge and drive sustainable growth in this emerging industry.

We have established a 100% wholly-owned subsidiary, Modi Biotech, and have strategically entered Raipur in Chhattisgarh. This state, along with Orissa, just 100 kilometers away, is rich in grains and produces up to 3 crops per year. This location gives us a significant advantage in easily procuring raw materials. Additionally, our plants are strategically located near all major oil manufacturing companies' depots, which helps us reduce logistic costs and strengthen our relationships with them. We began establishing our plant in April '22 and commenced commercial production in November '23. Currently, our manufacturing facility is set up for 130 KLPD, for which we have incurred a capital expenditure of approximately Rs. 150 crores. Furthermore, we are working toward expanding our capacity with an additional 180 KLPD ethanol distillery, which will bring our total capacity to 310 KLPD. We estimate a capital expenditure of approximately Rs. 100 crores for this additional capacity, and we have recently completed the engineering work. Construction is set to begin in Q3 of this financial year.

We are excited to announce that we have recently secured an order worth Rs. 300 crores for our upcoming ethanol year, which spans from November 2024 to October 2025. This achievement is a testament to our team's hard work and dedication and showcases our commitment to excellence and innovation in the ethanol sector. Receiving this order not only reinforces our reputation as a reliable supplier, but also inspires us to push beyond our limits in pursuit of sustainable growth. We look forward to the opportunities this order presents and are dedicated to delivering high-quality products that meet the evolving needs of our customers. As we expand our operations, we are confident that we will reach new heights and significantly impact the industry.

Now, coming to our consolidated "Financial Performance":

Please note that last year, in the same period, the Ethanol division was not there, hence it is not a like comparable.

Q2 FY25 Performance Highlights:

Revenue from operations is up by 59.5% to Rs. 146.6 crores. EBITDA for the quarter grew by 5.8x year-on-year to Rs. 14 crores. EBITDA margins stood at 9.6% and PAT grew by 10x to Rs. 7.6 crores.

H1 FY25 Performance Highlights:

Revenue from operations is up by 67.6% to Rs. 294.2 crores. EBITDA for the quarter grew by 5.6x year-on-year to Rs. 27.88 crores. EBITDA margins stood at 9.4% and PAT grew by 9.7x to Rs. 15 crores.

Coming to our divisional performance:

Consumer division:

Revenue for Q2 FY25 stood at Rs. 46.6 crores compared to Rs. 47 crores in Q2 FY24 and H1 FY25 stood at Rs. 86.6 crores, compared to Rs. 85.8 crores in H1 FY24. Largely, the revenues for Q2 FY25 and H1 FY25 have remained flattish on a year-on-year basis owing to a reduction in oil prices and seasonality factors at play. EBITDA for Q2 FY25 stood at Rs. 4.6 crores as compared to Rs. 5.2 crores in Q2 FY24, and for H1 FY25 stood at Rs. 10.6 crores as compared to Rs. 9.5 crores in H1 FY24. The increase in ad spend in Q2 FY25 had an impact on EBITDA and this is in line with our strategy.

Further, we are scaling up the Pasta portfolio under the Oleev Kitchen brand with celebrity endorsement and targeted advertising. Overall demand is improving, driven by expanded distribution, innovation and new product launches in our food basket.

Bulk division:

In Q2 FY25, our revenue stood at Rs. 19.6 crores as compared to Rs. 44.9 crores in Q2 FY24 and H1 FY25 stood at Rs. 49.5 crores as compared to Rs. 89.7 crores in H1 FY24. The first half traditionally sees softer performance as fresh crops start entering the market from the second half onwards. EBITDA loss of Rs. 30 lakh in Q2 FY25 as compared to loss of Rs. 2.2 crores in Q2 FY24 and H1 FY25 loss stood at Rs. 1.5 crores as compared to loss of Rs. 2.9 crores in H1 FY24.

Ethanol division:

In Q2 FY25, our revenue stood at Rs. 80.4 crores and for H1 FY25 stood at Rs. 158.2 crores. EBITDA for Q2 FY25 stood at Rs. 9.9 crores and for H1 FY25 stood at Rs. 19.4 crores. The ethanol distillery has stabilized and is currently operating at its optimum capacity. Engineering work for Phase 2 expansion has been completed and construction will begin shortly.

