Manorama
Industries Limited
KHASRA No. 2449-2618
Nr. IIDC, Birkoni
Mahasamund (C.G.)
Pin : 493445

January 27, 2025

To,
The Manager
Listing Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400001

SCRIP CODE: 541974
ISIN: INE00VM01036

To,
The Manager
Listing Department
National Stock Exchange of India Limited
'Exchange Plaza', C-1, Block-G,
Bandra Kurla Complex
Bandra (East), Mumbai - 400051

SYMBOL; MANORAMA
ISIN: INE00VM01036

Subject: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of Q3 FY25 Earnings Conference Call held on Wednesday, January 22, 2025.

Dear Sir/Madam,

In reference to our letter dated January 14, 2025, we would like to inform you that the Company had organised a Q3 FY25 Earnings Conference Call with the Investors/Analysts on Wednesday, January 22, 2025 at 01:00 pm (IST). A copy of transcript of Q3 FY25 earnings conference call is enclosed herewith and the same has also been uploaded on the Company's website at https://manoramagroup.co.in/investors-company-announcements#analyst_meet

This is for your information and records.

Yours Faithfully,

Thanking You.

For Manorama Industries Limited

Deepak Sharma
Digitally signed by Deepak Sharma
Date: 2025.01.27 19:13:29 +05'30'

Deepak Sharma
Company Secretary and Compliance Officer
Membership No. A48707
Place: Raipur

MANORAMA INDUSTRIES LIMITED

“Manorama Industries Limited

Q3 and 9M FY '25 Earnings Conference Call”

January 22, 2025

MANAGEMENT: **MR. ASHISH SARAF – CHAIRMAN AND MANAGING DIRECTOR – MANORAMA INDUSTRIES LIMITED**
MR. ASHOK JAIN – CHIEF FINANCIAL OFFICER – MANORAMA INDUSTRIES LIMITED
MRS. EKTA SONI – AVP, INVESTOR RELATIONS – MANORAMA INDUSTRIES LIMITED
MR. DEEPAK SHARMA – COMPANY SECRETARY – MANORAMA INDUSTRIES LIMITED

MODERATOR: **MR. HIRAL KENIYA – EY LLP**

Moderator: Ladies and gentlemen, good day, and welcome to Manorama Industries Limited Q3 and 9 M FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the star then zero on your touch-tone phone. Please note this conference is being recorded.

I now hand the conference over to Mr. Hiral Keniya from EY LLP. Thank you, and over to you, sir.

Hiral Keniya: Thank you, Steve. Good afternoon, everyone. On behalf of Manorama Industries Limited, I welcome you all to the Company's Q3 and 9M FY'25 conference call. To discuss the performance of the Company and to answer the questions, we have with us the management team comprising of Mr. Ashish Saraf, Chairman and Managing Director; Mr. Ashok Jain, CFO; Ms. Ekta Soni, AVP, Investor Relations; and Mr. Deepak Sharma, Company Secretary.

Before we proceed with this call, I would like to draw your attention to the fact that today's discussion may contain forward-looking statements that are subject to various risks, uncertainties and other factors, which will be beyond management's control. We kindly request that you bear in mind that there might be uncertainties when interpreting such statements. Please note that this conference is being recorded.

We would now start the session with opening remarks from the management team. Afterwards, we will open the floor for an interactive Q&A session. I would now hand over the conference over to Mr. Ashish Saraf for his opening remarks. Thank you, and over to you, sir.

Ashish Saraf: Thanks, Hiral. I heartily welcome everyone to Manorama Industries Q3 and 9M FY'25 earnings call. We are happy to state that the Company has reported its highest ever operational performance during Q3FY'25, led by robust market demand for our diverse range of specialty butters and fats, coupled with higher volumes led by commercialization of our new fractionation facility. We are optimistic to achieve our financial year 2024-'25 guidance of INR750 crores plus revenues with increased profitability.

Manorama Industries strengthened its global operations by creating 7 new strategic subsidiaries including six in West Africa to secure Shea nuts and one in UAE to secure its sourcing and attract new clients from the MENA region. The growth and expansion are aligned with our commitment to deepen the relationships with our esteemed stakeholders. The Company has significantly expanded its fractionation capacity from 15,000 metric tons in 2020-21 to 40,000 metric tons with the recent addition of 25,000 metric tons commissioned in July 2024.

Manorama continues to innovate through its MILCOA Research & Development Centre, which is certified by India's Department of Scientific Research. Till 2019 to '24, proceeds used here for manufacturing few value-added products where we have clear foresight of scale up and cash flow generation. And now we believe it's an opportune time to start planning for next round of growth for 5 years starting from year 2026 to '31.

