

# **Agro Tech Foods Limited**

30<sup>th</sup> November 2023

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**Codes:** BSE Scrip code 500215, Co. code 1311  
NSE Symbol ATFL, Series EQ-Rolling Settlement

Dear Sirs,

Sub: **Disclosure under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015**

Further to our earlier letter dated 20<sup>th</sup> November 2023 regarding hosting of an analyst and investor meet to be held on 30<sup>th</sup> November 2023 at Mumbai, we are enclosing a copy of the presentation proposed to be shared to analysts and investors at the said meet. The presentation will also be placed on the website of the Company.

You are requested to take this on record.

Thanking you,

Yours faithfully,  
For Agro Tech Foods Limited

**JYOTI**  
**CHAWLA**  
JYOTI CHAWLA  
COMPANY SECRETARY

Digitally signed by  
JYOTI CHAWLA  
Date: 2023.11.30  
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Encl. a/a.

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CIN: L15142TG1986PLC006957

# **Agro Tech Foods Limited Analyst Meet**



**November 30<sup>th</sup>, 2023**

# Safe Harbour Statement

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This Communication may contain statements, including the words or phrases such as 'expects, anticipates, intends, will, would, undertakes, aims, estimates, contemplates, seeks to, objective, goal, projects, should' and similar expressions or variations of these expressions or negatives of these terms indicating future performance or results, financial or otherwise, which are forward looking statements. These forward looking statements are based on certain expectations, assumptions, anticipated developments and other factors which are not limited to, risk and uncertainties regarding fluctuations in earnings, market growth, intense competition and the pricing environment in the market, consumption level, ability to maintain and manage key customer relationships and regulatory environments, political instability, change in international oil prices and input costs and new or changed priorities of the trade. The Company cannot therefore guarantee that the forward looking statements made herein shall be realized. The Company, based on changes as stated above, may alter, amend, modify or make necessary corrective changes in any manner to any such forward looking statements contained herein or make written or oral forward looking statements as may be required from time to time on the basis of subsequent developments and events. The Company does not undertake any obligation to update forward looking statements that may be made from time to time by or on behalf of the Company to reflect the events or circumstances after the date hereof.

**The Best Performing  
Most Respected  
Foods Company in  
India**

# Today's Agenda

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- The Last 12 Months.
  - Actual Trends by Category
- The Next 12 Months:
  - Expectations by Category
- Road Map for EBITDA Margin Going Forward:
  - P&L Structure by Line Item

# **The Last 12 Months & The Next 12 Months**



# Overall

## The Last 12 Months

- Strong growth in RTE Snacks, Breakfast Cereals & Chocolates helps to deliver mid single digit Foods Growth.
- RTC and Spreads revenues largely flat to PY. However, Instant Popcorn now showing mid single digit Volume Growth & actions already taken in Peanut Butter.
- Act II RTE Popcorn starts to achieve scale. Popz Centre Filled clearly leads numeric distribution in Centre Filled Cereals segment.
- Making steady progress towards becoming “The Best Performing Most Respected Foods Company in India”.

Impact of a Diversified Foods Portfolio visible.

# Overall

## The Next 12 Months

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- Strengthen RTC & Spreads – accelerate Total Foods growth rate.
- Maintain momentum on RTE Snacks and Breakfast Cereals.
- Create a robust Chocolate Portfolio which spans all segments – Molded, Count Lines, Panned & Assortments. Wafers to follow.
- Expand the Sweet Share of business across Categories.
- Focus on expanding penetration leveraging Low Unit Packs – leverage robust portfolio to further expand Coverage.
- Maximize the Profitability of the Staples business.