Given our place today, we believe our consolidated revenues for FY25 will increase by 75% to Rs. 700 crores from Rs. 400 crores. Division-wise split will be as follows. Branded division revenue will contribute Rs. 210 crores, Bulk Oil division revenue will contribute to Rs. 215 crores, and Ethanol division revenue will contribute to Rs. 275 crores.

The revenue growth will be attributed to as follows:

Consumer division:

We will be launching new products in niche categories. Furthermore, our focus will be on expanding our assortment in quick commerce, modern trade and general trade. We will hire a new brand ambassador and increase our advertising spend moving forward.

Bulk division:

With good range and fresh crop starts entering the market and macroeconomic conditions continue to improve.

Ethanol division:

We have recently received an order for ethanol of Rs. 300 crores from multiple OMCs for 41,600 kL, which is in line with our capacity for the following ethanol sugar year starting November 2024. Along with the sale of by-products, this firms up our revenue for the coming year. We are in the process of expanding our manufacturing capacity to 310 KLPD i.e. expansion of an additional 180 KLPD with an estimated CAPEX of Rs. 100 crores.

We expect EBITDA in FY25 will be at Rs. 50 crores as compared to Rs. 9.1 crores in FY24. Further, PAT is expected to be at Rs. 30 crores in FY25 from a loss of Rs. 1.4 crores in FY24. Margins and profitability. Our focus will be on enhancing profitability as increased cash flows will drive greater investment in our Branded Consumer business. Furthermore, EBITDA margins will improve supported by a stronger product mix in the branded segment and robust performance in the ethanol business.

With this, now I can open the floor for the questions and answers.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. Our first question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: You mentioned the guidance of Rs. 700 crores in FY25. So, I would like to understand whether this is conservative guidance or an optimistic guidance? And what is the downside risk to this and what gives us confidence of achieving this. And secondly, I would like to understand the operating margins that we can expect in FY25 on the steady state operating margins. Because in FY23 and before that, we were operating in the range of 1% to 3% operating margins, while in this quarter, we are observing about 8% to 9% operating margins. So, what should be the steady state operating margins going forward and for FY25?

Akshay Modi: So, as far as revenue guidance is concerned, we are confident we can achieve it, and it is in line with what we have already achieved so far this year. For margin guidance, we have already provided EBITDA guidance and PAT guidance. So, I think you can extrapolate from that.

Gunit Singh: Sir, can you please repeat the EBITDA and PAT guidance? I am sorry. I might have missed that.

Akshay Modi: So, the consolidated revenue guidance is Rs. 700 crores, EBITDA guidance is Rs. 50 crores and the PAT is Rs. 30 crores.

Moderator: Our next question is from the line of Sandeep Dixit from Arjav Partners. Please go ahead.

Sandeep Dixit: So, I just wanted to understand the correlation between EBITDA margin across branded and bulk. There doesn't seem to be any correlation in inverse or either way. Because I mean, how does it work? For example, your EBITDA margin on bulk has been all over the place. It's gone from, let's say, minus 4.81% last year, September quarter to minus 1.3%. Whereas your branded has gone from 11% to 9.92%. What exactly is there any correlation between the way the branded business work and the Bulk business works?

Akshay Modi: There is no correlation between the two. The two operate entirely independently. The Bulk business has two margins at play. One is a processing margin and the other is a trading margin, as it's a low margin business. And as I mentioned earlier on the call, over the last 2 years, we have faced some headwinds in the Bulk Oil business as the government had imposed some price restrictions as well as reduced import duties. So, there was a drastic inventory loss over a few quarters. But that has bottomed out and the Bulk division performance will improve going forward. Whereas the Consumer division operates on relatively straightforward margins, there's not that much volatility, more stable margins. And in Q2 particularly, we have mentioned that we have increased our ad spends in order to pursue faster growth. So, that's why Q2 margin is a little lower than Q1 margin. Does that answer your question?

Sandeep Dixit: Yes, it does. Just to follow up on that, what would be a sort of a steady-state margin that you can expect in the Bulk business? Because last six quarters, you have made negative margins on this. So, does it make sense to carry on that business at all?

