May 31, 2024

To,
The Listing Department
NATIONAL STOCK EXCHANGE OF INDIA LTD
Exchange Plaza, C-1, Block G.
Bandra Kurla Complex Bandra-East, Mumbai-400051

Name of the Company: Proventus Agrocom Limited (Formerly known as Proventus Agrocom Private Limited)

ISIN: INE0ONE01016

NSE Symbol: PROV

Sub: Transcript of the Earnings Conference Call on the Consolidated and Standalone Audited Financial Results for the financial year ended March 31, 2024

Dear Sir/Ma'am,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of recording of post Investors/Analyst meeting held on May 27, 2024, at 2:00 p.m. (IST) in connection with the Consolidated and Standalone Audited Financial Results for the financial year ended March 31, 2024.

The transcript is also made available on the website of the company.

We request you to take the above on record.

Thanking you,

Yours truly,

For Proventus Agrocom Limited
(Formerly known as Proventus Agrocom Private Limited)

DURGA PRASAD JHAWAR
Digitally signed by DURGA PRASAD JHAWAR
Date: 2024.05.31 11:48:05 +05'30'

Durga Prasad Jhawar
Managing Director & CEO
DIN: 02005091

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www.proventusagro.com ***CIN***: **U74999MH2015PLC269390**

“Proventus Agrocom Limited

H2 & FY’24 Earnings Conference Call”

May 27, 2024

MANAGEMENT: **MR. DP JHAWAR – FOUNDER AND MANAGING DIRECTOR – PROVENTUS AGROCOM LIMITED**
MR. ANKUSH JAIN – CHIEF FINANCIAL OFFICER – PROVENTUS AGROCOM LIMITED

MODERATOR: **MRS. SURUCHI KULKARNI – PHILLIPCAPITAL PRIVATE CLIENT GROUP**

Moderator: Ladies and gentlemen, good day and welcome to the H2 and FY '24 Earnings Conference Call of Proventus Agrocom Limited, hosted by PhillipCapital Private Client Group. 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 star then zero on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mrs Suruchi Kulkarni from PhillipCapital Private Client Group. Thank you and over to you, ma'am.

Suruchi Kulkarni: Good afternoon, everyone. On behalf of PhillipCapital Private Client Group, I welcome all of you to the H2 and FY '24 Earnings Conference Call of Proventus Agrocom Limited. We thank the management of Proventus Agrocom for allowing us to host the call.

For management, we have Mr. DP Jhawar, Founder and Managing Director, Mr. Ankush Jain, CFO. I now hand over the conference to Mr. DP Jhawar for his opening remarks and then we will open the floor for the question and answer session. Over to you, sir.

DP Jhawar: Good afternoon, esteemed participants. Welcome to the first conference call of Proventus Agrocom Limited, ProV. We are delighted to have you all here as we reflect on our outstanding performance throughout H2 and entire FY '24.

Before we dive into a detailed question and answer session, I would like to outline the structure of today's, my brief discussion. First, I will provide a brief overview of our company and the remarkable journey we have embarked on since our inception. Following that, we will dive into an industry perspective, highlighting the key trend and growth drivers shaping the organized dry fruit market in India.

Afterwards, we will review our financial performance for the year, showcasing the milestone we have achieved and the robust growth we have experienced. Finally, we will discuss our growth strategy going forward, focusing on the initiative and plans that we will drive ProV to new heights. Let's begin with an overview of ProV.

Since our inception in 2015, ProV has emerged as an integrated health food brand with a presence across the entire range of dry fruits, nuts, seeds, berries, and healthy snacking products. Our approach focuses on diversifying our product baskets and intensifying our presence across the value chain, ultimately becoming a one-stop shop for our consumers. The cornerstone of our strategy is to capture the demand and supply stream by developing a stable base of sourcing and distribution.

