



HINDUSTAN FOODS LIMITED

A Vanity Case Group Company

A Government Recognised Two Star Export House

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Date: May 27, 2026

To, The General Manager Department of Corporate Services BSE Limited Floor 25, P. J. Towers, Dalal Street, Mumbai- 400 001 Tel: (022) 2272 1233 / 34 Company Scrip Code: 519126	To, The Manager, National Stock Exchange of India Limited, Listing Department, Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400 070 Company Symbol: HNDFDS
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Dear Sir/Madam,

Sub: Transcript of Analyst/Investors conference call held on May 22, 2026

Ref: Pursuant to Regulation 30(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

With reference to our letter dated May 15, 2026 intimating you about the conference call with Analyst/Investors which was held on May 22, 2026, please find attached the transcript of the aforesaid conference call.

The above information will also be available on the website of the Company i.e. www.hindustanfoodslimited.com.

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully,

For **HINDUSTAN FOODS LIMITED**

Bankim Purohit
Company Secretary and Legal Head
ACS 21865

Encl: as above





“Hindustan Foods Limited
Q4 FY26 Earnings Conference Call”

May 22, 2026

This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the website of the Company on 22nd May 2026 will prevail

**MANAGEMENT: MR. SAMEER KOTHARI – MANAGING DIRECTOR –
HINDUSTAN FOODS LIMITED**

**MR. GANESH ARGEKAR – EXECUTIVE DIRECTOR –
HINDUSTAN FOODS LIMITED**

**MR. MAYANK SAMDANI – GROUP CHIEF FINANCIAL
OFFICER – HINDUSTAN FOODS LIMITED**

**MR. VIMAL SOLANKI – HEAD OF CORPORATE
COMMUNICATIONS AND EMERGING BUSINESSES –
HINDUSTAN FOODS LIMITED**

**SGA – INVESTOR RELATIONS ADVISOR – HINDUSTAN
FOODS LIMITED**



Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY26 Earnings Conference Call hosted by Hindustan Foods Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during this conference call, please signal an operator by pressing star, followed by zero on your touchtone phone.

I now hand the conference over to Mr. Sameer Kothari, Managing Director from Hindustan Foods Limited. Thank you, and over to you, sir.

Sameer Kothari: Thank you, Farah. Good morning, and welcome to our Q4 FY26 Earnings Conference Call. I'm joined on the call by Ganesh Argekar, Executive Director; Mayank Samdani, Group CFO; Vimal Solanki, Head, Corporate Communications; and SGA, our Investor Relations Advisor.

I hope everyone has had a chance to go through our updated earnings presentation uploaded on the exchange and our company website. FY26 was a milestone year for HFL, a culmination of various initiatives taken over the last few years. It was a year in which we undertook an ambitious capex goal of investing more than INR700 crores.

And in spite of the macroeconomic and geopolitical headwinds, we were able to deliver capacities across geographies and product categories, laying a strong foundation for a continued compounding growth across revenues, profitability and manufacturing capabilities.

This year marked also the successful pivoting of our business to a more broad-based manufacturing platform. This was achieved by deepening relationships with existing customers, bringing in new customers and scaling up of new product categories.

All of this resulted in record numbers across profitability parameters, including EBITDA, PBT and PAT and also laid the foundation for the future growth of the company. The company continues to maintain a strong project pipeline with new projects worth approximately INR150 crores that have already been signed up for FY27.

These include investments of around INR50 crores in beverages, another INR50 crores in HPC and a similar amount in the ice cream capacities. With such a strong pipeline and onboarding of the new management leadership across the verticals, HFL remains confident in its ability to sustain profitable growth and deliver on our FY27 PAT guidance.

With that, I will now hand over the call to Ganesh Argekar, our Executive Director, to brief you on the operational highlights.

Ganesh Argekar:

Thank you, Sameer. I will now walk you through the operational highlights for Q4 and FY26. Q4 FY26 capped a year of strong operational execution across our manufacturing network. All our divisions performed well, posting robust performances with some of the seasonal business like beverages and ice creams delivering record volume growth.

A smooth commissioning of the newer factories and the integration of the acquisitions further added to our performance. The company was able to successfully maneuver the disruptions caused by the geopolitical conditions through strategic buildup in inventories, working capital investment and continue to serve our customers with agility.

Two of our factories were temporarily affected by LPG shortage. And while we have been able to pass on the increased cost of our raw materials across all our verticals, our footwear division did face the brunt of rising petrochemical prices in this quarter.

Now coming to specifics. The Home and Personal Care business maintained steady momentum during FY26, supported by investments across home care, personal care and allied categories. The Aurangabad Personal Care facility has now been successfully integrated into the network and strengthens HFL's ability to cater to emerging D2C and premium product categories requiring even small production batches.

In addition to this, the Silvassa liquid detergent project and Lucknow detergent bar facility are also progressing well and expected to become operational during FY27. The ice cream division delivered a strong performance during the fourth quarter, aided by favorable seasonal demand and ramping up of newer capacities. The company took an important step in capturing a bigger share of the value chain through backward integration.

The acquisition of the cone manufacturing facility and the commission of the stick manufacturing facility will enable the company to better serve existing customers and also develop new relationships. The Panipat plant was commissioned in April '26 in a record time of less than 10 months.

Within Food and Beverages, the company continues to scale operations across beverages, dairies, snacks and other fast-growing consumption categories. Several facilities recorded peak production levels during the summer season, reflecting strong customer demand and improved operational efficiencies.

HFL is also entering the Greek yogurt segment as a part of its strategy to expand into higher value and wellness-oriented dairy categories. Simultaneously, the company is expanding its beverage platform through a new bottle capacity in Aurangabad and South India, both of which are expected to be commissioned during FY27.