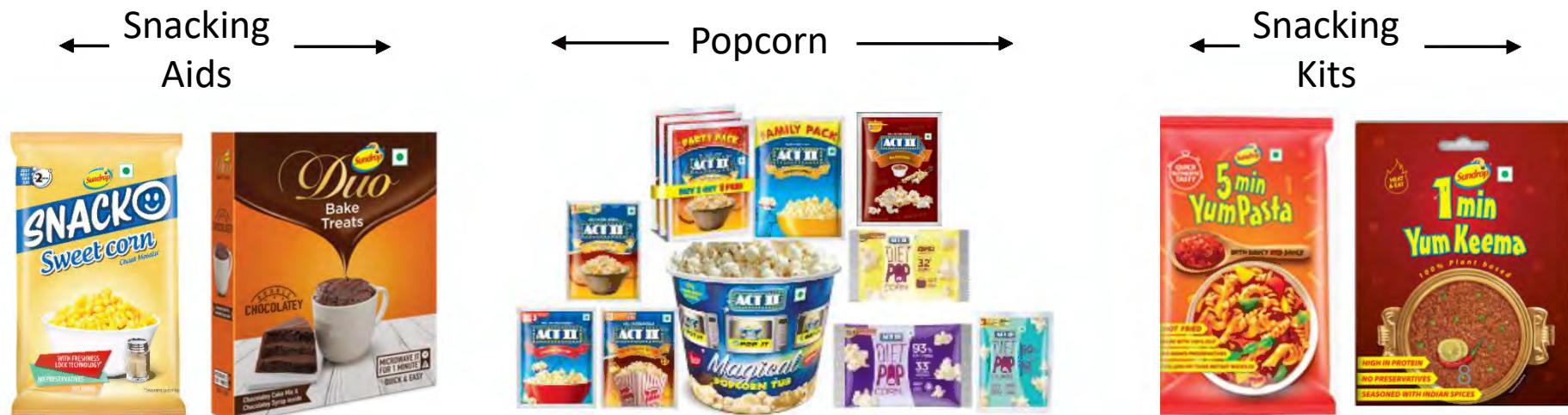
Accelerated movement towards a Snack Foods Company with low dependence on Oils.



# Ready to Cook Snacks

## The Last 12 Months

- Post strong Growth in FY'22, **RTC Popcorn** sees impact of lower WFH. Impact partly mitigated by distribution expansion. Instant Popcorn now already at mid single digit Volume Growth.
- PPA work undertaken in **Non-Popcorn RTC** – Branding, Pricing, & Pack Sizes on Sweet Corn and phasing out of slow-moving SKU's in Snacking Aids/Kits.
- New additions to both **Snacking Aids** and **Snacking Kits** in process of being rolled out including Baking Aids and Plant Meats.



# Ready to Cook Snacks

## The Next 12 Months

- At the Mass Market level continue to expand Distribution & invest in TV to get **Instant Pop Corn** to desired growth levels per our algorithm.
- At the top end and digital space leverage the Pop-Up Box to deliver a superior consumer experience in **Microwave Popcorn**.
- **Snacking Aids** – Continue to expand penetration of the Sweet Corn range (Improved Margins with Pricing up 20%) while introducing Baking Aids.
- Strengthen **Snacking Kits** with launch of Plant Meats, Vegetable Biryani and Mexican Kits while phasing out slower moving SKU's.

Leverage Category Building Capabilities  
Unique to ATFL.

# Ready to Eat Snacks

## The Last 12 Months

- End of Work From Home drives strong growth in Out of Home. Salty Snacks growth led by **RTE Popcorn** – biggest beneficiary of OOH.
- YTD **Sweet Snacks** now at 2.5 X of Prior Year driven by Caramel Bliss and Duo Cruncheez.
- PPA work on creating a viable **Rs. 5 portfolio** completed and roll out currently underway.
- **Vegetable/Potato chips** WIP. **Popcorn Chips** being rolled out at top end.

← Salty Snacks →

← Sweet Snacks →



# Ready to Eat Snacks

## The Next 12 Months

- Continue to enhance scale in Salty Snacks categories led by **Ready To Eat Popcorn**. Apply Popcorn learnings to Extruded and Tortilla Chips.
- Drive **Sweet** share of the RTE portfolio through both Distribution Expansion and Portfolio Enhancement.
- Expand distribution of **Rs. 5 Savory Snacks** to support the next leg of coverage expansion.
- Establish a viable business model for **Potato/Vegetable Chips**.

Leverage Diversified Portfolio & Distributed Manufacturing Model.

# Spreads & Dips

## The Last 12 Months

- Continued focus on twin goals for Peanut Butter - **Category Expansion** and **Clear Leadership**. Roll out underway of Rs. 10 and Rs. 99.
- **Smaller players weaken** in Peanut Butter - reduced number of brands on shelf. Larger players yet to see meaningful results despite heavy spends.
- Clear **Sundrop leadership** in Nut Butters continues - leveraging in house manufacturing and a robust distribution footprint.
- PPA work on **Chocolate Spreads** largely completed. Ready to go to Market.
- **Protein Segment, On The Go Spreads & Dips** portfolio WIP.



# Spreads & Dips

## The Next 12 Months

- Continue to build Nut Butters led by recipe based **Peanut Butter** – Distribution Expansion, Media Support and Entry Level Packs.
- Initiate Capacity Expansion (c 2X) for Peanut Butter enabling Operating Leverage with increased volumes and therefore **Margin Improvement**.
- Bring **Chocolate Spreads** within reach of a larger population and become the driver of Category Growth. Roll out of Rs. 10 and Rs. 49 packs.
- Continue to expand proposition to address **Protein Seekers** and **On The Go Spreads & Dips**. Complete PPA work on **Dressings**.