As we continue our journey, our focus remains steadfast on innovation, reliability, and customer satisfaction. We are committed to pushing the boundaries of what's possible in the evolving organized healthy snacking space. Now, moving on to industry perspective. In the context of India's healthy snacking landscape, particularly within the realm of dry fruits, nuts, seeds, and berries, a substantial gap exists. The growth drivers for the organized dry fruit industry in India are robust.

A multifaceted, providing a solid foundation for future expansion. The industry people push encompasses three primary catalysts. First, shift to organized sector. The transition from unorganized to organized sector is driving growth in the dry fruit industry, enhancing product availability, quality control, and customer trust.

Second, increasing dry fruit consumption. Rising health awareness and changing dietary preferences are boosting dry fruit consumption in India, driving demand for branded products. Third, rising per capita income. Higher disposable income in India are leading to increased spending on premium, health-focused food like dry fruits, supporting the growth of organized brand.

The combination of an organized market shift, increasing consumption trends, and rising household income create a conducive environment for the organized dry fruit industry to thrive and expand significantly in the coming years. ProV is exceptionally well positioned to capture this market surge, having achieved impressive growth of success over the last three years.

Our culture of delivering quality products and profitable growth, along with our presence across the entire value chain with over 150 SKU catering to every consumer segment, further strengthens our leadership in this rapidly expanding industry. Now, moving on to financial performance. I am proud to share our operational performance during FY24.

We achieved a staller 43% year-on-year ProV brand sales growth, totaling to INR303 crores. This achievement is significant for two reasons. First, we are among the few companies in our category to achieve this level of sales while being profitable.

Second, this sales figure represents approximately 2 crores units sold, a testament to the trust our customers have in our products and our ability to reach them. Achieving this growth required us to increase our production capacity to over 1.2 lakh units per day, showcasing our execution capability and efficiency. Finally, financially, we reached a remarkable milestone.

Our EBITDA has reached INR11.95 crores, which is year-on-year growth of 54%. Our gross margin improved to 17% from 14.5% in last year. Additionally, our profit after tax stood at INR7.2 crores, demonstrating significant year-on-year growth of 96%. Looking at the broader picture, FY24 was an year of exceptional growth with our total consolidated income reaching INR502 crores, reflecting a strong year-on-year growth of 19.5%. These financial results speak of ProV's robust growth trajectory, supported by our strategic initiatives, operational excellence, and commitment to customer satisfaction. The rising acceptance of our brand and our strategic positioning will continue to lead us to new heights. Now moving on to growth strategy.

Looking ahead, ProV aims to achieve significant growth by FY28, targeting brand sales of INR1,000 crores, up from INR303 crores in FY24, which translates to a CAGR of 32%. In addition to sales growth, we project an improvement in gross margin from 17% in FY24 to 30% by FY28. We plan to reach this ambitious target through several initiatives, including the accelerated expansion of general trade, diversification of sales mix, product innovation, and targeted marketing and branding strategies.

ProV is committed to four key growth pillars – sustainable growth, scalable growth, profitable growth, and inclusive growth. First, sustainable growth will be achieved through economies of scale by being present across the entire value chain and focusing on efficient utilization of our resources. Second, scalable growth focuses on expanding into general trade channels and ensuring a well-diversified omnichannel presence.

Third, profitable growth involves avoiding unnecessary cash burns and making targeted expenditures to ensure high returns. Fourth, last but the most important one is inclusive growth, which stems from our commitment to consumer centricity. The needs and preferences of our customers will guide our product mix, quality, and pricing.

In doing so, we will stay agile to the changing preferences of our customers. For example, we are seeing a shift towards health-making. These pillars collectively support ProV's holistic approach to reaching our financial and operational targets by FY28. Before we open the floor for questions, I want to express my sincere gratitude to all our stakeholders for being an integral part of our growth journey. Your support and involvement have played a crucial role in our successes and we genuinely appreciate your valuable contributions. Thank you once again for your presence and continued support.

I now open the floor for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rupesh Chindwarkar, an individual investor. Please go ahead.