The Healthcare business continued to strengthen its manufacturing quality and product development capabilities during FY26. The division added new customers during the year and successfully completed several domestic and international regulatory audits, reinforcing its credibility in regulated and export-oriented market.

The company also continued to increase its presence in wellness and Ayurveda focused categories and is currently establishing a dedicated ayurvedic wellness manufacturing facility at Baddi alongside modernization initiatives at the existing facility.

The Footwear division also made steady progress during the year with continued focus on operational strengthening and manufacturing efficiency improvements. The last quarter saw elevated raw material costs and external market disruptions due to the ongoing geopolitical conditions. But our customers have been supportive and appreciate the inflationary impact of the variable.

The company is now currently expanding capacities across North and South India facilities while also strengthening relationships with existing customers and engaging with new brands across lifestyle, athleisure and comfort footwear categories. As we look ahead, our manufacturing network is now better equipped, more diversified and more capable than any point of time in our history.

Our focus for FY27 will be on accelerating utilization ramp-up across recently commissioned assets, continuing to judiciously invest in new capex and ensuring that this translates into sustained improvements in earnings and return across all platforms.

With this, I will now hand over the call to Mayank Samdani, our Group CFO, to take you through the financial results for the quarter and year ended 31st March '26.

Mayank Samdani:

Thank you, Ganesh, and good morning to all. I would like you to run through the financial performance for Q4 and FY26.

FY26 has been another year of strong financial performance for the company, with Hindustan Foods delivering its highest ever annual profitability. During the year, the total income increased by 17% Y-o-Y to INR4,264 crores, while EBITDA grew by 20% Y-o-Y to INR377 crores.

Profit after tax for FY26 stood at the record high of INR149 crores, registering a growth of 29% year-on-year and reflecting a healthy operating leverage, improving utilization levels and disciplined execution across business verticals.

Importantly, the company achieved the guidance communicated despite operating through a dynamic external environment. For Q4 to FY26, the total income grew by 17% year-on-year to INR1,120 crores, while EBITDA increased by 28% year-on-year to INR104 crores.

PBT before exceptional items grew by 40% year-on-year to INR58.2 crores and PAT increased by 32% year-on-year to INR41.5 crores, making it the strongest quarterly performance in the company history.

From the balance sheet and capital allocation perspective, FY26 marked the commercialization of one of the largest investment cycles undertaken by company. Gross block, including capital work in progress and capital advances increased to INR1,800 crores as of March '26, reflecting the scaleup underway across multiple growth categories.

Even during this peak investment phase, the company continued to maintain prudent mix of internal accruals and debt while maintaining the balance sheet discipline. Overall, net debt to equity as on March '26 stood at 0.84x, which is well within the company's internal comfort level of 1x. Additionally, during the peak investment phase, we have continued to generate healthy returns with adjusted ROCE of 18.9% after normalizing the newly commissioned and underutilized assets.

Cash flow during the year were impacted by the higher working capital deployment, primarily on account of GST rate changes under the inverted duty structure effective September '25 as well as proactive inventory buildup undertaken to safeguard supply chain continuity amid the prevailing geopolitical environment.

As communicated in the past quarter as well, owing to the inverted duty structure, we are in discussion with our customer to transition certain businesses from the gross to net revenue recognition from Q3 FY27 onwards. This will be an accounting reclassification and will not have any impact on the absolute profitability or cash generation, although the reported revenues for those businesses will show a reduction in numbers.

Backed by improving the utilization across newly commissioned capacity, rising operational operating leverage and a healthy execution momentum across business verticals, we remain confident in sustaining profitable growth and delivering FY27 PAT guidance in range of INR200 crores to INR220 crores.

With this, I would like to open the floor for questions.

Moderator:

Thank you very much, sir. The first question is from the line of Abhishek Mathur from Systematix. Please go ahead.

Abhishek Mathur: I appreciate the announced disclosures on the presentation. Just wanted to check on the footwear business, we would have likely crossed sales of INR500 crores in FY26. You can correct me if that's wrong. But any call out on the profitability of this division for FY26? And what is our target for FY27 in terms of sales and profitability here? That's my first question.

Sameer Kothari: So, Abhishek, I'll address the question in terms of the macro outlook of the footwear division. So the footwear division, as we've been talking about it for a few quarters now, we finally got a grip on the business, and we've started performing well in terms of deliveries to the customers as well as profitability.

However, this last quarter, the footwear division is the one which has seen the maximum impact as far as the war and the geopolitical conditions affecting petrochemical prices is concerned. As you are aware, a large part of the raw materials of our footwear are imported. Though they are imported from the Far East, freight rates have gone up substantially.

And in addition to that, all the polymers, which are used in the manufacturing of the soles, the prices have increased by nearly 50% or 60%. From that perspective, given the nature of the footwear business as opposed to our other businesses, as just to refresh your memory, in our other businesses, price increases in raw materials, packing materials are immediately passed on to the customer.

However, in case of our footwear business, that's not instantaneous. We, as a team, have been in touch with various customers and customers do understand the changes which have happened in the price of various components and are indulging us in terms of changes in the pricing. However, that's the one division which has been affected in this last quarter and continues to be affected in Q1 as well as far as the P&L is concerned.

Abhishek Mathur: Right, sir. I appreciate the color that you gave this, but any quantification you can give on the sales and profitability and on the targets here?

Sameer Kothari: So, in terms of the sales, we continue to be as bullish. We have an order book, as you are aware, the way the seasons are for the shoes, we have an order book visibility for the end of the year. We do believe that we will be well above the growth rates that we had targeted last year.