Today, we are evaluating multiple projects. Out of this, we are considering and prioritizing 4 to 5 projects for a timeline of next 2 to 3 years to 5 years perspective and to give you a broad idea, two of them will fall in backward integration and three in forward integration. For forward integration - first, forward integration by entering the cocoa butter alternative market. Second, the forward integration by starting production of industrial and compound chocolates. Third, the forward integration of manufacturing of palm mid-fraction, which is used to make CBE.

Fourth is backward integration project of solvent extraction for Sal, Mango and other Indian exotic seeds in Chhattisgarh, India. Fifth is backward integration by creating a Pre-Phase and solvent extraction facility in the West African state of Burkina Faso. We will be updating the necessary project cost, payback period, commercialization timelines, etc. once we have finalized our execution plans.

Manorama is on a path of sustainable growth, creating world-class ethically sourced products for customers worldwide and thereby creating value for the esteemed stakeholders. Now, I would like to invite our Company's Director and CFO, Ashok Jain, for his comments on Q3 and nine months performance. Thank you.

Ashok Jain: Thank you, sir. Good afternoon, and warm welcome to everyone to Manorama Industries Q3 & 9MFY25 financial performance and earning call. Highlighting the Company's financial performance during the quarter, Manorama Industries revenue during Q3FY'25 grew by 112.5% year-on-year to INR209.2 crores rupees, owing to higher demand of Company's product portfolio in both export and domestic market. The Company's export business contributed 73% of total revenue and balance 27% in the domestic market.

The Company's EBITDA has witnessed a substantial rise of 2.5 times year-on-year, reaching INR55.20 crores in Q3FY'25. Additionally, Manorama has seen an expansion its EBITDA margin by 1,051 basis points year-on-year growth, and the EBITDA margin stood 26.4% in the Q3FY'25, which is attributed to efficient cost management and operating leverage.

Profit after tax during Q3FY'25 grew by exponential almost 3times to INR29.5 crores. Profit after tax margin expanded by 656 basis points year-on-year and stood at 14.1% in Q3FY'25. Employee benefit expenses during Q3 FY'25 is INR17.40 crores and it includes ESOP provision of INR7.68 crores. Also, our other expenses, including job process charges, insurance, traveling, stores and consumables, etc.

Now, highlighting CAGR track record of Manorama Industries during financial year 2020-'24 period. Revenue, EBITDA and PAT has registered CAGR of 25%, 14% and 15%, respectively. Thank you for listening to us. Now, we open the floor for the question and answer session. Thank you.

Moderator: Thank you very much sir, we will now begin the question and answer session. Anyone who wishes to ask the question may press star and one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets to ask their questions. Ladies and Gentleman, we may welcome the questions. The first question is from the line of Nitin Gosar from Bank of India Mutual Funds.

Nitin Gosar: I had a couple of questions. Can you please help us understand how do you select your capex program? What are the guidelines or criteria in terms of financial parameter like ROE, payback period, while zeroing down to the projects for next round of capex?

Ekta Soni: Yes. Thank you, Nitin ji, for the questions. So as for our new projects, what we have announced in this quarter are concerned. So of course, we are going to submit the detailed financial plan to our shareholders once we get the approval from our Board members and also update our capital expenditure plans to our esteemed shareholders. But as of now, for selecting the projects, we see that if you consider the large projects, what we have set up the fractionation.

So, we have always considered a payback period, which gives us less than 3 years. So going forward, the projects what we have recently finalized or prioritized, so we have considered the projects, which will give us a payback period of less than 3 years.

Nitin Gosar: Okay. Got it. So, we are almost doing something which is less than 3 years as a first criteria to consider as a project. Obviously, there will be parameters of, as sir had mentioned around forward integration and backward integration attached to it. Second is with regard to -- since there are a couple of projects, which we are working upon. So, would there be a scenario where bunching up of this capex will happen like in a given year, there will be strain on cash flow?

Or how do you wish to incur this capex? Because most programs then, if they are less than 3 years on payback, then you may wish to consider them upfront at one go, but that will strain our balance sheet. So how do you envisage to incur this capex, once it is approved by the Board?

Ekta Soni: So, all these projects, what we have discussed now, so we are going to do over the period of next 3 years. So, the Company is going to generate healthy cash flows over the period of 2 to 3 years. We think that this could be done through internal accruals, but then that is something what we will get back to you once we get the detailed financial plans approved from our Board, whether how we can go about it.

We have announced five projects. So that will be done over the period of 3 to 5 years. Our cash flow permits us to go through all these projects over the periods of time. But that decision will be taken by our Board and the management team once we get our detailed financial plans approved by the Board. So we can then again come to you that how we are managing our cash flows over these projects.

Nitin Gosar: Got it. And if you can help us with certain housekeeping data, like fractionation production volumes over last 3 quarters. And also the share of value-added piece over the last 3 quarters, but if you can give for 7 quarters, it would be very helpful.