Akshay Modi: Yes like I said, that's a one-time thing. We have probably never witnessed this in our lifetimes. So, that is stabilized. And moving forward, it should be able to contribute. We haven't given that number yet, but anywhere between 5% to 6% EBITDA margin.

Moderator: Thank you. Thank you. Our next question is from the line of Amit Agicha from HG Hawa & Co. Please go ahead.

Amit Agicha: Congratulations, Mr. Modi. It was an excellent presentation. It doesn't look like your first con call. Extremely fantastic presentation. And most of the things have been cleared. The question was with respect to the FMCG competition. Like given the expansion of the new product launches, how was the initial response on grain pasta, multi-grain pasta, olive, peanut butter, ready-to-mix beverage named by Jynx? Are there any other plans for additional products in the coming quarters?

Akshay Modi: Thank you very much. Much appreciated for your comments. As far as the new product launches are concerned, in multi-grain pasta, we have had a very favorable response. And as I mentioned, we are in the middle of scaling up that portfolio, pan India, including targeted advertising. And for the other two as well, as far as peanut butter is concerned, yes, that's a very crowded market, but we have some product differentiation there, and we aim to carve out a niche for ourselves within that. And Jynx is fairly new. We piloted this in the summer as a

seasonal product, and we have got a very good response, and we will be scaling it up in the upcoming season.

Amit Agicha: And the last question was connected to the Ethanol division. Can you elaborate the timeline and expected final impact on the phase 2 ethanol plant expansion? And will there be any specific challenges in scaling from 130 KLPD to 300 KLPD?

Akshay Modi: So, with the experience of the first plant now, we are able to execute faster. The 180-KLPD engineering work is already completed, as I mentioned. And we will be starting construction as early as maybe 2 weeks from now. And we hope to complete it by the second half of next financial year.

Amit Agicha: Any specific challenges?

Akshay Modi: Not at present. I don't see many challenges.

Moderator: Thank you. Our next question is from the line of Rohith from Marshmallow Capital. Please go ahead.

Rohith Potti: I would like to echo the comments of the previous participant. It was excellent opening remarks statement. It was quite comprehensive and helped us get a context for the Company. So, my questions are the first one on the Oleev business, the Consumer business. So, while the year-on-year business revenue is stagnant, even if I see on a yearly basis, last 3 years has been roughly around Rs. 150 to Rs. 180 crores. So, I understand there might be a fluctuation because of the change in the price of edible oil, but could you give us a sense of how the volumes have moved over the last 3 years in this business?

Akshay Modi: So, we have not shared volume data yet. But commenting on the revenue, yes, last 2 years, oil prices were down consecutively, and down to the extent of almost 40% to 50%. So, despite that, we have had stable revenue. And the other reason was also that while we were investing in our Ethanol division, we had reduced our ad spends over the last year or so significantly. But now, since all the divisions are performing well, we have increased our ad spends to target a faster growth rate.

Rohith Potti: So, am I right in thinking that in the oil part of our Consumer business, we follow the MRP route and hence the reduction in oil prices doesn't impact us so much or beyond a certain level, we do pass on the price benefit? Is that how it works?

Akshay Modi: I mean, that's similar to most FMCG. So, we manage a bit of price movement with consumer offers. And beyond a point, then we have to take price reductions.

Rohith Potti: So, is it fair to assume that you have taken considerable price reductions over the last 2 years and hence the volumes have improved? So, in some sense, I want to understand that the market share in the country has improved because revenue doesn't seem to indicate that.

Akshay Modi: Yes I wouldn't be able to comment on the volumes, as I said. But as far as revenue is concerned, you're absolutely right.

Rohith Potti: So, I just, I don't want the exact number, volumes qualitatively, it has improved over the last 2, 3 years.

Akshay Modi: Yes. Of course, otherwise, we won't be able to maintain revenue when oil prices have fallen by 40%.

Rohith Potti: And similarly, on this, it would be great to hear your thoughts on the consumer strategy in general, because over the last 2, 3 years, my assumption was that we would be focusing on becoming a health-focused FMCG brand, extending olive to pasta, peanut butter, etc. So, how does it all router into a coherent strategy is something that will be great to hear from you.