So we should be about INR700 crores to INR800 crores of turnover as far as shoes is concerned in this FY27. Profitability target is something that I would much rather not talk about, especially for this division right now because there's just too much variability in terms of the raw material prices and our discussions with the customers are still ongoing.

Abhishek Mathur: All right, Sameer. Secondly, this INR50 crores investment in ice cream in North India, this is separate from the Panipat facility? Or is it an extension of the same? Is it a separate location? Just to clarify.

Sameer Kothari: So this is a brownfield expansion, which will be both in Lucknow and Panipat.

Moderator: Thank you. The next question is from the line of Virat from Skyridge Wealth Management. Please go ahead.

Virat: Congratulations on a great set of numbers. My first question is, upon completion of the announced capex by FY27, how will the gross block of approximately INR2,150 crores be distributed between dedicated facilities and shared facilities?

Mayank Samdani: Virat, hi. We believe that currently, the gross block is distributed as mostly around 61 % and 39%. We believe it will be on the same range in INR2,150 crores also.

Virat: Okay. That was helpful. And could you elaborate on which business segment is transitioning from gross revenue model to net revenue model? And could you help us quantify how will it impact the reported revenue and EBITDA margins?

Sameer Kothari: So this is mainly for foods, Virat. That's where we are seeing the maximum impact of the duty inversion. As you are aware, most of the food categories have been shifted to 5% duty. And that's the place where packaging material as well as some of the raw materials continue to be coming in at a much higher GST rate.

So that's the basic category where we are trying to see the effect of GST. In terms of quantifying it, unfortunately, while discussions were on and we did say that this quarter, we'll be able to give some light around it, all our customers and us have been busy with fighting battles on stocking inventory, especially because of the geopolitical conditions.

And this particular discussion of changing the way of doing business has gone to a little bit of a back burner, which is why we've shifted the goalpost in terms of when we will be making this transition. We were hoping to be able to make this transition starting from Q1 and finish it by Q2.

Now it looks like it will start in Q2 and finish by Q3. I will unfortunately have to come back to you in the next investor call and give you an idea of how many customers have agreed to move to the new business model and how many have not.

Virat: Okay. Got it. Lastly...

Sameer Kothari: I'm sorry, Virat, I just remember that there was a second part to your question, which was what will be the effect on EBITDA margins and PAT margins. Obviously, like we've maintained, and this is something that we would like to reiterate again, this will not affect our bottom line numbers, whether it is of EBITDA or whether it is of the PAT in absolute way. So, as a result, the margins will definitely look much better because the denominator, which is the sales will reduce.

Virat: That's helpful. Lastly, I had just one more question. While I understand the management does not provide capex guidance prior to deal closure, could you share which business segment is currently witnessing the strongest traction in terms of client inquiries and pipeline activities?

Sameer Kothari: So, we tried to give some forward-looking statements for all of our businesses in our PPT, in our presentation. Currently, we continue to see a lot more engagement in home care, in beverages and in ice creams.

Moderator: Thank you. The next question is from the line of Mayur Parkeria from Wealth Managers. Please go ahead.

Mayur Parkeria: Congratulations on decent set of numbers and also for a better clarity on the presentation and some of the disclosures. Having said that, I would request some of the clarifications on the numbers a little bit more so that we also, on our own, are able to understand how the numbers are moving.

While many of the details are much in your -- with you are much more detailed present, but with us, it is very difficult to reconcile some of the numbers. And when I look at the presentation numbers in terms of ROCE, capital employed, everywhere, 2 things becomes very common. We are unable to go back to the reported balance sheets and able to reconcile any of the numbers, firstly.

And secondly, all of the numbers have got some kind of asterisks, hyphens adjustments which makes it very difficult for us to understand that are we also able to compute the numbers without your help and without your clarification. So, that we also are in a position to project that, understand that and reconcile them.

So, if you can help us reconcile, it may be slightish-- it will take 5, 7 minutes for everybody, but if you can help us understand -- and last time also I had requested capital employed is not getting reconciled. the fixed assets, the gross fixed assets commissions, which is there for the year is not getting reconciled with the cash flows. Can you help us reconcile all of that? Because it becomes very difficult apart from operational guidance and the positive outlook that we have a clarity on numbers part also.

Sameer Kothari: Absolutely, Mayur. I'm happy to take that question, and I'll request Mayank to pitch in wherever I think I am being wrong. So let me start off with all those hyphens, etcetera, and let me start off by talking about.

Mayur Parkeria: I'll just request to start from Slide number 9, where you start with net capital employed for FY25, '26, INR1,476 crores and INR2,003 crores. That's not getting reconciled from the balance sheet. Firstly, if you can help us understand which are the numbers which are getting plugged in there? And how are you calculating those numbers?

And then we can move on just slide by slide, just 2 or 3 slides are there because on one side, you say strategic investments. On the other side, you say gross blocks, but then it is capital employed. So just wanted some clarity on those? Yes.

Sameer Kothari: Sure. Mayur, I think Mayank did try to explain this last time, and maybe we didn't do a good enough job the last time. What we said is that if you look at our reported numbers because of the Ind AS in terms of the acquisitions, and we've been very aggressive in terms of acquisitions, the cost of the asset, which is recorded in the books is probably different to the amount of money that we've paid on it.

As management, we continue to look at it in terms of how much money we paid for it, not the accounting entry of having a higher gross block and then having a higher depreciation. So when we look at capital employed, we look at how much money has been paid because as a business and as management, we would like to maintain and measure our returns based on the capital that we have actually employed and not as an accounting entry.

So, the reconciliation between the net capital employed written in our slide as compared to the one mentioned in the annual report has got to do with the Ind AS disclosures, mainly for the Baddi acquisition. The Baddi acquisition, as you are aware, we purchased it from -- you want to give the details?