Ekta Soni: So the volume growth, if we talk about quarter-on-quarter, it has been in the range of 5% to 10%, you can assume the volume growth what we have done so far. And all the products what we are manufacturing are all value-added products. There are 4 to 5 products in the process what we get. But mostly, we are considering our stearin and CBE portion as the more value-added product mix. So, you can consider 55% of that product mix includes stearin and CBE.

Nitin Gosar: Got it. And how was this in second quarter? Like this 55% value-added today, how was it in the previous quarter and the last year during third quarter?

Ekta Soni: See, stearin and CBE always has been in the range of 55% only because if you see the process, that's what we derive out of our production process, the CBE and stearin. So that only we have to take and consider going forward as our value-added product. So, within that parameter, of course, we can increase the portion of CBE further. But as in the market participants, both the products for us are a value-added product.

Nitin Gosar: Okay. Sorry, slightly, if you can enlighten then the source of this margin expansion is more to do with the change in the value- added piece? Any products which are helping us to shore up our margins, if you can help us understand that piece.

Ekta Soni: There are a lot of factors which has attributed to our margins. Of course, there is reduced cost of production also, which has helped in improving our gross margin. There is operational efficiency also. And there is also a volume growth what we have done of around 5% to 10% in the last to last quarter. And also, there are some realization benefits what we have received for our products. But there are multiple factors, who are contributing to our margins.

Nitin Gosar: Okay. And would it be fair to believe the multiple factors which we are highlighting, those have got exhausted or the runway of them to continue to contribute still exist? I mean they contribute to margin expansion, if I have to put it in, sorry, plain language.

Ekta Soni: Yes, right. So, what guidance we had given earlier was, of course, 20% to 22% on our previous concalls and everything. So, now we are more confident of graduating more towards 23% to 25% of EBITDA margin on EBITDA level. But there are key modes where we differentiate ourselves, and there are multiple levers, which we have still not exhausted. So, we see our margins to be on a good trajectory from hereon.

Nitin Gosar: Got it. And one last bit. I just noticed there are subsidiaries which are opened in Brazil. Is it for business or sourcing purpose, if you can help us understand? And were we doing any kind of business with Brazil earlier?

Ekta Soni: So yes, that market has recently opened for us. We have had our customers from Brazil earlier. But as Brazil, Latin America is a very huge market for the product. So now we are there in that country, where we can connect very well to our esteemed clients, and it's totally for our business focus to create more and more clients from that Latin America region. It's a big market for us.

Nitin Gosar: Okay. And ideally, like Europe, US is always considered to be a big market or...

Ekta Soni: That is already there with us. So Latin America is a new market, what we have entered and the local presence there was necessary going forward. So, we have established one Company there that will cater to further demand from the local companies also from there.

Nitin Gosar: Got it. Just one last on this. So, doing business or incremental business coming in from Brazil, does it enhances our profitability? Or does it pulls it down?

Ekta Soni: It enhances our profitability.

Moderator: The next question is from the line of Akash Pawar from Sahasrar Capital.

Akash Pawar: Congratulations on the good set of numbers. So, I had a couple of questions. So, first one was, since we are through with the majority of the capex that we did, and we are entering into the new geographies like MENA and Latin America. So how is the competitive landscape there? And how much time do you think will it take for us to onboard new clients?

Ekta Soni: So, see we already had our clients there. The incorporation of Company was mostly to cater to local clients of Latin America and Brazil there. We see a very good business in the country of Brazil and also the countries which are surrounded to Brazil and under Latin America content.

Akash Pawar: So have we developed the specific products with them? Or is it to start from now on?

Ekta Soni: Can you be little louder the voice is a little low, can you speak again please?

Akash Pawar: Is it better now?

Ekta Soni: Yes.

Akash Pawar: So, have we developed specific products over there? Or is it just beginning right now?

Ekta Soni: No, there are the same product line which we are selling to this customer. There is stearin what we are selling to them. The CBE is there. And there are different fats requirements. See, it's not -- if we are talking CBE, then there are different specification, which is involved to stearin or say CBE. So, every customer will have a different product fat requirement as per their recipes of the chocolate, confectionery and food.

So -- but the food, the product is the same. So we are going to sell them CBE only, but that can happen with a different specification of the fat, tweaking of the fats and maybe a better pricing also there.

Akash Pawar: Okay. And the next question would be if you could just give a brief about the new market that we are venturing into, that is alternative CBE? So how is it different from CBE that we manufacture?

Ekta Soni: Right. So Manorama is very strong on R&D. We back ourselves in technology. So, adding more technological solution to our exotic products. So it is a forward integration project where we are fortifying our moat further. It will be an in-house technology because now that we have stabilized 2 mega projects of fractionation, adding a high intensive fats.