Leverage broadscale Spreads Manufacturing Capability & Retail Coverage to drive penetration.

# Breakfast Cereals

## The Last 12 Months

- Strong Volume Growth driven by **Center Filled Cereals** with clear product superiority. Reformulated **Shells** (Extruded) product rolled out.
- **Category Distribution** reaches the 120,000 level.
- Product development completed in Muesli to have a broader presence in the **Granola & Muesli** category.
- Successful roll out **Value Added Oats** - expansion of Category Presence and thereby benefits of increased Scale.



# Breakfast Cereals

## The Next 12 Months

- Continue to drive **Center Filled Cereals** - Superior Product Quality & Innovation. Use Shells to address the Rs. 5 price point.
- Leverage Media Support to build On Shelf Presence in the primary **Breakfast Cereals Category** with a complete SKU line up.
- Roll out the **Muesli** product leveraging credibility built through Granola offering.
- Expand distribution of **Value-Added Oats** driven by superior Value Proposition.

Leverage competitive advantage in Centre Filled Cereals together with complete range.



# Chocolates

## The Last 12 Months

- ATFL well on the way to being established as a credible player in the **Rs. 15,000 crore** Chocolate Confectionery category.
- **Media support** commenced in Q2, FY'24 - focus on the Coconut Variant.
- **Category Distribution** crosses 100,000 stores.
- Clear down the line success driven by the **Rs.5 and Rs. 10 offerings**.
- **Gift Pack** offerings expanded to address Rs. 100 price point.
- Preparatory work completed for **new Count Line Variant** leveraging innovation to widen TG and enhance Revenue/Kg.



# Chocolates

## The Next 12 Months

- Expand Distribution of both Coconut & Peanut Duo products in **Count Lines** supported by at least one new Variant.
- Make an entry into **Molded** Chocolates with a differentiated offering.
- Further refine Gift Pack Management capabilities to gain a reasonable share of the Rs. 1000 crore **Gift Pack Market**.
- Modify Grammage and Pack Sizes to **Improve Margin** and create a profitable self funding business.
- Complete **Capacity Expansion** work currently underway.

Leverage Superior Quality & Strong Value Proposition to drive disproportionate Growth.

# Premium & Mass Staples

## The Last 12 Months – The Next 12 Months

- The Last 12 Months
- Sundrop Heart extended into **Oats & Almonds** making Premium Staples more broad-based while providing procurement scale for Foods.
- Share of **Mass Staples** maintained at c 6 % of Total Revenues to help support Distribution Infrastructure
- The Next 12 Months
- Continue to make **Premium Staples** more broad-based and support procurement strategy for Foods.
- Hold **Mass Staples** at 5-6% of Total Revenues.



# Road Map for EBITDA Margin



# Road Map for EBITDA Margin

- What is the likely P&L construct for Foods as we build the business to a Rs. 1000 crore+ level or about 80% of Total Company Revenues.
- How are individual line items expected to progress in terms of :
  - Where are we Today (basis first six months of FY'24)
  - Where do we think we can be
  - What are the Risks
  - What are the Opportunities.

Why do we believe we can be “The Best Performing Most Respected Foods Company in India”.

# Gross Contribution

## Net Sales - Raw Materials - Packing Materials

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- Where are we today:
  - YTD FY'24 the Foods business had a 46% Gross Contribution.
- Where do we think we can be:
  - An average of 48-50%, in line with best in class in the Foods business.
- What are the Risks:
  - Input Commodity inflation outpaces price increases.
  - Increased competitive activity limits pricing ability.
- What are the Opportunities:
  - Increasing scale and efficiencies in RM & PM Procurement.
  - Increasing share of Sweet + Premiumization in each Category.
  - Greater share of business from categories with inherently higher margins.

# Manufacturing Costs

## Excluding Depreciation

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- Where are we today:
  - YTD FY'24 Manufacturing Costs excluding Depreciation are 15% of Foods Revenues. Labor costs are the highest followed by Energy and then Others and R&M.
- Where do we think we can be:
  - As each Category gains scale a figure of 9-10% should be achievable representing an improvement of 500-600 bps.
- What are the Risks:
  - Increased share of Categories with higher Manufacturing Costs.
  - Inflation in both wages and energy costs.
- What are the Opportunities:
  - Increasing productivity – better workforce utilization + reduced collation.
  - Lower energy costs – scale + larger run sizes + smaller machine footprint<sup>??</sup>.