Mayank Samdani: Yes. So Baddi acquisition, we have purchased from Reckitt and it was a little older plant where the gross block and the accumulated depreciation was high. And the recorded numbers in the books gross block is original gross block and accumulated depreciation till the time we have taken it over. And the net difference is what we have paid, and that is what we are capturing in our capex numbers.

Sameer Kothari: And that, Mayur, was a difference of about a couple of hundred crores. More -- sorry?

Mayank Samdani: Around INR220 crores.

Sameer Kothari: About INR220 crores. So that will probably explain a bulk of the discrepancy as far as that is concerned.

Mayur Parkeria: So, the net capital employed, what is the net capital employed as per balance sheet when we look at very simple definition of equity plus borrowings, which is there, that number needs to be -- why should that be different?

Mayank Samdani: So, two things in that. One is the net capital employed, the equity is the average equity for the average of 2 years. And that is the net debt from which is reduced by the cash in the balance sheet. so, these two numbers are those.

Mayur Parkeria: So, even the net capital employed on Slide number 9, which is INR1,476 crores and INR2,003 crores is the average?

Mayank Samdani: Yes, it has to be average.

Mayur Parkeria: Okay.

Sameer Kothari: So if you look at it, Mayur from and I would request you to understand...

Mayur Parkeria: Our total balance sheet size itself based on -- if we look at net current assets, is it possible to take this little offline? And can I...

Sameer Kothari: Sure. We will give Mayur, if I may request in the interest of everybody else as well. Making this question more about accounting housekeeping, which I think we can take it offline. Let me explain to you how as a business, we look at these numbers, right? And let's understand why are we disclosing this and what's the idea behind this disclosure.

The idea behind the disclosures is that as a business, we evaluate each and every expansion, each and every investment on the basis of an ROCE threshold. And we've internally decided that any project that we invest, any acquisition that we do should give us an 18% IRR over a longish period of time.

When we try to look at it this way, we said we would also like our shareholders to start evaluating the performance of the management on that basis. The idea of this slide was to try and reconcile the difference between the reported ROCE and the adjusted ROCE. And the difference there is.

Mayur Parkeria: I appreciate, Sameer, but the problem is this underutilized capacity of underutilized assets of INR508 crores.

Sameer Kothari:

I was just coming to that. Right? So the difference between the reported ROCE and the adjusted ROCE, Mayur, is that as a company which is investing substantially in capex growth year after year, it is very important for shareholders to understand that any given point of time, some of our projects, some of our assets would either be in a ramp-up stage, some of them would be in capital work in progress.

Some of them would have started production, but would not have contributed for the whole year. Let me give you a tangible example for this particular year. We've invested close to INR200-odd crores in our Panipat facility, which actually started commercial production in April. While the bulk of this money would have been recorded as capital work in progress in FY26, the actual earning for this number will start only from FY27.

So if you look at it from a perspective of to be commissioned, this is a classic example. If you look at another couple of our investments, we acquired the Aurangabad facility as well as we acquired the cone facility, which have contributed for barely a couple of months in case of the cone. And in case of Aurangabad, it hasn't contributed at all because it got integrated from 1st of April.

Now that's the other reason why you would have to take average capital employed in the beginning at the end of the year because there will be some projects which we would have started production or which would have gotten recorded only for part of the month. When we are giving our guidance, we are assuming that these assets will contribute for the whole year once they have ramped up to their entire capacity.

That's the reason that to be commissioned stroke underutilized assets. The reason that number is so large is because we've invested a very large sum of money in this financial year. And over the course of the year, most of these projects have actually not been working for the whole year.

Mayur Parkeria:

Right, right. I understand. So I'll just take the last one so that -- and I come back in the queue. When we give our guidance of FY27 as INR200 crores - INR220 crores, broadly, we are talking of anywhere between 40% to 50% kind of growth.

I just wanted an understanding that based on, so is it that the sales because of the commission and underutilized assets, which have already been there and what is going to come, even the sales jump directionally, I'm not asking for a number.

But directionally, is it that there is going to be a significant we understand operating leverage because of the businesses, but is it going to be significant delta? Or because the growth in the FY26 has been 17%, 18%. So does it mean that the growth top line growth was going to be significantly different? Or is it that the operating leverage part will be significantly higher?

Sameer Kothari: So in terms of the sales, we've been vociferously articulating that, that's not the right number to look at, especially now that with the GST inversion, etcetera, we've said that we might actually consciously go back.

Mayur Parkeria: No, like-to-like basis.

Sameer Kothari: There won't be a like-to-like basis, because some of our existing factories will get converted into a job work basis model where sales will drop. Now if you look at volumes, just purely volumes and do not attribute value to it, obviously, if we have about INR500 crores of assets, which are going to get fully ramped up in the coming year, the total quantum of production that we do will see a huge and significant jump between FY26 and FY27.

If I give you just one example, the Panipat facility has a capacity of about 20,000 tons of ice cream. Given that we made about 35,000, 40,000 tons of ice cream in FY26, that facility alone is a 50% jump purely in our ice cream facility.

Now whether it contributes in terms of the turnover value or not has got to do with our discussions with the customers in terms of GST inversion, etcetera. But sheer, in terms of the number of sticks, cones, cups of ice cream that we've manufactured, we will probably see a jump of more than 50%.

Mayur Parkeria: Okay, okay. Reliance has also come with this ice cream facility now I know customer, but are we also planning to have make for them?

Sameer Kothari: We generally don't like to comment about specific customers, Mayur. But rest assured, we are in touch with all customers who are either in the ice cream business or trying to launch new brands in the ice cream not only in ice cream, actually in all categories.