So, through this futuristic technology, which will help us convert our low value-added product like olein to more enhanced products like stearin. So, it's a proven technology in lab scale and also in pilot scale. And now we are planning to take up this to a commercial scale.

Moderator: The next question is from the line of Rohan Mehta from Ficom Family Office.

Rohan Mehta: So, I wanted to know what is the current capacity utilization of your plant? And where do you estimate it to be around by, let's say, March 2025?

Ekta Soni: So, the current capacity utilization for our existing plant of 15,000 tons is 100% and that new capacity utilization for our new plant is around 50%. And...

Rohan Mehta: Could you repeat that?

Ekta Soni: Yes. So, the utilization from our existing plant of 15,000 tons is 100%. And the new plant is giving us 50% capacity utilization as of now. So we expect it should be around 60% to 65% by the end of financial year 2025, which is very well linked to our guidance, what we have given to our shareholders.

Rohan Mehta: Got it. And in terms of the current prices for cocoa butter equivalents, what is it on a per kg basis compared to last quarter?

Ekta Soni: So are you asking the realization part?

Rohan Mehta: Cocoa butter equivalent, yes.

Ekta Soni: Can you repeat your question, please?

Rohan Mehta: What is basically the current price for cocoa butter equivalent on a per kg basis compared to last quarter?

Ashish Saraf: Currently, we expect to be around $6 to $7 per kg.

Rohan Mehta: Right. And there is no change from last quarter?

Ashish Saraf: As such, there is no change. But then going forward, we expect to increase it further.

Ekta Soni: So, because the contracts what we signed is usually for 9 months and 12 months, so where the pricing and the volumes are fixed. So, we cannot expect price realization changes in every quarter. It happens contract-to-contract basis. If we get the change in the price, we may update you at a later stage.

Rohan Mehta: Sure. And just a follow-up on CBE. I believe the contribution for value-added products as of today, you mentioned is about 55%. So where do you see this going ahead?

Ekta Soni: I think within 55% will be the total product mix. Within that, we can say that a portion of CBE can be increased to maybe -- what we have guided earlier, it was around 30% that we will be doing the CBE portion for this current financial year. We are in line with what we are guided.

Rohan Mehta: So just to clarify, CBE, in terms of the contribution to overall revenue, saying by March, that will be 30%.

Ekta Soni: Yes, the wallet share of CBE.

Rohan Mehta: Right. And currently, only CBE, how much is it?

Ekta Soni: So it is around 15% to 20% roughly.

Rohan Mehta: Right. Got it. And one final question from my side. So I was seeing in the news that European cocoa grindings, they are down by about 6% in Q4 of 2024. And apparently, this was the lowest since 2020. So I just wanted to understand that how do you see this potential fall in chocolate demand that can happen and subsequently, it can affect cocoa butter equivalent demand in the near term, considering cocoa grindings are near to the COVID lows.

Ashish Saraf: The world is addicted to cocoa. So, this grindings and this all depends on various other factors, very human on us, especially in Europe, Latin America, America and Russia. They're addicted to cocoa since childhood. So, we don't anticipate any fall, the people will stop eating cocoa chocolates or cocoa products. So, these grindings and all these have got nothing to do with the demand. They are related to more to the other factors. As far as CBE is concerned, we are not directly linked to cocoa butter prices due to the functional interchangeability.

In reality, CBE pricing dynamics differ, significantly remain sustainable irrespective of CBE price fluctuation -- cocoa butter price fluctuations. While the market perceives cocoa butter equivalent and cocoa butter as closely linked, the reality is that CBE enjoys relative pricing stability due to its diversified raw material base, contractual pricing models, consistent demand from chocolate manufacturers.

Our CBE business remains resilient, ensuring sustainable margins and revenue visibility, independent of cocoa butter price fluctuation because cocoa butter equivalent brings stability and it is a must for the big chocolate manufacturers.

Moderator: The next question is from the line of Alisha Mahawla from Envision Capital.

Alisha Mahawla: So, on Q-on-Q basis, the Q3 FY'25 versus Q2, our revenue is up 7%. But we also said in the opening commentary that we enjoyed slightly better realization and better mix because our fractionation capacity has come. On Q-on-Q basis, has volume grown or volume is flat?

Ekta Soni: Hiral, can you please convey the question to us because then we are not able to understand what exactly the question has been asked.

Alisha Mahawla: Am I audible now? Is it better now?

Ekta Soni: Yes. This is much better, yes.

Alisha Mahawla: Okay. I was asking that on Q-o-Q basis, Q3 FY '25 on Q2 FY '25, our revenue has grown at 7%. In our opening commentary, we mentioned that we've enjoyed slightly better realization and our mix has also improved because of the commercialization of our fractionation capacity. My question is, has volume grown on Q-on-Q basis?