Akshay Modi: Sure, when we look at new product launches, we work on 3 vectors. One is consumer and brand salience. The other is distribution salience. And the third is competition and margin in the category. So, we believe that the distribution and consumer are the same for ready-to-cook snack products like popcorn. The only different thing is the brand there. And same for ready-to-mix drinks. So, for example, in Jynx, we have not launched a ready-to-drink beverage, we have launched a ready-to-mix beverage brand, which also goes to the same channel, which is premium grocery outlets.

Rohith Potti: In your comments, you also mentioned that we are the third largest premium oil brand in the country. Would it be possible to share who you see as the top 2 brands and what is the difference between us as a second as of today?

Akshay Modi: The top 2 would be I think Marico, Saffola; and Agro Tech, Sundrop. And I think we are inching very close to the second spot.

Rohith Potti: So, Sundrop, I would not think it is a premium brand, isn't it? It's a mass brand is what I assume. Am I mistaken?

Akshay Modi: It is a premium brand within edible oil's price ladder.

Rohith Potti: And my last question on ethanol. You expect to commission this plant by the second half of FY '26. Is that right?

Akshay Modi: That's correct.

- Rohith Potti:** And like the for the 1st Phase, we would have a contract hopefully ready with the 2nd Phase as well as we launch it.
- Akshay Modi:** The contracts come out every quarter, so once we are ready with the plant, we will be bidding for that quantity.
- Rohith Potti:** What is the distance between the plant that we have in ethanol and potential customers so what is the radius I just to understand the logistics?
- Akshay Modi:** The nearest OMC depots are about 9 kilometers from us.
- Rohith Potti:** And that can take the entire expanded capacity as well.
- Akshay Modi:** Yes and no. not necessarily because there are other plants from other states as well. I mean, OMCs have their own sort of algorithm to allocate depots, for example, in the upcoming year, we have got Jharsuguda in Orissa, etc., So, they have their own way of allocating quantities, but they compensate on freight based on what you get.
- Moderator:** Thank you. Our next question is from the line of Tushar Vasuja from Yogya Capital. Please go ahead.
- Tushar Vasuja:** Sir. I have a couple of questions. First one is that you received the 41,600 kiloliters order so is it a fixed confirm order or is it just an allocation?
- Akshay Modi:** It's a confirmed order. The allocation comes as a confirmed order and for the 1st Quarter they give you, POs, etc., and then they release purchase orders quarterly. But yes, it's a confirmed allocation.
- Tushar Vasuja:** So, there's no expectation of any shortfall from the amount you allocated?
- Akshay Modi:** No, it can only be based on our own operational inefficiencies.
- Tushar Vasuja:** It also mentioned that the entire order is worth around Rs. 300 and that comes to around Rs. 72 per liter. So, the prices for '24-25 season out or is it a rough estimation based on your part?
- Akshay Modi:** This is based on the current prices in the tender.
- Tushar Vasuja:** So, these prices will be followed for the next year also.
- Akshay Modi:** The current tender gives these prices, but if there are any price changes, they communicate that separately through corrigendum, which hasn't come yet.
- Tushar Vasuja:** so there is a chance of the order size being changed later on.

- Akshay Modi:** Yes, that's correct. Hopefully only upward.
- Tushar Vasuja:** What was the A&P spend as a percentage of revenue for this quarter and how will it shape up going forward?
- Akshay Modi:** So, we will get back to you with that data piece.
- Tushar Vasuja:** Last time we talked you mentioned that you have thoughts of winding up a or spinning off the Bulk division so any update on that?
- Akshay Modi:** No, it's too soon. Like I said we will take that decision as and when?
- Tushar Vasuja:** I said that the last question is whether the con-call will be a regular quarterly thing from now on?
- Akshay Modi:** Yes, that is our thought process, yes.
- Moderator:** Thank you. Next is a follow-up question from line of Rohit from Marshmallow Capital. Please go ahead.
- Rohith Potti:** So, I just wanted to confirm the EBITDA margin possibility, is this the normalized EBITDA margin that we can generate around 12% to 12.5% that we see this quarter?
- Akshay Modi:** For which division?
- Rohith Potti:** Ethanol division.
- Akshay Modi:** Ethanol division, as I said given where we are, and how we are operating our plants and the value addition we are doing on our byproducts, I think 10% to 12% margin is maintainable in the near to medium term.
- Rohith Potti:** But this band would expand once we commence the new capacity is that right?
- Akshay Modi:** I think it's modular, only some amount of operational leverage is there in terms of manpower cost, etc., but the product cost remains the same.
- Rohith Potti:** What is the working capital investment as a percentage of sales for the small business on an annual basis.
- Akshay Modi:** On an annual basis I will have to check that number, we will get back to you on that.
- Rohith Potti:** So, effectively what is the payback period or the return on capital on an annual basis, we can get from ethanol is what I am trying to understand, that's it.