Moderator: Thank you. The next question is from the line of Ankit Dharamshi from RNM Capital Trust. Please go ahead.

Ankit Dharamshi: Congrats for the great execution during the year. I understand this was a crucial year for us because the large capex was coming onboard, but I just want to go back to the initial guidance that was given that we are facing some cost pressure in terms of shoe business. Considering FY27 was anticipated to be year that your bottom line is going to be driven by the operating leverage that will come in.

Just wanted to understand how this cost pressure in 2 businesses is not going to impact the PAT guidance because we have reiterated that PAT will remain same, while we are saying that we are seeing significant impact wherein some of the prices of the raw material have gone up by 50%,

60% and still we are very confident to achieve the guided PAT. So just wanted to understand. Hello?

Sameer Kothari:

Sure. Ankit, I understand your question. So let me explain 2 things, right? As far as the one of the main things that we've been able to achieve in FY26 is that as a company, we have diversified in so many categories that we do expect that there will be some headwinds in some categories at any given point of time. And yet some other categories should be able to help compensate for that.

Your specific question about shoes is absolutely right, shoes is facing the headwind in terms of the inflation, etcetera. But in spite of that, we continue to and we have reiterated our PAT guidance because we believe that we will have more than compensatory growth in some of the other categories.

For the time being, we are extremely confident. Obviously, we do not have a visibility any more than anybody else about what is going to happen in terms of how long this uncertainty will rise. Maybe by next quarter, if we have anything else to say, we will come back. But as of now, we remain confident that we should be able to deliver the PAT.

Ankit Dharamshi:

Got it. Just one follow-up question. I mean we just broke even across the business in Q3, right? Do we foresee that we will be able to operate at an optimal level or there's a possibility of burning cash over there?

Sameer Kothari:

So we actually broke even earlier Q2, as Mayank tells me. Second, it was never a cash loss. We were EBITDA positive for, I think, more than that then. So from that perspective, I don't see the business going to a situation where it will be in a cash loss situation.

The only reason we point it out is because of the questions around how geopolitical uncertainty will affect us. This was the only segment where it is affecting us, and we just wanted to ensure that shareholders understand that. Is it significant enough for us to change our guidance? I already answered that earlier saying that it isn't. Do we expect the volatility to actually end up affecting the shoe business in such a way that it will start making cash losses. Again, the answer is no.

All of our customers also understand what is happening in the market. Engagement and discussions have already started. We are quite confident that within the next month or so, we will be able to work with them in terms of passing on some of these costs to them and them onwards.

Moderator:

Thank you. The next question is from the line of Karan Gupta from ACMIIL. Please go ahead.

Karan Gupta:

Yes. So my question regarding the segment-wise, if you can just directionally or broadly comment on the segment-wise contribution to the profitability part or the revenue side, so going forward, what you're saying that INR200 crores to INR220 crores of profitability, which segment is contributing more in terms of margins or the growth part?

And the second one is, again, on the chart you've shown the operational performance side. So your shared facility part has increased, right, in terms of EBITDA, in terms of gross block. So how the margin is improving because your EBITDA proportion is doubled from FY25 and your gross block is also increased quite a bit now in shared facility part.

So how the asset turn is improving, how the profitability margins, EBITDA margins is improving? That's a typical thing I want to understand here, the shared and dedicated part?

Sameer Kothari:

First thing is from a segment-wise EBITDA or profitability perspective, we don't give out those numbers. We promised that towards the end of this year, we will start giving out that number. And the rationalization of why we are not giving out that number is because in some of those product categories, our numbers would be very, very indicative of our customers performance. We don't want our numbers to be used as a proxy for some of our customers.

And as a result, we don't do that. But in terms of the significance of the segment, we started disclosing the gross block, which is invested in that particular segment, and that data is available in the PPT, which should give you some kind of an idea in terms of which is a segment which is growing, where are we putting in more money. We've also given capital allocation decisions in terms of where we are investing money in which categories, etcetera.

And let me just answer a question which you haven't asked. We are agnostic as far as those 5 categories are concerned. We will invest wherever we see growth in any of those 5 categories. So from that perspective, we are not going after one particular category or we are not focusing after one particular category.

The organization has been broken up into 5 divisions. We've got a new leadership, which is heading all of these divisions. And all of them have been given a simple mandate, which is to grow the EBITDA at 20% and to continue delivering 20% ROE numbers. So from that perspective, we are agnostic as far as the categories are concerned.

Now in terms of the second part of your question, I'm not sure I'll be able to give you the exact split, but let me explain to you the mechanics of how that works. In case of shared manufacturing business, as you are aware, operating leverage plays a larger role in it. So EBITDA percentage again, I hate to use EBITDA as a percentage of sales.

But let's say, ROCE for shared manufacturing businesses on the assets which have been deployed as shared manufacturing should be much higher than, let's say, a dedicated manufacturing. That's the simple thumb rule. Since we are taking on a higher risk in terms of shared manufacturing, we expect a higher ROCE number.

Now that's the expectation. Sometimes our expectations are met like we did in the guidance this time. Sometimes we might not be able to meet it. So like the shoe business currently has not met our expectation of delivering a higher ROCE number for this quarter for reasons which are completely beyond our control.

However, in case of the dedicated manufacturing business, the ROCEs are more humble, but they are very, very well predicted. And as a result, we don't see any variability in those numbers. I'm not sure whether that actually answers your question, but that's about the extent of what I can give you in terms of information.

Karan Gupta:

Okay, okay. Fair enough. But just trying to understand the capital allocation part on segment-wise, right? So blended ROCE is fine. But the segment-wise, if you are saying that the gross block or you are giving the capex numbers. So we can just take a proxy of capex number as a revenue growth side, right?