Ashok Jain: So Q-on-Q basis, we will be seeing that we'll be driven by 15% to 20% every quarter in terms of both quantity as well as the input.

Alisha Mahawla: Sir, I'm asking in Q3, has volume grown versus Q2?

Ekta Soni: Yes, we mentioned that in the call earlier also that there is a good volume growth also of around 5% Q-o-Q.

Alisha Mahawla: And the new capacity, has it stabilized? And now will we start seeing better utilization because only 5% volume growth when last year, the capacity -- last quarter capacity came in the middle of the quarter. So the volume growth should have been slightly stronger. So are we basically challenges in commercializing or the new capacity?

Ekta Soni: Yes, we got your question. So there are no active challenges in stabilizing the plant. The plant are highly technical plants. So it takes its own time in getting the utilization done for the capacity. So earlier also, we had mentioned that the year FY '25 utilization will be around 60% to 70% for our new plant. So, we are very well in line what we have guided because these projects are not something you have started and you can do the production.

So, these plants take its own time to stabilize. So it will take its own time. So that is how we have guided of around 60% utilization for our new plant. And of course, gradually, it will improve. So we are expecting our utilization to be around 60% for this financial year for the new plant and the existing one is already running on 100% utilization.

Alisha Mahawla: Understood. So for FY '26, can we assume that because we will be starting with 60% utilization, we should be able to hit up a peak utilization of 80%, 85% by FY '26?

Ekta Soni: Yes. We expect our utilization to be around 75% to 80% in FY '26.

Alisha Mahawla: Understood. And my last question is the new projects that we're evaluating, the forward and the backward integration, how should one understand the lead time for this? Will it take 2 to 3 years for each project to commercialize? Or will these be -- or will we be able to -- because we have yet to put it up to the Board?

Ekta Soni: Yes. The projects what we have set up last year also, it usually takes 12 to 15 months, one project post what we have got the approval from our Board and we have started the execution. So that, of course, in the past, what we have executed, you can consider that as a timeline for each of the projects. But of course, we can further update you once we have got the approval from our Board. But generally, you can take that timeline only for consideration as of now.

Alisha Mahawla: And are we expecting to crystallize our plan in this financial year?

Ekta Soni: Sorry?

Alisha Mahawla: Are we expecting to crystallize our plan for this forward and backward integration projects in this financial year only as it get the approval from the Board in this financial year of FY '25?

Ekta Soni: See, we are in the Jan. 2025. So, by March, this financial year will end maybe we can have further deep dive in. Because yesterday only we have got the approval from our Board to further evaluate on the things. So let us do some exercise internally with our team and maybe then we can get back to you that by when we can announce the detailed financial plan to our shareholders.

Moderator: The next question is from the line of Kaushik Mohan from Ashika Institutional Equities.

Kaushik Mohan: I just wanted to understand on the number front, I can see our finance cost has increased from INR8 crores to INR11 crores. Like can I get to clarity on what was the reason?

Ashok Jain: Sir, our current season of procurement of Shea Nut is going on. So therefore, we have taken the working capital from bank. So, this is our seasonable model of business, so we have to procure the raw materials in the quarter 3. Therefore, we have increased the working capital utilization and that's why the interest cost has increased.

Kaushik Mohan: What is our inventory currently, sir? What is our inventory book size on the balance sheet?

Ashok Jain: Inventory currently as on date total value is around INR580 crores, including raw material, what we have procured and as well as the finished goods.

Kaushik Mohan: So, it is INR500 crores you are talking about?

Ashok Jain: Yes, INR580 crores, total inventory book as INR580 crores.

Kaushik Mohan: INR518 crores.

Ashok Jain: INR580 crores.

Kaushik Mohan: Okay. Another one is on the employee cost. This time, I think it's more than the double. It's like if I see that's more, 8% contributing to the revenue. So, on the revenue part, if you look at employee cost has increased, what's this for? Have we expanded our team?

Ashok Jain: The employee cost remains same, Sir. The reason was that we have taken the provision of ESOP, employee stock option plan as per the Indian Accounting Standards. So, we have made the provision of around INR7.68 crores this quarter financial. So, this was the reason to increase the employee cost. Otherwise, the employee cost remains same as was in quarter 2.

Kaushik Mohan: Got it. Sir, and I just also wanted to understand that is this the cost will be repetitive in Q4?

Ashok Jain: No, it is depending on the provisions as per the accounting standard, but the cost will be remaining same. There are no repetitive provisions.

Kaushik Mohan: Okay. At the current juncture, what is our utilizations of our plant?

Ekta Soni: So sir, the utilization of our plant, new fractionation plant is around 50% for this quarter. 50% - 60% and existing one is doing 100% capacity utilization.

Kaushik Mohan: Okay. The old one is doing 100% capacity and the current one is doing 50% capacity. Got it. Got it. And I also wanted to understand how are we standing with the full year guidance that we gave in the past concall?