Rupesh Chindwarkar: Congratulations, sir, for achieving INR300 crores of brand revenue and also maintaining the profitability, especially when many other competitors are struggling with profitability. I just want to understand, how do you plan to balance the profitability with the growth going forward?

DP Jhawar: Sure. Thank you. We are present across the value chain and we import ourselves the raw material and then we process it. That way, we are ensuring the quality and also we get the pricing as on that. This is one of the main reasons of being profitable always. Also, the reason for the growth is because we are able to deliver the quality product to our customers because our main raw material is the agri products and you have to source your material at the beginning of the year only or the crop year.

Because of our relationship at the sourcing level or at the farmers level, we are able to source our raw material at the beginning of the year and that way we are ensuring the quality and at the same time also the margins or the cost on the raw material. So these two are the main reasons which are giving us the growth in the revenue and profitability.

Rupesh Chindwarkar: All right. Thank you.

Moderator: Thank you. The next question is from the line of Mahveer Jain from Astrum Advisors. Please go ahead.

Mahveer Jain: Yes. Hi. Congratulations on a great set of numbers. Given the growing interest in dry fruits and healthy snacks segment and numerous deals happening in the unlisted space, could you share your perspective on the industry's future, specifically like how significant is the opportunity space in this market evolving over the next few years?

DP Jhawar: Sure. So, as of now, the current size of industry is around INR60,000 crores. And largely, this is an organized sector. So approximately right now, the organized sector is around INR6,000 crores-INR7,000 crores and around INR55,000 crores is the unorganized sector. And in last five years, we are seeing around 12% CAGR in the overall industry with the growth. At the same time, organized sector is growing 25% because of demographic. Now, the large population in India is between 20% to 35%. So the organized sector will grow.

Industry assumption is organized sector will grow by 25% and overall market will grow at least 10% to 12%. So this will have the huge potential on the market size. At the same time, second point is, in last 20-25 years, we have seen like atta market, edible oil market, packaged dairy market. 20-25 years back, everything was unorganized. And in last 25 years, we have seen 35x to 50x growth in these markets. And dry fruits was one of the items which was still unorganized or largely unorganized. And this will also tend to change on the organized side. So that is why the 25% growth is easily achievable in market.

Another data point is like today, India is consuming dry fruits, per capita is around 100 grams. At the same time, China is consuming 500 grams. And U.S. is consuming 1.8 kg per person. So we have huge potential to grow in this segment also. India is still eating dry fruits as a nuts only. We are not there in the healthy snacks or as a food like in foreign countries, you will see like almond soda, almond soup and everything. So, still we are only at the nuts stage in India. So, there is a huge potential to grow. The third point is, we are 4 trillion economy. And very soon, we will reach to 10 trillion economies.

And so, per capita income is going to increase only. And the first money will go to the food side. So, definitely this segment tends to grow fast. So, these are the assumption where the industry will grow and which we are seeing in last 5-7 years as well. So, this industry has huge potential to grow.

Mahveer Jain: Alright. Thank you and best wishes for the journey ahead. Thank you.

Moderator: Thank you. The next question is from the line of Vikas Khemani from Carnelian Asset Management. Please go ahead.

Vikas Khemani: Hi, DP. Question I have is, you mentioned that your competition doesn't make much money. And you are making, so can you explain what is the reason for you to make money? And secondly, you guided very aggressive margin expansion. So, how will you achieve? What is the path to that?

DP Jhawar: Yes, sure. So, what is like, see the, maybe the competition is spending huge money on the marketing front and which may not be required or you have to be very vigilant to spend this money. Because this is still unorganized market and it will take its own time to convert this

market. It will not get converted overnight. So, you have to spend your money gradually or very carefully to grow this business from unorganized to organized side.

So, I will tell you like last year we have spent INR5 crores on the marketing side and this year we have spent INR15 crores. So, that way we have improved our spending and we are, our strategy is going into the depth only. So, we are not widening the entire market. Wherever we are, we are spending carefully and we are going deep and deep in this market.