You can also share some asset turn numbers. It will be directly correlated to your revenue part, but still the efficiency of the capital that you are using, that's how we can gauge segment-wise that you're putting more capex on in which segment. The other thing is what...

Sameer Kothari:

Sorry, was there a question that you need me to address there? Or was that just a comment? Because you're right. I mean, at some level, as an analyst, you can definitely look at our capital allocation across segments and extrapolate that.

What I would urge you to do is think about the fact that in case of the ROEs, ROCEs, you would have to multiply or take into consideration the fact that in our various 5 BUs, we might have a separate percentage in terms of shared versus dedicated. What you see as a consolidated, which is 60% - 40% approximately for the company as a whole may not be true for a particular segment of business.

Specifically, if you look at the shoe business, 100% of that business is shared manufacturing. It's not 60% - 40%. So from that perspective, our ROCE expectation for the shoe business would be much, much higher than the blended ROCE for the company as a whole.

Karan Gupta:

Okay. So for FY27, what's the ROCE you are targeting? And what is the expectation of gross block and EBITDA in shared and dedicated size?

Sameer Kothari:

So I think Mayank already answered about the fact that when the indication that we have given so far is about INR2,150 crores of investments. We expect the split to remain the same, which is about 60% - 40%. In terms of ROCEs at an individual project level, the minimum threshold remains the same, which is about 18%-odd.

However, again, since we will be undertaking a substantial amount of capex in this year as well, we will come back to the same discussion that I was having earlier, which is some projects would have commercialized, let's say, in the first quarter like Panipat, some would probably commercialize in the second, third or even fourth quarter.

And as a result, the blended ROCE number is not a guidance that we are currently giving. At an individual level, we strive to maintain the ROCE at 18%, which is why what we've done is we've given an absolute number of the guidance of PAT.

Karan Gupta:

Okay. And what was the ROCE numbers in dedicated side earlier before starting the shared or increasing your shared basically share? So what was earlier the target of the ROCE in the dedicated side? So just wanted to gauge how we have improved from dedicated to shared facility in terms of ROCE? So, sorry, it is bit difficult to hear,

Mayank Samdani:

We were just trying to remember your name. Karan. Hi, Karan. So, as Sameer told you that our discussion in dedicated manufacturing revolves around the ROEs, which we make on our equity contribution. So we strive to be between 16% to 22% ROEs pretax, where we negotiate. It depends on the customer, it depends on the product category, and it also depends on the location of where we are putting our money. So the range is between you can say between 16% to 22%.

Karan Gupta:

Okay. 16% to 22% Okay, okay. So next, just one last question. On next 2 to 3 years, if we assume what's the basically the strategy on the shared part or the dedicated part? I mean, to increase shared part to, let's say, 60% - 40%, 60% will be shared or dedicated will be 40% or what's the strategy from here on to increase the profitability and the ROCE part? Just a broad question.

Sameer Kothari:

So difficult to say. I think the market is evolving in all of these segments very, very differently. I would be hesitant because all these 5 businesses have very, very different contours of the new businesses which we are signing up for. If I give you a specific example, in case of beverages, our strategy now is to set up multiple units across the country.

We will probably, at the end of FY27, become the single largest independent bottler of beverages in the country. And by independent, I mean we do not have an affiliation to any brand. We are manufacturing for multiple brands, and we will be the single largest independent bottler in the country. Now that business is growing in such a way that it will be shared manufacturing, right?

Similarly, in case of shoes, as I mentioned earlier, the business is definitely that of shared manufacturing. In case of Home and Personal Care, we continue to see a lot more emphasis on dedicated manufacturing or what we are beginning to see as a hybrid, which we call as anchor tenant model where a part of the capacity is dedicated and a part of it is shared.

In case of OTC pharma, we continue to see a lot more traction as a shared manufacturing capacity as well as dedicated. So it's evenly split. Like Mayank said, we have visibility only till FY27, which we believe that it will be 60% - 40%, 60% dedicated and 40% shared. Beyond that, I think we'll have to come back depending on how we announce new projects coming in.

Karan Gupta:

Okay. Okay. And you can also share the customer acquisition numbers over the years, if you can in your PPT? And maybe you can share the brand names. If is it possible?

Sameer Kothari:

Generally try not to give out the brand names of the companies. Just as a sweeping statement, I can tell you that if you are consuming an FMCG product, the chances are that it has been made by us across all of the segments that we are in. We are working with the largest brands as well as some of the emerging D2C brands.

Due to client confidentiality reasons, we generally avoid giving this. But I take your point in terms of bringing in new customers. I think maybe we will put in some information of how many new customers have come in over the years.

Moderator:

Thank you. The next question is from the line of Riddhansh Chandak from Unifi AMC. Please go ahead.

Riddhansh Chandak:

Congrats on a great set of numbers. I actually broadly had 3 questions, if you could help me. Pharma, the health care side, if you could give us some more color on what's happening over there and how things are progressing and what our outlook is because I think the capex that we've done on that over the past year has also been fairly minimal. That's question one.

Question 2 is, I think our target for FY26 gross block was INR2,000-odd crores and we're about INR190 crores short, which I can see that you guys have said that is in progress and it will get done over the coming year. My question is broadly, this INR150 crores of additional gross block that we're adding over the course of FY27 if I can venture so far to say, a fairly small number -- because considering the INR790 crores we did in FY26, if you could give us some color there.

And the third bit of the question is that since I think inventory is consuming more of our cash flow, our thoughts on how we're planning to finance this because our cash flow from operations have fallen, not fallen, but I mean, as a percentage of our EBITDA has gone down given working capital constraints, how the financing for incremental capex looks like?

