

Transcript of the Interview given by Mr. R G Chandramogan, Chairman of the Company to CNBC TV18 on 20th July, 2022, a day after the Meeting of the Board of Directors held on 19th July, 2022

Duration	CNBC TV18	Mr. R G Chandramogan
Slot 1	<p>Welcome back let's get chatting with the management of Hatsun Agro that's the stock that is reacting to its first quarter earnings for the company reported 2000 crores plus in terms of a top line the first private sector dairy company to do so but the reason why the stock is lower because they reported a decline in margins and as a result of which the net profits were also down by about 20 percent. We do have with us the Chairman of the company Mr. R G Chandramogan. Thanks a lot Mr. R G Chandramogan for joining in. 2000 crore worth revenue does not percolate down to the bottom line because of raw material pressures. Can you tell us that you know how much has raw material pressure eased and what do margins look like from here on.</p>	<p>See there are two things. One is raw material prices have been at the peak inflation. Now the packing material logistics and other things are coming down. Raw material is bound to come down. International auction 14 percent drop has been experienced in the last fortnight. So this will also percolate to India and we believe that the raw material prices are likely to soften. Again, on the beginning of this quarter, we have started to increase the prices also to just manage and ice cream prices have already gone up by about 8 to 10 percent and curd prices along with the GST we are also increasing the prices. So this quarter we will be stabilizing the margins.</p>
Slot 2	<p>Stabilizing to what levels?</p> <p>Mr. Chandramogan you are saying that you have taken a price increases as well. So couple of factors out here. What is the price increase they have taken point number one and also going ahead given that input cost have cooled down what is the steady state margins that the street should work with go ahead sir.</p>	<p>In this particular quarter I believe it's going to be a transition part of more than I can predict anything. Because probably that prices are softening, we are also marginally increasing the price and going forward probably this will be more than a double digit EBIDTA will come from this quarter. But going forward from the next half of the succession year, I believe that probably we can maintain somewhere to be 12 to 13 percent.</p>

Slot 3	All right 12 to 13 percent and what about your revenue because 2000 crores the first time a private sector dairy company has done that sort of revenue in a quarter. Do you think this 2000 crore revenue run rate maintains through this year? what's your outlook in terms of revenue growth?	We expect a run rate of about 20 percent. Recently last two years, we couldn't encash ice cream as well as curd business. Because probably the seasonality factor covid affected us. This year covid was not affecting us in the summer. So we were able to come out and the year end we are expecting an average growth of about 20 percent over the last year.
Slot 4	So you will end with the revenue of close to 7500 crores?	Around that
Slot 5	Sir. Okay all right. What about your ice cream business you briefly mentioned to us about it. I think it was contributing somewhere around 12 - 13 percent of your revenue? So how much does it contribute?	It has really worked out but probably all sectors really did well. Recently curd, milk. The reason being 2021 when every company had negative report, we reported a growth of 5 percent.
Slot 6	Okay	We are only in to a consumer business that has really helped us in getting better share of market in every products.
Slot 7	Okay all right so market so your revenue share from ice cream will be say mid teens you know very very roughly if if we assume that. Could you tell us what is the market share of Arun ice cream in South as well as North? Could you give us a rough number?	Actually we can say that we are, in ice cream means, probably, we are top two of the Country with Amul. But if you take frozen dessert also in choice, we are number one in the ice cream segment. Ice cream has got two divisions as Arun and Ibac. Both Combined.
Slot 8	Ok. Take that point. you know what's interesting this time around is that you begin...you have begun to export ice creams to Maldives as well as Singapore. Uh how much does that account for now and how big a potential do you think export of ice creams could be?	Actually, see this year only just started. It's not a very significant business compared to domestic. But we intend to take it to 10 more Countries in a gradual manner Malaysia, Mauritius and other Countries. This will be happening in the course of this year. So, once this happens, things will start looking in to exports. Export we were already doing to Brunei and Seychelles.
Slot 9	And how much?	Next year onwards this can be probably somewhere around 10 percent of the turnover. From 10%. We have to just look up to other Countries joining.

Slot 10	Okay. 10 percent is what you target in terms of exports by the end of FY 23 or 24.	Yes correct
Slot 11	Okay. Uh and one more thing I wanted to understand you know 450 crore worth capex that you have done in the previous year. What's your capex for this year? Is majority of the company's capacity expansion behind the all uh what kind of revenue can you do with the capex that you have done already?	See. Actually the capex plan has been for the subsequent. Suppose if I am doing 7500, I should be ready for the next one year or 2 years with the CAPEX. So capex plan continues. This year also we will be spending about 450 to 500 crores of capex. For strengthening the existing capacity, building some new capacities. Actually in Rajamundhry we have found a site for putting up a new factory that work will be done and the existing factories will be strengthened with extra capacities for supplying curd, milk and other things in the coming season.
Slot 12	All right. Final question then sir you have mentioned in the past that you are looking to move towards the non south market as well I think the target rough target was around 20 percent. By when do you think you can get to that 20 percent uh you know revenue coming in from North non-South	Literally I don't say North. Non-South you can say.
Slot 13	Non-South	Includes West, East and Center. North, We are selling only milk powder and other things.
Slot 14	Absolutely sir	These 20 percent in my opinion will take 18 months to 20 months to get back.
Slot 15	Okay. So it's the story of FY 24 into	Yeah
Slot 16	By FY 24 is when you should see non-South contributing close to around 20 percent to your revenues. It's been good speaking to you sir. Thanks so much for stopping by and filling us in with all those details. 20 percent growth on the top line expect around 12 to 13 percent in terms of margin uh out here and something reasonably optimistic about business since input	

	costs have cooled off and they've also taken some price increases.	
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