# Cesses & Levies

## APMC Charges, Select Taxes & Waste Management

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- Where are we today:
  - YTD FY'24 Charge of 1.1% driven by APMC charges on input agricultural commodities.
- Where do we think we can be:
  - With increasing share of inputs represented by non-agricultural commodities and improved efficiencies expect this to reduce from 1.1% to 0.5% of Revenues.
- What are the Risks:
  - Changes in farm laws and regulatory charges.
  - Slower than desired growth in products higher on the value chain.
- What are the Opportunities:
  - Faster growth in products higher on the value chain.



# Advertising & Promotion

## Media and Sales Promotion Expenses

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- Where are we today:
  - A&P as a % of Foods Sales was about 7% on YTD basis in FY'24.
- Where do we think we should be:
  - ATFL's desired A&P levels remain in the 7-8% range.
- What are the Risks:
  - Volatility in Edible Oils impacts Total Company P&L restricting ability to invest at the desired rate.
  - Inability to keep fueling the innovation which helps moderate spend rates.
- What are the Opportunities:
  - Leverage ATFL's demonstrated vastly superior Revenue Generation on limited Media Investments – both the Popcorn & Peanut Butter businesses built with Revenues at about 2X of Cumulative Media Investments.

# Transportation & Warehousing

## Primary Freight, Secondary Freight & Warehousing

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- Where are we today:
  - YTD FY'24 T&W Costs were 7% of Sales for Foods.
- Where do we think we can be:
  - Management assessment that a level of about 6% is achievable despite increasing share of RTE/Cereals/Chocolates.
- What are the Risks:
  - Increasing share of RTE/Cereals/Chocolates.
  - Inflation in transportation exceeds increases in average Revenue/Kg.
- What are the Opportunities:
  - Increasing scale will improve load efficiency besides enabling larger trucks.
  - Improvements in infrastructure will reduce transportation time and costs.
  - Increasing Direct Shipments from Factory to more towns.

# SG&A

## Excluding Depreciation, Transportation & Warehousing

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- Where are we today:
  - SG&A, excl. Depreciation and T&W at 12% of Net Sales (drop in Oils prices).
- Where do we think we can be:
  - SG&A of 9% achievable for ATFL at a revenue level of c Rs. 1250 crore with continued tight control on expenses.
- What are the Risks:
  - Reduction in Edible Oils prices which increases SG&A %.
  - Inflation in Wages and Travel Costs.
- What are the Opportunities:
  - Leveraging technology to eliminate transactional tasks.
  - Further increasing productivity across the organization.

# Cost of Obsolescence

## Damages, Leakages & Write Offs

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- Where are we today:
  - High current obsolescence rate of 1.8% due to the learning curve in each of the new categories that ATFL has entered in the recent years.
- Where do we think we can be:
  - While Innovation will remain important for continued growth, expect that obsolescence can be reduced to 0.8%. Given the importance of innovation expect to remain higher than the industry average which is < 0.5%.
- What are the Risks:
  - Forecasting errors in individual segments within the Categories of Choice.
- What are the Opportunities:
  - Improved Forecasting with greater domain knowledge in all 5 Categories.
  - Greater reliance on Advertising driven growth vs Push driven growth.

# Royalty

## Payable to ConAgra Brands

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- Where are we today:
  - YTD FY'24 Royalty payout represented 1.9% of Foods Sales.
- Where do we think we can be:
  - With a faster growth expected in Sundrop Foods as compared to Act II, Royalty outgo is expected to reduce to about 1.7% of Foods Sales.
- What are the Risks:
  - Changes in Royalty Rates.
- What are the Opportunities:
  - Faster growth in Sundrop Foods which will reduce the aggregate Royalty rate on the Foods business.

# Resultant Foods P&L Structure Summary

## Operating Leverage to drive Margin Improvement

% Sales	Current	Best Ever	Future
Gross Contribution	46%	52%	49%
Cost of Manufacturing excluding Depreciation	15%	13%	9%
Cesses & Levies	1%	1%	1%
Transportation & Warehousing	7%	7%	6%
Obsolescence	2%	1%	1%
Advertising & Promotion Expenses	7%	6%	7%
SG&A excluding Depreciation	12%	9%	9%
Royalty	2%	2%	2%
<b>EBITDA</b>	<b>0%</b>	<b>13%</b>	<b>15%</b>

- Current represents data based on the first six months of FY'24.
- Best Ever is on full year basis and represents data based on FY'21 with positive impact of Covid19 on Ready to Cook and Staples, positively impacting both GC% and SG&A% (SG&A allocation basis Revenue).
- Future represents management estimation at a Rs. 1000+ crore Foods Revenues with Staples Revenues of approx. Rs. 250 crore.
- Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

**Key Drivers GC, Manufacturing Costs and SG&A.**

On our Way....

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**The Best Performing  
Most Respected  
Foods Company in  
India**