

Transcript of the Interview given by Mr. R G Chandramogan, Chairman of the Company to CNBC-TV18 on April 23, 2024, a day after the Meeting of the Board of Directors held on April 22, 2024:

Duration	CNBC-TV18	Mr. R G Chandramogan
Slot 1	Let's do one thing let's focus on Hatsun Agro Products uh pull up the you know chart I think what the street really likes it's a good performance know two ways about that but what the street really likes is the margin improvement that we've seen this time, the margins have come in at 11.2% versus 8.7% same time last year so reduction in milk prices aided the EBITA this time and the profits doubled because of the margin expansion. To discuss more on this we have R G Chandramogan the Chairman of Hatsun Agro Products. Mr. Chandramogan always great speaking to you, thank you for being with us on the channel once again, you know it's the operational beat with the street really likes but I want to understand from these 11.2% margins how much can you build on to it, uhh do you see further reduction in prices? Can that aid your margins further? And if yes by the end of FY 25 FY 26 what kind of margin range are we looking at for the business?	See last year before we had milk shortage and the milk shortage has already gone as a past and things are improving and this year we had a enormous flesh once when we were getting enormous flesh we were able to bring down the cost of procurement expenses because we were able to handle volume and the production efficiency also came along with it and the benefit is coming to 11.2% normally January, February, March is our lean month where procurement will be going down and the sales will not pick up because summer has not come this time also the same thing but summer is expected to be very hot but we are prepared for the summer we have already done a good procurement of more than 20% and we are sitting with enough stock to manage the supplies in the summer without any difficulty and 25-26 we can think of anywhere between 15-20% growth of sales and little better EBITA margin possible.
Slot 2	Ok. So 15-20% growth is a top-line you are looking at in FY 26 right that is the kind of growth that you're looking at but on margins is it fair to assume that you can build on to about 13 - 14% margins as well in FY 25-26?	One and half percent we can increase from the present 11.2
Slot 3	Ok so that will be around 12 and a half to around 13%	Around that we can definitely look at.
Slot 4	Oh that's an impressive guidance then so mighty growth is what you're looking at on the revenue front and the margins improving by around 150 basis points, well done on that front	No actually it is possible because probably we have got a buffer stock to manage the supper, this is the reason why that, it is just not the machinery alone so we will be able

	<p>uhhhh and Congratulations Mr. Chandramogan on a very very good set of numbers but I wanted to question you on your debt you know that appears it has gone up marginally holding at around 2000 crores I recall when we charted the last time around you said that you have some capex that's underway but in the next two years that debt will come down to around 500 crores.. Is that on track and could you tell us should we be saying that in the second half of FY 26 the debt comes to 500 crores.</p>	<p>to moderate it the inflow is getting better.. stocks will also get reduced so July of 2026 the debt can be brought to the level of what we want in case if there is going to be a potential expansion it may differ depending on the market sentiment we may have to do it, if there are no major investments it is possible to bring it down.</p>
Slot 5	<p>Uhhh.. Mr. Chandramogan value added products right like ice-cream curd etc..Uhhh..In aggregate it's about 30% of your business. Uhh..Could you uhh could you put out some sort of details for each of these segments specifically uh what what are you expecting I mean will these grow much faster?</p>	<p>The value added product is a branded product not just milk curd or ice-creams, all our products are branded and our sales is 96 to 97% is branded products and we have no differentiation. All products are comparatively having a good growth and a better margin. The reason being we are market leaders in every segment where we are present.</p>
Slot 6	<p>You wouldn't differentiate between uhh okay it's all branded and I take that point I was just sort of making uhh the differentiation between milk curd and ice-creams and typically we kind of sort of uhhh call the other two the later two as value added .</p>	<p>Definitely the segments of curd and ice-cream is increasing as a percentage of revenue among the basket compared to milk. Definitely it is also contributing but without milk nothing can happen</p>
Slot 7	<p>Obviously..uh..can you tell me a little bit about the gross margins as well uh you know your gross margins have now improved to almost 31% thereabouts. Is there scope to improve it further?</p>	<p>One one and half percent probably that will also reflect in PBT and then further down.</p>
Slot 8	<p>Ok so one one and half percent improvement in gross margins is what we can expect and what's your targeted spend on advertising if you can tell me because you know umm things are picking up competition is also gone up quite a bit so in terms of as a percentage of your sales how</p>	<p>Approximately 2% we will be spending on the revenue.</p>

	much you are comfortable spending over the next one to two years?	
Slot 9	All right Mr Chandramogan also you know you could tell us about the targeted contribution from the north south geographies in the past you've mentioned that you would like you know TamilNadu uhhh to to decline a little bit so could you tell us how is the geographic sales break-up panning out and where do you see it headed.	TamilNadu today accounts for 52% by end of the year that is beginning of the next year I expect it to be 48% because the growth most of the growth is happening in the new markets.
Slot 10	Okay and non-south how much does it contribute right now.	Sorry
Slot 11	Non-South	No there is no non-south. Non-South is only Maharashtra and also daily commodities mostly we are in the south
Slot 12	So it contributes non-south if I have to call it that and as you're saying it's mostly Maharashtra currently how much does it contribute 15 - 18 percent?	Probably if you leave non-south it might be about 9% because mostly it is ice-cream and not any other products except.....
Slot 13	Okay 9% of the total revenue mix and you would like that number to move up as well I think to around 20% in the next few years right.	That's right. We have only two factories in Maharashtra rest of the factories are all here in south 18 factories are here in south only two factories we have in Maharashtra.
Slot 14	Okay..Alright Mr. Chandramogan we leave it at that. Thanks a lot for joining in and appreciate your time here.	Thanks.