Sameer Kothari: Riddhansh, let me address the second question first because we had a similar discussion in our Board meeting yesterday. Let me give you some color around that INR150 crores. So the INR150 crores is new contracts, which have been signed since April. That's in the last 45 days. Just to be sure, that's not the guidance for the entire year.

We do have a strong pipeline of projects that we are discussing. We generally, as a policy, do not give out the number unless the contracts have been signed. And we are reasonably confident that number of INR150 crores, I forget the adjective that you used but will not be as small as you think by the end of this year.

I think we will make announcements as time goes by, which should hopefully satisfy demanding Board of Directors and shareholders. Second, in terms of -- you know what, actually, I don't remember your first question, but I'll address the second question, and then we can come back to your first question.

As far as the second question is concerned, you're absolutely -- sorry, the third question is concerned, in terms of working capital, I'm going to request Ganesh to just kind of highlight because that's an important point that you've raised. And I'll ask Ganesh to give you specific examples of what is happening in terms of the inventory buildup, what is happening in terms of the geopolitical situation.

But broadly, I think I should spend a couple of minutes on explaining that, because you're absolutely right. And we ourselves as a company did put this out in our presentation as well because we think it's an important parameter as shareholders to monitor that while we met the guidance in terms of the profit, the cash flows have been less than satisfactory. I'm going to request Ganesh to explain why they have been less than satisfactory. Riddhansh, are you there.

Riddhansh Chandak: Yes, yes, yes. Sorry, my line got disconnected in between. But can you guys tell me now?

Ganesh Argekar: Did you hear what Sameer had said?

Riddhansh Chandak: I heard that there's been -- you guys are going to address the cash flow a bit first, and I think he missed out on the second question. Did I get that right?

Sameer Kothari: No, I did not miss out, Riddhansh. I just said that you are as demanding as our Board of Directors.

Riddhansh Chandak: Sorry about that.

Sameer Kothari: So let me go back to the second question, and I'll summarize it not to waste everybody else's time. The INR150 crores announcement that has been made are projects which have been signed

up in the last 45 days, which is starting from April. The year is still young. And what we confirm to the Board of Directors is that we do have a strong project pipeline.

Discussions are ongoing with a bunch of customers. So hopefully, before the end of the year, we will be able to make announcements, which will satisfy our shareholders as well as Board of Directors in terms of new capex signing on.

Riddhansh Chandak: Got it. Thanks.

Sameer Kothari: And as far as the working capital is concerned, I said that, yes, it's a very valid point. I think we need to elaborate on this. Ganesh was just about to give you some examples and anecdotes of why our working capital situation is what it is.

Ganesh Argekar: Okay, Riddhansh...

Riddhansh Chandak: Sorry, Ganesh, I fully understand why the working capital situation is the way it is, with the GST backwardation. I follow you on that. My question is more to do with a plan for financing incremental capex, assuming we're not able to keep inventory on customer books.

Sameer Kothari: Assuming -- I'm sorry, what?

Riddhansh Chandak: Assuming that we don't transition to job let models.

Sameer Kothari: Okay. So there are 2 things, right? So as far as working capital is concerned, yes, Mayank and I spend a lot of time on the GST duty inversion, but there is also an increase in terms of our inventory. I was letting Ganesh talk to you about that, but looks like you don't want to hear Ganesh talk about it at all.

So let me just rest it at saying that Ganesh and his team have tried hard to ensure that we are able to service our customers. And one of the things that they have had to do is stock up on inventories to ensure that there's no production loss. In terms of funding these inventory as well as the GST duty inversion, I think Mayank and his team have done a phenomenal job in terms of getting working capital credit across all our product lines.

And as a result, the working capital investment is currently not limiting or constraining our investment in the capex. Secondly, if you look at our overall debt equity ratio, it is currently at about 0.84, and we have some amount of cash on our balance sheet as well, which gives us enough buffer or runway to be able to take on the investments that we are talking about.

So we are well seized of the fact. We are also well seized of the fact that in terms of the uncertainty around GST duty inversion as well as the inventories, we need to be a little bit more

cautious and not go out all out in terms of our investments. I think Mayank does a stupendous job in terms of ensuring that we don't fall short of money.

Riddhansh Chandak: Got it. Thanks for that. And sorry, last bit was a color on health care segment.

Sameer Kothari: Okay. That was the first question. Can you please repeat that question, Riddhansh?

Riddhansh Chandak: I basically wanted to know more about what's happening in the health care business because I think broadly, what we're seeing in pharma as a whole is that pack is doing well and exports are on the move. Just wanted to get a sense from you on how that's progressing on your end.

Sameer Kothari: Sure. Okay. So the health care segment actually is doing well for us. We've made some announcements about how we've signed on a bunch of new customers. We've signed on 3 or 4 new customers for that facility. And as a result, I think that segment will start contributing very well for us.

We've been lucky to inherit a facility which has got all the regulatory approvals, whether it is the U.S. FDA or the Russian FDA. Vicky here is also being nominated as the Head of Exports. And he's going to talk about, hopefully, in the next couple of quarters about what we are doing on the export front.

You're absolutely right that export is definitely something that we are focused on. Though this is probably not the best time for us to go out and get new customers. There seems to be a lot of uncertainty around global supply chains, etcetera.

But we've taken a contrarian approach, and we recently started talking to a bunch of customers, including modern trade, large big box modern trade players in the U.S. And hopefully, in the next couple of quarters, we should be able to come back to you with some tangible data around it.

Moderator: Thank you. The next question is from the line of Rajat Parab from Systematix Group. Please go ahead.

Rajat Parab: Sir, can you please help me with FY26 sales number for the footwear division? And any comments, if possible, on the profitability of this division for FY26 as well? Yes. Thank you.