Ekta Soni: So, we are comfortably above the guidance of INR750 crores as per our current order book. So we are very confident of achieving and surpassing that this financial year.

Kaushik Mohan: Okay. So now currently, I'd say that Saraf sir also mentioned that we have around $6 to $7 on the cocoa equivalent butter prices. So do we have any opportunity over here to increase the prices going further?

Ashish Saraf: So this -- what I said, $6 to $7 is what we expect going forward. And it is market, the prices will keep increasing based on the market situation worldwide is what we anticipate.

Kaushik Mohan: Okay. Sir, that means that currently, with these numbers, we are looking at an ROCE of 13.5 percentage. That means that when we close our entire full year books, we have the asset, which has been started putting up the P&L numbers and they are putting up the PAT numbers. That means that our ROCE number will double from here? Is my understanding right? Because of the balance sheet is staying the same way.

Ashok Jain: Definitely. We will get back to you.

Ashish Saraf: We expect whatever is the best possible term we are looking at it, it should happen.

Ekta Soni: So of course, that will be further improved definitely, but let the numbers come on the Q4. And then we can, of course, calculate and update you on our press release and presentation, what exactly. But definitely, there will be an improvement on ROCs and ROCEs going forward. Because if you see the last quarters, we have been continuously posting good ROCs and ROCE improvement.

Kaushik Mohan: Yes. That's making an interesting thing. And also, one statement in the yesterday's announcement, that I see that we are doing some capex. Can I understand this forward integration or backward integration, can you explain the entire value chain that what we are going to do?

Ashish Saraf: So, for backward integration, it is basically we are using some outsourced facilities for solvent extraction in India, which we are losing money because of that. So, we will save a big amount of money in that. So that is one of the plants we are doing. And with Burkina Faso, it is the same we are going to crush the shea nuts there and bring the butter instead of the seed.

So for cocoa butter alternatives is related project to cocoa butter equivalents, so it is going to give us huge benefits is what we anticipate and plan. Same is for Palm mid fraction, we anticipate that because we have to use Palm mid fraction for making CBE. Currently, we are using outsourced facilities, which we want to do in-house. So, these all will immensely boost our profitability and our opportunities for the Manorama.

Kaushik Mohan: Got it. Sir, at a conservative level, what can be our operating margins, like EBITDA margins on -- by doing this backward integration? What can be -- because currently, we are doing around 26%. What can we look at?

Ashish Saraf: That we will update you sir later going forward.

Moderator: The next question from the line of Dikshi Jain from InvestSavvy.

Dikshi Jain: Great numbers. Congratulations. So, we have a few questions regarding the capacity utilization and the revenue also. So last quarter in quarter 2, how much was the capacity utilization for the new plant?

Ekta Soni: The last quarter, see we mentioned that the growth was around 5%. So, you can take that only as the utilization level for last quarter. So, it must be around 40%, 45%.

Dikshi Jain: Okay. Because I think around 30% was mentioned last quarter, Okay. So question which we have is if volumes have grown 5% and earlier quarters, you had said that most of the Cocoa butter contracts were expiring around September to December quarter, September -- around September onwards, until December. So given that the payments are linked to dollars, are we seeing the new.

And some of the contracts would have got done in September, especially for the new capacity a lot of the contracts were not done earlier. So, they were done post March, which was at a higher rate. So, if 5% is the quarter-on-quarter volume growth, then for the new plant realizations, aren't they higher?

Ekta Soni: So see, you have to take -- firstly, we have guided earlier that the contracts are usually for 9 to 12 months and it was because if you see, we started our capacity only in July 2024, how can we take orders earlier in the March. So, we have to link. So, you cannot say that quarter-on-quarter, 5%, it has been there. So, it's an improvement of growth there because that's already what we had envisaged earlier when we started our plant and how that turnover because there are shipment schedules, which needs to be done.

We started our plant in July 2024. And accordingly, we gave you the guidance of INR750-plus crores initially. So as per our guidance only and we know how the utilization will be and how the shipment will be, we have guided you. And we are what we have seen or what we have reported, we are very well in line with our guidance and capacity utilization, what we have guided you earlier. And the contracts are revising every 9 months and 12 months. So, we cannot expect that quarter-on-quarter things it will be applicable for every...

Dikshi Jain: Any numbers what we gathered was that given that so for the old plant, all the contracts were long term, which we understood. But for the new plant in your previous quarters, what we gathered was that since capacity rollout was not entirely fixed by March and the fact was that prices of cocoa butter and cocoa butter equivalent went up after March. So, our reading was that in the Q2 and Q3, the contracts for the new capacity would have been struck at a higher price.