Akshay Modi: My team informs me that for FY25, Ethanol division, we are looking at ROCE of approximately 18.5%.

Moderator: Thank you. Our next question is from the line of Ashay Jain from Jain Capital. Please go ahead. Sir, your lines are muted. Please go ahead with your question.

Ashay Jain: So, a couple of questions from my side. So, firstly, can you help us better understand the bulk oil business? What are the key drivers? How are the pricing contracts decided in that segment and how should we look at going forward and is there any entry barrier for the players to enter in this particular vertical?

Akshay Modi: The bulk oil business is an oil processing business and legacy business. We have had it for the last 40 years and these plants are very efficient. They have been around for a long time, and since it's in our geography, we are based on a local raw material base. So, it's primarily dependent on the processing margin. And in terms of barriers to entry, it's limited by the availability of local raw materials. So, I think the capacities in our region are optimized and there's very little room for any more plans to come up?

Ashay Jain: And the pricing contracts?

Akshay Modi: It is commodity pricing; it is fluctuating on a daily basis.

Akshay Modi: Said thank you. So, I will just go back to the previous question. I think there was a mistake. The 18.5% ROCE number is on a consolidated basis, not just ethanol. That number would be higher. We will get back to you with that.

Moderator: Thank you. Our next question is from the line of Ankit Minocha from Adezi Ventures Family Office. Please go ahead.

Ankit Minocha: I first wanted to understand with regard to the Bulk business, I mean. The rice prices expected to be relatively docile moving ahead, what is the margin profile that you would probably be looking at for the Bulk business for H2 of this year.

Akshay Modi: In the Bulk Oil business we process rice bran, not rice particularly, so rice prices don't have any bearing on this. As far as margins are concerned, as I mentioned typical steady state margins are about 5% EBIDTA margin. Since the first two quarters have been a little muted, we hope that in the second half of the year, we will be able to cover up once the new season comes in.

Ankit Minocha: And secondly, the growth trajectory given in the guidance and also the Results which are excellent, that looks clear, in terms of the Q4 of this year, just wanted to understand beyond that, say for the year after that what are the thoughts to maintain the strong growth that we are

going to be seeing from ethanol this time, are there plans for capacity expansion or anything else that you have in mind?

Akshay Modi: Yes, as I mentioned in my opening remarks, we have growth plans for the Consumer and Ethanol divisions. In the Ethanol division, we are expanding our capacity from 130 KLPD to 310 KLPD adding 180 KL. So, that new plant should come online by the second-half of FY26. And given the cash flows that we are generating now in the company, we aim to increase our ad spends and investment in the Consumer division and grow that faster as well.

Ankit Minocha: So, when we say H2 of 2026 so that means same time probably next year, right?

Akshay Modi: Thank you.

Moderator: Thank you. Next is a follow up question from the line of Sandeep Dikshit from Arza Partners. Please go ahead.

Sandeep Dikshit: Just a book-keeping question. The difference between the standalone and the consol numbers I presume is the ethanol business, am I right?

Akshay Modi: That's correct.

Sandeep Dikshit: Is that for your wholly-owned subsidiary, I am sorry for asking this question.

Akshay Modi: Yes, it's a wholly owned subsidiary.

Moderator: Thank you. Our next question is from the line of Faisal Hawa from Hawa Capitals. Please go ahead.

Faisal Hawa: So, the EBITDA margins in the Ethanol divisions are rather low than projected before is it because of rice procurement prices have been little higher this year.

Akshay Modi: Are you talking about Q1 and Q2, the 12% EBITDA?

Faisal Hawa: Yes, and plus, we are also projecting 10% to 12% going forward.

Akshay Modi: 12% is the number that I have talked about for a long time. Obviously, in the first two quarters the crop is not there. So, now in Q3-Q4, the crop comes in. So, the margins on an average basis could be a little higher for the year.

