

Transcript of the Interview given by Mr. R G Chandramogan, Chairman of the Company to CNBC TV on 28th April, 2022, a day after the Meeting of the Board of Directors held on 27th April, 2022

DURATION	CNBC	Mr. R G Chandramogan
Slot-1	<p>Let's invite the management of Hatsun Agro. They have reported a muted quarter while there was revenue growth of 4% on a year-on-year basis. Margins came under pressure, driving a 55% cut in the company's profitability. Even for the full year revenue growth was at 15% for FY22 but its lower than what the company had guided to us earlier in their interactions when they had spoken about a 20% type of growth. RG Chandramogan, the Chairman of Hatsun Agro Product now joins us on the show now. Sir good morning and thanks so much for joining in first. If you could characterize the demand environment for us it's just a 4% revenue growth in Q4. What's the reason for it to be so low and the number in terms of a growth number for FY23? What is it that you are looking at?</p>	<p>In FY22 we were maintaining a good growth till the first half of the year. Second half there has been a torrential rain for two months it has disturbed the complete dairy industry the whole in the entire country. This has left us with lesser milk for the last six months. Recovery has been seen only by April this month, and the last six months the milk growth has been less. So this has resulted in a lesser sales and also led to inflation. The last six months we have seen inflation, but actually the prices have been corrected. Now the inflation is not going to affect us and the milk arrivals have started coming. This is the scenario.</p>
Slot-2	<p>Okay. All right. Sir you know then let's focus on the margins if you are saying now inflation is not going to affect you as much from now on I'm just looking at your margin trajectory you know a few quarters ago it was added on 15% it's come down to around 12% in the past quarter it went down to around 9% approximately. If you could tell us you know the procurement of milk prices continue to remain elevated. So what is the margin outlook from year on from this 9% mark go ahead?</p>	<p>Actually see the milk procurement prices have gone up by say January / February but the price increases have been effected only about one month later. So this has been the strain of the last year and this has improved but there are different unknown factors like the power cut and other things. Right now I'm not able to indicate; but definitely will be 12% plus.</p>

Slot-3	12% plus. So margins will improve from around this 9% on a steady state basis it should be around 12%. Right? did we get that correct	That's it.
Slot-4	What about the volume growth you were indicating that FY22 started of on a very very strong note. I think at the start of the year you were talking about a volume growth of close to around 18 to around 20%. But I think you ended with close to 15% for FY22. For FY23 what's the target?	Actually first half probably we were able to get that 20%. But probably the second half we suffered and the situation is improving I'm not in a position to indicate right now because the milk arrivals have started improving in the month of April. So we have to just wait and see. We are at confident that probably we'll be able to maintain anywhere between 15 to 20% growth.
Slot-5	Okay. 15 to 20% growth. Sir thank you very much for joining us. This is Pavitra. Could you now could you tell us what the demand is looking like now. You said that it was hit in the second half of last year. So can you tell us what the demand is looking like now? We are also getting into the summer season. What is the demand looking like now and especially on the ice cream front? Also how much of your revenue comes from the ice cream space?	Actually for ice cream, the main season is April, May, June. Last two years, covid has really affected us. This year it's definitely better. As of today things are getting better and we have to run through May June. Hopefully probably will be able to make a good leap in ice cream as well as curd business. Milk is more or less the same. It doesn't make much of a difference irrespective of whether it is covid or not.
Slot-6	So you can tell us how much of a growth you expect and also what is the market share of your ice cream thing and how much does it contribute to your revenues. If you are saying that you see this segment doing very well we just want to know how much does this contribute to your revenues.	Ice cream normally contributes about 12% of our revenue. 12% to 13% of our revenue.
Slot-7	And you expect curd to pick up. Right? You expect curd business yoghurt.	No not yoghurt. Curd. Simple curd.

Slot-8	Simple Curd. Okay. How much does curd contribute currently and how much can it go up by?	Curd is contributing about 14 to 15% now of the top line. There is a possibility that milk has been the major contributor. Now curd and ice cream is growing. So hopefully probably the level playing ground will come. I think the ice cream and the milk business may be about 50% of the overall total business in the future.
Slot-9	Ok. From 70% / 75%, it will come down to 50%?	It has not been 70%. It has already come down to about 56%. So with growth of this business, it will be 50:50 something like that.
Slot-10	What's the margins that you make on curd business?	I'm not in a position to specifically say something on this. So probably this is a part of a dairy business and we don't want to just get into these type of figures.
Slot-11	Ok. All right. What's your current capacity utilization lever sir? If you could tell us what is it at and do you have plans to add capacity?	Current capacity levels at this particular time different products have got different capacities. We can say that we are having about 85% capacity run right now. And one more plant is coming in Rajahmundry this year and that is the only addition right now what we are planning.
Slot-12	It will increase capacity by how much?	Rajahmundry capacity will be for about 2.5 to 3 Lakhs Litres of Milk and curd.
Slot-13	So on that base of how much I mean I want to know in percentage terms is 2.5 to 3 Lakhs will add how much in percentage terms of your capacity?	Capacity. Right now the capacity can be said as 47. So this will become 50. This will be 6% addition. But our new additions have already taken place this year. It has to be really benefiting us in the coming year. We already expanded our capacity in different places of milk, curd and ice cream. So all these capacity expansions whatever we have done in 22 will help us in 23.

Slot-14	Ok. How much of rise do you see on account of these new capacities that you have added?	New capacities we have added in different products different capacities. Say for example, ice cream we have almost added 100% capacity increase. In Milk and Curd, we have added about the 12% capacity increase. So different products have got different capacity. Cattle feed we have added about 20% capacity of last year itself.
Slot-15	Very quickly sir your revenue mix if you could just detail it yet again between ice cream, curd, ghee as of now what is it?	You can say ice cream is 12 and curd is about 15 / 16 and cattle feed is there. Rest of the cattle feed, we also sell ghee and milk products. So all these composition will be about 50%. 50% will be milk.
Slot-16	On just one more word. You were looking to expand outside of south India. What is the contribution that you currently get from the non-south business and what is the growth prospects over there?	Growth prospect is good. Actually in Maharashtra we have put up factory in Sholapur. We have also entered with milk marketing in Bombay and initially we struggled but probably right now we have set a base. Now hereafter probably the growth can be attained in Bombay and other markets. We already started gaining good share of market in Bombay.
Slot-17	Okay all right. Good speaking to you sir. Thanks so much for stopping by filling us with all those details of couple of big numbers that you have given us margins to stabilize at around 12% the volume growth that you are looking at 15 to around 20% there upon.	