So the yield of the incremental capacity which is coming in, which you said is 50% odd for 45% possibly for the last whatever, 40% for the last quarter. And this quarter, I think you're expecting now 60% or 65% utilization in this quarter, wouldn't this be coming in at higher rates because you wouldn't have previous contracts for this capacity before March. Prices in cocoa butter went up when. I thought they went up around March, right, in Q1 -- Q4 of last year, Jan to March last year?

Ekta Soni: Yes, yes. That's what we are saying to you. See contracts are there, but there are agreements which are long term and there's a contract which are for 9 months and 12 months. So, once we have -- for example, I've signed a contract now with the Company, with my client. So that shipment period will be throughout 12 months. It's not that we have signed the contract and we have shipped higher CBE prices at one go...

Dikshi Jain: No, I agree, ma'am. But what I'm saying is those agreements were -- so prices went up, let's say, , for term being by January to March '24, the prices went up for cocoa butter.

Ashish Saraf: What exactly do you want to know? Let us know what is the confusion if you can just let us know?

Dikshi Jain: Sorry. So, what we are trying to gather is that in terms of the agreements and contracts, given the significant jump in cocoa butter prices -- equivalent prices, when does that increment start coming in for you guys?

Ekta Soni: Sir, it will happen. It will come in a gradual phase. So, we cannot say that quarter 2 will have better margin realization benefits of quarter 3 or quarter 4. It will have a gradual effect on the revenues and profitability over the quarter. So, we understand what you want to understand from us, but this is the model of the business and we have to perceive things like this only.

Dikshi Jain: Do contracts get renewed every quarter for a year? Like is it an ongoing process? Or is there a period where you do it for the next 12 months altogether? Like do you do it, let's say, for a full financial year, you do them at the beginning of the financial year? Or it's like you do it on a running basis?

Ekta Soni: Yes, it's an ongoing process for every client. So, some clients will have a month different and the other maybe clients will have a different month of contract getting expired. So, once it gets expired with one particular customer, it gets renewed again. So that's how it works. It's a continuous ongoing process. It's not that we are only going to do in maybe March or Jan or something like that. It's not that. So, when it expires, we get the contract in you with our client...

Dikshi Jain: It is not new capacity, some benefit should have started coming in. The other thing is, if we compare to last year, the employee costs are up almost 4x. So, from INR4 crores to about INR16 crores. Now I understand some INR7.68 crores has been taken in as ESOP value, but the rest doubling of employee cost, is it that the new capacity is now more or less fully staffed and that part will be stable? Or are you still ramping up employees and that cost will continue to go up because the full employment for the capacity has not yet been done?

Ekta Soni: No. If you see the -- if you are comparing Y-o-Y, then 9 months ESOP provision with debt is around INR11.50 crores. So INR7.68 crores sir mentioned was for the quarter. So ESOP provision we did of around INR11.50 crores for 9 months.

Dikshi Jain: Okay.

Ekta Soni: Yes. So there is that way -- you see there is no much variation in our employee cost even if you comparing Y-o-Y or Q-o-Q. And sir, if it is required and if it is the part of the business, we are, of course, going to update you. And of course, we are going to hire new employees, but that variation, what you are talking about is mostly for ESOP provision of INR11.50 crores. It's not that we have recruited employees of that amount.

Dikshi Jain: So basically, the jump from, say, 4.5% odd to 8% this quarter or earlier is more on account of ESOPs, etc., and not on account of other. And in terms of employees required to run the additional capacity, will that be having a significant impact on the cost?

Ashish Saraf: Those are technical portions, which are routine portions, which we already have people, maybe we can keep on adding, but it is nothing more impactful. The major employments which we anticipate are in other sectors of the business.

Dikshi Jain: Okay. Great. So another question that we have is, first, the Africa.

Moderator: Sorry to interrupt. Ma'am, could you please come back in the question queue for further questions. The next question is from the line of Arpit Shah from Stallion Asset.

Arpit Shah: Just wanted to understand what kind of revenues we are targeting for FY '26? FY '25, the guidance is about INR750 crores, probably going to exceed that, and we do have capacity available in the second and in the new plant. So what kind of revenue guidance we are targeting for FY '26?

Ekta Soni: Revenue guidance in INR, we can better give you on fourth quarter once we have -- had the numbers for March quarter as well. So on the utilization point of view, we can guide you that the capacity utilization will be somewhere around 75% to 80% in the financial year FY '26.

Arpit Shah: Got it. I just missed the inventory number. Was it INR508 crores to INR580 crores?

Ekta Soni: INR580 crores.

Arpit Shah: Okay. And for the expansion, are you looking out for a capital raise? Or is it going to be through internal accruals, debt? How is it going to look like?

Ekta Soni: We mentioned that we will submit a detailed financial plan. Of course, the Company is going to have healthy cash flows. So we might see at that time the need of the capital, whether any debt dilution is required or not. So that we can update you at a later stage only once we get the things approved from our Board. So of course, we are also going to generate healthy cash flows internally.