Second is same, which I said earlier was that we are present in entire value chain. So, we are having connect to the, at the farmer level also and finally at the consumer level also. So, this is improving our margin also and also giving the right quality. That way we are gaining more and more trust of our consumer.

And the third point is the planning or targeting the aggressive growth, which is like if we calculate the INR1,000 crores FY '28, which comes to the 32% CAGR and so, I will give you the perspective on this side is like today we are at INR6,000 crores, organized sector is around INR6,000 crores and last year we did INR300 crores, which is around 5%. So, we are already at 4% to 5% market share.

If India reaches, which all industry is projecting at INR20,000 crores by FY '28. So, then if we are still at 5%, we will be at INR1,000 crores. And at the same time, we are working very hard towards the, on the healthy snack side and towards the mixed-strain product and value-added product side. So, these markets are also giving last, we have seen in last one year, the very good off-take is coming in these markets and India is going towards that. And we are quite hopeful that we will achieve our target in this segment.

So, this will improve over the, and this will give the answer of our profitability as well also, because now our focus is more and more on the higher margin products only. So, in current portfolio, SQE portfolio, we are more and more targeting the higher margin products also. And at the same time, we keep on launching the new products, which are having the good margins and largely it is the healthy snacking and the mixed-strain side.

Vikas Khemani: Okay. All the best.

DP Jhawar: Thank you.

Moderator: Thank you. The next question is from the line of Viraj Mehta from Alam Investments. Please go ahead.

Viraj Mehta: Hi, DP. Congratulations on your numbers. I just wanted to ask around the split of revenue, we see that now your branded business has grown nicely to 60% of cumulative revenue. I just wanted to get some thoughts from you on where you see this going over the next couple of years and potential impact of the branded business growing on your GP and EBITDA going forward?

DP Jhawar: Yes, sure Viraj. So, like the coming year FY25 we are targeting around 40% growth which is like INR425 crores and our aim is to reach between the wholesale and branded businesses like

80% will be the branded business and 20% will still be the wholesale business because that gives us to maintain our quality and also the cost reduce the cost.

So, we will now like this year we are at 60%, but we will continuously grow our branded business as a percentage branded will grow always and because we are now we are more and more targeting the higher margin products and the new category which has the higher margin. So, that will -- we are targeting every year 2 to 4 between 2% to 4% improvement in the gross margin.

So, that way our journey of 30% will be achieved. So, like current year we are targeting around 21 crores, 22 crores is the EBITDA for the coming year FY25.

Viraj Mehta: Got it. Thank you very much, DP.

DP Jhawar: Thank you.

Moderator: Thank you. The next question is from the line of Akshay Kotin from CMIL. Please go ahead.

Akshay Kotin: Congratulations on a successful [inaudible 22:22] and your strategic choice of Sanjeev Kapoor as a brand ambassador. Could you share the rationale behind selecting Chef Sanjeev Kapoor and how you intend to leverage his persona for your brand building efforts?

DP Jhawar: So, we all know Chef Sanjeev Kapoor is a well-known chef in the industry and as we are the food company and which is where you need lot of input. So, Sanjeev Kapoor Chef is not only the brand ambassador, he is also involved at the strategic level and also advisor to the company.

So, he keeps on giving his inputs on the new product side which is how the international market has changed, how India will change. So, he continuously gives his feedback or although he takes actively participate in the anything new which we are doing or how do we move which direction company should move. So, he is actively engaged in all these things and that is why his association with the ProV is very fruitful.

Akshay Kotin: Thank you. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Rahul Gupta from Xirr.in. Please go ahead.

Rahul Gupta: Congratulations sir on the impressive results. Sir, I have two questions. Can you share gross margin achieved this year and outline your capex and growth plans for the coming years. The second question is…

DP Jhawar: Say it again question was.

Rahul Gupta: Gross margin achieved this year, sir, and capex plan and growth plan for the coming years. And the second question is what is your return to sales, I mean, how much products come back to you after sales, if you can throw some light on that?