Mayank Samdani: Rajat, as Sameer told you that we generally don't give the number BU-wise. But sales-wise, we have reached INR500 crores in turnover in the shoes division, in the footwear division. But we generally don't give the number of profitability. But I can say that we have broken even in Q2, and now we are PAT positive.

But the strain on the prices because of the geopolitical issue will surely have some impact on the shoe in this quarter. While we are talking with the customers to get some of it back, but these are not the contracts, just like our dedicated where the RMPM cost is directly passed through.

Moderator: Thank you. The next question is from the line of Jaiprakash Kumhar from Korman Capital. Please go ahead.

Jaiprakash Kumhar: So just one question. I think you've targeted INR4,000 crores revenues and you've met that target. When do you come up with this guidance of the vision? I think earlier we had...

Sameer Kothari: Jaiprakash, we cannot hear you clearly.

Jaiprakash Kumhar: Am I audible now?

Sameer Kothari: Yes, better.

Jaiprakash Kumhar: Yes. So, when will you come up with this guidance earlier, there was a 2K target of the revenue, 4K target we recently met, right? Is there any long-term 3 years, 4 years kind of a target you have in mind which you want to meet? That's the first question.

And the second question is, given this kind of a bit of a shift in the business model to share which will be making up 40% of the gross block, can we see 10% margins? These are the 2 questions I have.

Sameer Kothari: So Jaiprakash, currently, we are avoiding giving guidance on the sales numbers because of the various things that we've mentioned, both in terms of the discussions with the customers to change the nature of revenue recognition, which will have downward pressure on the sales.

The second, of course, is inflation where given the pass-through nature of most of our contracts, you will see an increase in the sales as far as those businesses is concerned, both of which actually do not affect the performance of our company.

And as a result, we avoid and are currently definitely avoiding giving any kind of a guidance in terms of the sales number. We will stick to the guidance of the PAT, which for next year, we've given a very clear guidance even last quarter, and we've reiterated it in this quarter, which is we are confident that we should be able to get to a PAT of between INR200 crores to INR220 crores for FY27.

Second, in terms of the margin, and I'm assuming you're talking of margin as a percentage of sales, if all of the customers that we are speaking to actually agree to change to conversion cost model, your wish could actually be realized where the PAT margin will go to 10%. But frankly,

that's not because of anything that we do. It will be purely an accounting entry because our sales would have fallen by that much.

Jaiprakash Kumhar: No, no, I'm just talking in terms of like-to-like basis. Of course...

Sameer Kothari: On a like-to-like basis, as a contract manufacturer, I would be really surprised if we deserve 10% PAT margins.

Jaiprakash Kumhar: No, I'm talking about your current EBITDA margins, which are like close to 9%. Yes 9%, So that's the one...

Sameer Kothari: At an EBITDA level. I'm sorry, I thought he was talking about PAT. I'm sorry. EBITDA 10% is definitely achievable, Jaiprakash. I mean that's not even a question actually. I'm sorry, I was thinking you were talking of PAT.

Jaiprakash Kumhar: Yes, yes. No, no. So, another question I have is now that you have 5 verticals, right, and each of this vertical is huge in terms of the opportunity. So I think you mentioned you are -- I'm not sure if I heard correctly, you are giving the target of 20% growth and to each vertical head, right? I'm not sure if I heard that correctly. But anyway, so how do you see business spanning by, let's say, FY 2030 and each category, if you can just talk about.

Sameer Kothari: So you didn't mishear. The mandate given to the management is very clear that we should be able to grow at 20% in each of our BUs. And as a result, the company as a whole should definitely grow at 20%. There will be intervening periods of time where one of the BUs may not perform at that number.

But on a whole, and that's the reason why the SGA team has taken a lot of effort in putting that slide out there with the industry opportunity size that growing at 20% in spite of all the macroeconomic pain at our level where we are such a small player of each of those segments, is not an impossible target. Is it easy?

It definitely is not. As a manufacturing company, I can tell you that pushing even a smallest factory to start manufacturing and ramping up is not an easy job. But is it achievable? That's what we get paid for. So yes, it is definitely achievable to be able to get to 20% growth across these BUs. So that's something that, yes, that's where we see.

So if you extrapolate that to 2030, assuming that by 2030, consumption numbers for the country as a whole are also back up. If anything, I think it should be easier for us if we get some tailwinds from increasing consumption and lower inflation, which currently we are having to fight as a headwind.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Vimal Solanki, Head of Corporate Communications and Emerging Businesses for closing comments.

Vimal Solanki: Thank you, Farah. Can you hear me?

Moderator: Yes, sir.

Vimal Solanki: Yes. So to conclude, FY26 has been an important year for HFL with the company delivering record financial performance alongside strong operational progress across business verticals. And over the course of the year, we continue to expand capacities, strengthen manufacturing capabilities and deepen customer relationships while maintaining a disciplined approach towards capital allocation and execution.

As we move into FY27, our focus remains on scaling up newly commissioned capacities, commercializing the ongoing project pipeline and further improving utilization and operating leverage across the network. With a stronger manufacturing platform, healthy deemed demand visibility and continued momentum across categories, we remain confident in our ability to sustain profitable growth and deliver long-term value creation for all stakeholders.

Thank you once again for joining us today and for your continued trust in Hindustan Foods. Trust you are taking care in the summer heat, stay hydrated, eat some ice cream, drink some beverages. And should you require any further information, please feel free to reach out to us or connect with Strategic Growth Advisors, our Investor Relations Partners. Thank you so much.

Moderator: Thank you very much, sir. On behalf of Hindustan Foods Limited, that concludes this conference call. Thank you all for joining us, and you may now disconnect your lines. Thank you.