Faisal Hawa: So, fair to assume that on a steady state basis it will be 12%.

Akshay Modi: Yes, in that region.

Faisal Hawa: And 2nd is that what is our strategy regarding so many brands? Are we like trying various things and then maybe one or two brands will emerge as blockbusters and how are we doing with respect to quick commerce and modern trade? How much is our sales to both of these channels and which channels do we proposed to now increase and what do we want to do with our legacy oil business because that business is always have a drag on our margins and overall workings also?

Akshay Modi: Sorry, this was multiple questions, so I will try and answer them one by one. As far as the number of brands is concerned, I mentioned earlier that we identify white spaces within our distribution and brand salience, and we launch products. Of course, some of them will be able to be blockbusters and some will sort of get us decent enough market share with the profitable growth. So, that is our objective, and we aim to leverage all our distribution channels, and we present across the spectrum from quick commerce, to e-commerce, modern retail, general trade, and the CSD Army Canteens. And the channel mix will change as the channels evolve. It's not like we are paying special attention to just one and not the other. But yes, like you said, quick commerce is growing much faster. I think they are contributing to almost 15% of our top line now and the number is growing very fast. So, let's see how it plays out. And I think the last question was about the legacy oil business that the management will take a call as and when it's probably still a bit early, we hope to scale up the other two divisions in the near term and then take a decision on that.

Faisal Hawa: And when will we take a call to actually manufacture our own products like noodles, pasta, etc. and not contract manufacture them, at what point do you have a value at in your mind where you will actually then do the manufacturing ourselves and how many basis percentage points will it add to our EBITDA?

Akshay Modi: So, right now we are operating on an asset-light model and once specific products like pasta you mentioned are scaled up enough where it warrants backward integration, we will do it if we see that our margins in it. So, right now it's too early to say.

Faisal Hawa: And what will be our branding strategy and advertising, will there be like different brand ambassadors for pasta and noodles and for again oil or will we go in for more of a social media branding strategy where we have a very targeted approach to our audience?

Akshay Modi: See social media is one of the media vehicles that we use, but it's part of a larger digital marketing strategy and these days even television, which is, for example, CTV (connected television) forms part of digital itself, but it's actually television. So, we use all the different media vehicles and as far as the brand ambassador is concerned, we could sort of make a deal for oil as well as pasta, which we will be announcing shortly.

Faisal Hawa: And are we particularly weak in South India or is it not a right statement to make?

- Akshay Modi:** South India is also quite vast. So, for example in Andhra, Telangana and Karnataka, we have decent volumes and market shares. Maybe Tamil Nadu and Kerala we are relatively weaker as we entered those markets much later and we hope to catch up.
- Faisal Hawa:** And beyond this 3.10 lakh ethanol capacity, it's difficult to expand at the current location.
- Akshay Modi:** We have not thought beyond that at the moment.
- Moderator:** Thank you. Our next question is from the line of Rohit Thakkar from 4P Capital Partners. Please go ahead.
- Rohit Thakkar:** Thank you so much for this fantastic presentation, Mr. Modi. Just a couple of questions that we had from our perspective. One is could you help me understand what is your utilization level at the ethanol plant for the last quarter?
- Akshay Modi:** So, in Q2 it's fairly optimum. I think we are almost at about, let's say 90% to 95% and it will only increase going forward.
- Rohit Thakkar:** In terms of your consumer business, what's the split in revenue between your edible oil and non-edible oil business?
- Akshay Modi:** What is the revenue split?
- Rohit Thakkar:** Yes.
- Akshay Modi:** The segmental revenue is in Q2, we have done Rs 46.6 crore from the Consumer division and Rs 19.6 crore from the Bulk division.
- Rohit Thakkar:** No. So, my question was within the Consumer division, what is the split between edible oil and non-edible oil?
- Akshay Modi:** So, we don't get that split. But you can say non-oil sales would be about 15%.
- Rohit Thakkar:** And for your capacity expansion on ethanol, how do you intend to fund that? That itself will require about Rs 100 crores. So, is it internal accruals plus borrowing or are you looking to do capital raise?
- Akshay Modi:** So, out of Rs 100 crores, see the plant will also take about a year to establish and the fund flow will be such that I think we will have about Rs 50 crores through internal accruals and the rest through either debt or equity. And the management is yet to take a decision on that.
- Rohit Thakkar:** But Rs 50 crores could be done through internal accruals and that's what the expectation from....