DP Jhawar: So this year the gross profitability was 17%. Last year it was 14.5%. So, we have improved our gross profit from 2.5% in this year and same way we are expecting in the future year. Capex in next 2 years --so right now our gross block is around INR9 crores on the capex side and next 2 years we will invest another INR15 crores to INR18 crores on the capex side. So, we are expanding our facility production facility continuously.

So, that way we may invest another INR15 crores to INR18 crores rupees in the next 24 months. And as far as return, we are keeping very focused on this return side. So, last year whole year the whole return was around 0.5%. So, approximately 0.5% was the return of goods. So, what we do, we keep an eye on which product and which area is selling more and more only.

And we don't push any product which like particular area is not able to sell it. Because finally all these are food products and that has the impact if we will take the return of these materials. So, that will have impact on the profitability. So, we have good controls on these sides. So, last year whole year around 0.5% was the return of goods.

Akshay Kotin: Sir, just a follow-up question, what is the industry benchmark on this? I mean generally these are very fast selling products or very low expiry products.

DP Jhawar: Yes, I got your point. So, this whole, see this still relatively new industry. So, few people are having around 10% of return of goods and few people are having like maybe 1% of goods. So, I am not in a position to comment about the industry because still it is relatively new industry. And if you go on the healthy selling side, people may have the more return, but so that way it is.

Akshay Kotin: Thank you. Thank you.

Moderator: The next question is from the line of Varun Jain from Glorytail Capital Management. Please go ahead.

Varun Jain: Congratulations on your impressive annual results, sir. As the dry fruits and healthy snack market continues to expand, could you elaborate on your brand building strategies in the retail segment specifically? And additionally, could you share who within your management team is leading these efforts?

DP Jhawar: Sorry, can you repeat the second question, please?

Varun Jain: Could you share who within your management team is leading the efforts of building the retail segment?

DP Jhawar: Yes. So, on the brand building side, from our side is Mr. Shalin Khanna is looking after. And along with Shalin, we have K S Narayanan. And he is having 35 years of experience in the industry. He is ex-MD of McCain Foods. And he is an industry expert on the product development side. So, along with Shalin, he is working with us. And also at the same time, Chef Sanjeev Kapoor is also giving the good inputs on that side, marketing strategy side.

Last year, we have spent INR5 crores. And this year, we have increased to INR15 crores. So, we will continuously spend money on the marketing side. So, this INR15 crores was around 5% of revenue this year. And we will be in the same line between 5% to 7% year-on-year. So, we will continuously spend money on the brand building side.

Varun Jain: Alright. Thank you, sir. And all the best for the year ahead. Thank you.

Moderator: Thank you. The next question is from the line of Abhishek Roy from Abhishek Investment Management. Please go ahead.

Abhishek Roy: Hi. Congratulations on your impressive annual results. Could you highlight your current infrastructure capacity and the future plan to meet your FY'28 target of INR1000 crores in revenue? And my second question is, what net profit margin do you anticipate achieving by FY'28?

DP Jhawar: FY28, right?

Abhishek Roy: Yes.

DP Jhawar: So, the current capacity we have today is around 1.25 lakhs pouch per day we are producing as of now. And in FY'28, we will be somewhere around 1 million pouch per day. So, our capacity will reach at that level. We may need around 6-7 lakhs pouch per day or maybe 7-8 lakhs pouch when you go more on the service making side. So, your smaller grammage pouch will be more. So, we are working on building a new production facility which is much larger than the current facility.

And that way we will expand our infra. And on the gross profit side, year-on-year we are targeting the improvement of 3%-4%. And that is why we are keep on working on the higher margin product which is like healthy snacking and mixed-trail products. So, that way we will improve our profit margins.

Abhishek Roy: Okay. Thank you. Thanks a lot.

Moderator: Thank you. The next question is from the line of Tushar Vasuja from Yogya Capital. Please go ahead.

Tushar Vasuja: Sir, thank you for the opportunity. I am actually a bit new to your company and the industry in general. So, can you tell me who your major competitors are?