Arpit Shah: Got it. And if I see the current margins, EBITDA margins, they are about 30% if I exclude the ESOP costs and anything EBITDA margins are about 30%. So given the backward integration or forward integration that you're going to add, do you think the margins can still expand from 30% to higher levels or 30% is something which is out of the ordinary?

Ekta Soni: See, we already told you that there are multiple levers which are still unexhausted. So we are trying our best to keep on improving on the things. But we've given our earlier guidance of 20% to 22%. Now of course, we are graduating more towards 23% to 25% on a whole financial year basis, not just quarter-on-quarter. And as things improve, we are going to update you further.

Arpit Shah: Got it. But you think this margin is sustainable, right? There are no risks to these margins?

Ekta Soni: No. So, we expect our margins to be sustainable.

Arpit Shah: Got it. And no other kind of competition is also coming up in your space?

Ekta Soni: No, we don't -- as of now, we don't see any competition from our knowledge.

Moderator: The next question is from the line of Bharat Shah from ASK Investment Managers.

Bharat Shah: With the expanded capacity, given our superior capital, etc., what is the optimal output you think you can achieve can be about INR1,250 crores, INR1,300 crores turnover?

Ekta Soni: In INR terms, we can better give you the guidance on 100% utilization maybe in the coming quarters. We will give you the guidance for utilization of 80-odd percent for the financial year '26. So, we just want to wait for one more quarter to have the March numbers with us, and then we can further guide you on INR level basis also that on 100% utilization, what could be our turnover. But of course, there will be a significant jump on our revenue front here onwards for FY '26 and '27 also.

Bharat Shah: No, I'm saying, assuming this new capacity were to get deployed sooner rather than later, and given the current realization trends, what is the optimal likely possible turnover from the expanded capacity? Are we in a position to?

Ekta Soni: Sir, we are actually not in a position as of now to guide you 100% utilization turnover basis as of now. Maybe further sometime later also, we can connect and guide you how the overall performance numbers will look like on 100% capacity utilization. So as of now, we are not going to give that guidance. Thank you!

Bharat Shah: And current year, you said INR750 crores plus. Therefore, the next year clearly will reflect the strength of the current trend. And therefore, 4-digit kind of a turnover we should be seeing in the next year?

Ekta Soni: Yes. That -- so probably we can consider that, but we will update you better on fourth quarter only. But of course, that is what you have taken consider and it should be better only.

Moderator: The next question is from the line of Abhishek Sengupta from AB Capital.

Abhishek Sengupta: Just wanted to ask, will we get operating leverage going forward next year just like this year?

Ekta Soni: We are getting that leverage benefit as of now also. And quarter-on-quarter, we will see the improvement and we are going to get that leverage benefit in the coming financial year also. So as we utilize our capacity much better way, that leverage factor will always come in the picture.

Abhishek Sengupta: Okay. And can you guide us to broadly what will be the ROE trajectory going forward? Will it creep up gradually going forward next year?

Ekta Soni: That will -- of course, it will be further improved only because what we expect our performance are going to be on improving mode only from here on. So of course, we expect better ROE and ROCE going forward.

Abhishek Sengupta: Can you give me a number as to what will your target ROE going forward?

Ekta Soni: As of now, we are not going to give any guidance on ROCEs or ROEs, maybe once we have finalized our numbers for March, and then we will update you through our presentations and press releases, the ROCEs and ROEs what we have reported.

Abhishek Sengupta: At a broad level, do you anticipate significant competition coming to your business, like in the near future? Do you see any green shoots like too many competitors coming in your pace?

Ekta Soni: Of course, not as per our knowledge, we don't see -- we are not seeing or anticipating any such events for us. So we don't see that landscape anticipating for us.

Moderator: Ladies and gentlemen, due to time constraint, this was the last question for today's conference call. I now hand the conference over to the management for their closing comments.

Ashish Saraf: Dear friends and my respected shareholders, I would like to extend my gratitude to all the participants for dedicating their time to join us for the Manorama Industries Q3 and 9M FY'25 earnings conference call. The Company continues to solidify its reputation as a dependable and most trusted and leading provider dedicated to fulfilling the increasing need for sustainable cocoa butter equivalent, specialty fats, butters and other value-added products for the confectionery and food industries of India and the world.

With our deep focus on research and development, we maintain our status as the most preferred supplier of specialty, super specialty niche fats and butters to both our global and domestic suppliers and all the other parts of the world. I request you if you have any additional questions, kindly feel free to reach out to us via e-mail or contact Ernst & Young, our Investor Relations advisors. I sincerely thank you all for participating today and giving you valuable time, and I wish you to have a wonderful day. Thank you.

Moderator: On behalf of Manorama Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.