- Akshay Modi:** Yes, that's correct. So, there's not a major gap between what we need and what we have.
- Moderator:** Thank you. Our next question is from the line of Shaurya Punjani from Azav Partners. Please go ahead.
- Shaurya Punjani:** So, I have two quick questions. So, we are guided for 75% growth in FY25. So, what is the growth momentum we are seeing in FY26-27?
- Akshay Modi:** We haven't given a number for that yet, but like I said, we expect high growth from two divisions, which is the Ethanol division and the Consumer division. In the Ethanol division, we will be increasing our capacity from 130 KL to 310 KL and that expanded capacity should come on line by the second-half of FY26. So, that gives you growth for FY26 as well as FY27 when we will get the full year for that plant as well. And Consumer division will continue to grow.
- Shaurya Punjani:** What is the current ad spend to sales ratio?
- Akshay Modi:** So, we will get back to you on that number piece.
- Moderator:** Thank you. Next is a follow up question from line of Ankit Minocha from Adezi Ventures Family Office. Please go ahead.
- Ankit Minocha:** Just wanted to also understand that the recent import duty on oils, how does that affect us whether it's positive or negative and what that also means the price increases due to some compulsion or due to strength.
- Akshay Modi:** So, your first question is about the import duty. So, let me answer first. As far as the Consumer business is concerned, we have taken price increases so it's a positive impact on revenue side, whereas margins should remain stable. On the Bulk business side, it's a very positive impact because as prices increased, trading margins will reverse from negative will come back into positive and at higher price points of oil, we feel that more raw material comes into processing for oil rather than going for other users. So, it's a positive impact for our Bulk business as well.
- Ankit Minocha:** I think you have already answered that. In terms of the price increase. So, any price increases planned on the Consumer business as well.
- Akshay Modi:** Yes. So, that's already happened.
- Ankit Minocha:** How does the change in import regulation impact your olive oil in terms of raw materials?
- Akshay Modi:** I didn't understand your question, sorry.
- Ankit Minocha:** Just the new import regulation, does that mean that the raw materials also become...

- Akshay Modi:** You mean the import duty?
- Ankit Minocha:** Yes, import duty.
- Akshay Modi:** The import duty has gone up on other soft oils, it is not on olive oil. The olive oil import duty is already at the peak.
- Ankit Minocha:** So, could there be also play coming from substitution into olive oil?
- Akshay Modi:** So, our product portfolio is very diversified and strategically positioned to take care of this. So, we have pure olive oils and then we have multi-source edible oils in which have a blend of olive oil with other oils and that helps us maintain price points and margins.
- Ankit Minocha:** And in the blend does the import duty impacting.
- Akshay Modi:** It impacts on other soft oils. So, for example, if import duty goes up on palm oil, soybean oil and sunflower oil, it affects the entire basket at the bottom end. So, even rice bran oil prices go up. So, it affects us to that extent. And we have taken price increases for the multi-source oil and so has the rest of the industry.
- Ankit Minocha:** Secondly, this might be slightly hypothetical, but is there any link to Godfrey Phillips as a business for you guys I believe your office is close by, but.
- Akshay Modi:** No, they are two different.
- Ankit Minocha:** They're completely different. So, no synergies or distribution or anything.
- Akshay Modi:** No.
- Ankit Minocha:** And any chance you guys are looking for a preferential or an equity fund raise anytime soon?
- Akshay Modi:** So, I answered this question on the previous one as well. Maybe in future we could look at something we have not taken a decision on how to fund our expansion of ethanol through debt or equity, but in the future that is a possibility, but I wouldn't be able to comment on that right now.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Akshay Modi. For closing comments.
- Akshay Modi:** Thank you everyone. I hope we have been able to answer all your questions satisfactorily. However, if you need any further clarifications or want to know more about the company, please contact SGA – our Investor Relations advisors. I Wish you all a very Happy Diwali and



Modi Naturals Limited
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a Prosperous Year ahead and thank you once again for taking the time to join us during this call today.

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