Management: Who the competitors are? Is it possible that you can just be little louder?

Tushar Vasuja: So, thank you sir. I am a bit new to your company and the industry in general. So, can you tell me who your major competitors are?

DP Jhawar: Sure. So, in this industry, there are 3, 4 names. One is Natraj. One is Happilo. One is Tulsi then Farmly. These are the main competitors in the industry.

Tushar Vasuja: Okay, sir. And sir, one more question. You talked about your gross margins improving. I think I missed that point. So, can you please go over that again?

DP Jhawar: Gross margin improvement?

Tushar Vasuja: Yes, you were telling about how you will improve your gross margins. I think I missed that point. So, can you please repeat that?

DP Jhawar: Yes. So, in FY '24, we have achieved 17% gross margin. And FY '28, we are targeting 30% gross margin. And this will be achieved through 3 things. One is changing the product mix which currently we have. So, in our current portfolio, few products are giving the lesser gross profit and few are giving the good gross profit.

So, in the current portfolio, we will improve or we will keep on improving the current portfolio from the gross profit margin point of view. Second is, we are investing a lot on the healthy snacking and mix-trail products. And these are the high profitability, high gross margin business products. So, anything which we are launching new, our thoughts is around that. That will improve the gross profit. And third is in the current basket also, whatever we have product which is around the snacks and mix-trail and the flavored product or even the like gift products, gifting boxes products.

We are focusing on that. All these are having the higher margin. Just to give you perspective on the gifting side, only in the last year, the modern retail, which is the large stores of Dmart, Reliance and all these guys, has sold more than 5million, 6million packs only. And I am talking only the modern retail, then the general trade and e-commerce is completely separate. So, this has the huge potential on that.

Tushar Vasuja: Okay, thank you, sir. That's it from my side.

Moderator: Thank you. A reminder to all participants, you may press star and 1 to ask questions. I repeat, you may press star and 1 to ask questions. The next question is from the line of Nikhil Ranka from Nuvama Wealth Management. Please go ahead.

Nikhil Ranka: Hi, good afternoon, DP. I just had a question. Given our INR300 crores of brand sales, if you could give some color on the concentration and this guidance of 32% CAGR till FY '28, will this be more back-ended or should it be more evenly spread across the next 4, 5 years?

DP Jhawar: Sure. So, the INR300 crores was almost equally distributed between general trade, modern trade and e-commerce. Okay, it was between 30%-35% these 300 crores. And now we are focusing more and more on the general trade side. So, just to give you perspective about the Indian market, as of now around 80% market is general trade in India and around 12% is modern trade and 8% is e-commerce. And our main focus now onwards or maybe last 6 months, we have started working on the general market only.

So, our last part of growth will come from the general market to achieve the FY '28 target. So, we are focusing more and more on the general market side. Our approach is to go more deep in the market wherever we are rather than going everywhere or wide. So, we are focusing

because market is quite large and we are going only in the deep wherever we are and slowly we are expanding to the neighbours only. So, this will be the approach where we will expand.

Nikhil Ranka: And should that mean that in the initial years as we build our distribution strength, there can be some dilution of margins?

DP Jhawar: No. So, anyway, that is why I said we are going more deep and deep. So, we started with the low margin business and we are continuously focusing on improving the margin also and also expanding the reach but within the same territory. So, this will not dilute the margin.

Nikhil Ranka: Thank you.

Moderator: Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments. Over to you, sir.

Ankush Jain: So, we want to express our sincere gratitude to all our stakeholders for being an integral part of our growth journey. Their support and involvement have played a crucial role in our success and we genuinely appreciate their valuable contribution. As DP Jhawar stated, we are committed to INR1000 crores in this new sunrise industry. Similarly, India is also committed to become a developed economy in next 6 to 7 years and this industry is at inflection point for multi-year high growth. So, we thank you once again for your presence and continued support.

DP Jhawar: Thank you so much.

Moderator: Thank you. On behalf of PhilipsCapital Private Client Group, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

DP Jhawar: Thank you.