



“Hindustan Foods Limited
Q1 FY '26 Earnings Conference Call”
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This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the website of the Company on 11th August 2025 will prevail

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Moderator:

Ladies and gentlemen, good day, and welcome to Hindustan Foods Limited Q1 FY '26 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 star the zero on your touchtone phone. Please note that this conference is being recorded.

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

Sameer Kothari:

Thank you, Shruti. Good afternoon, and welcome to our Q1 FY '26 earnings conference call. I'm joined on the call by Ganesh Argekar, Executive Director; Mayank Samdani, Group CFO; and Vimal Solanki, Head, Corporate Communications; and also SGA, our IR Advisors. I hope everyone has had a chance to go to our updated earnings presentation uploaded on the Exchange and our company website.

HFL achieved its highest ever quarterly profit this quarter, a milestone made even more remarkable by the challenges posed by the unseasonal rains that impacted demand in key seasonal categories like Ice Creams and Beverages. The ramp-up of our new Nashik facility and the stabilization of our Footwear business have both been instrumental in driving this strong performance.

Coming to the future, on the FMCG front, consumption is beginning to show some traction. And though it is early days, we are hoping that the various steps taken by the government and the banks will start showing effect in the festive season.

The global trade scenario and its resultant effect on the domestic economy still leaves a lot of ambiguity, but our business model and the depth of our client relationships have been a strong shield from this variability. We are confident that our business will continue to be resilient.

On the Footwear side, we continue to see consistent progress in the operations. We expect the Footwear business to maintain its momentum through H1. And while our demand is mainly domestic, which is relatively shielded from the tariff war, we are monitoring the order book for the second half that could possibly face some headwinds as customers take a more cautious stance and reassess their sourcing strategies in response to possible tariff changes.

Over the past year, we took quite a few of the audacious, agile, and ambitious bets, which is a theme of our Annual Report of FY '26. As we advance into FY '27, (Wrongly said, this should be read as, theme of our Annual Report of FY '25. As we advance into FY '26) our focus into

scaling and execution, we remain committed to strategic value accretive acquisitions even as we navigate a challenging macroeconomic environment marked by escalating trade tensions.

Our diversified product mix and differentiated business model, combined with our operational strength, gives us the confidence in navigating these external headwinds. We remain optimistic of achieving the targets that we have set for ourselves for FY '26 and FY '27.

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

Ganesh Argekar:

Thank you, Sameer, and good afternoon, everyone. I would now walk you through the operational highlights of Q1 FY '26. It has been an excellent quarter for us from an operational perspective. While most of our factories delivered record production, including the Beverage, the OTC Pharma, and the Home Care unit, I would like to elaborate on the progress in our two relatively new product categories, that is Ice Creams and Shoes.

Our Lucknow Ice Cream facility reached peak capacity posting its highest ever quarterly production, driven by sustained demand. Though the overall sales are affected by rains, the team was able to deliver record production across all product formats.

In Nashik, our greenfield plant commenced production in May '25. We were able to build and commercialize the factory in less than a year with a capacity of nearly 15,000 KL. The project team did an excellent job in ensuring that the rains didn't affect the schedule, and we are able to deliver quantities in time for the season. As this facility ramps-up, we are confident that the next season will see record production.

In our new facility in the North, we have completed a land acquisition after a lot of efforts and have begun civil work. This facility is expected to be operated in Q4 FY '26. With these three facilities and our continued efforts in the sector, we believe that we'll be the largest contract manufacturer of ice creams in the country within the next 2 years.

On the Footwear side, our continued efforts are now showing result, and we are confident about the business. The South facility continues to ramp-up in line with expectations. The shoe business posted its highest ever monthly sales in June '25, supported by improvements in operational metrics.

This development underline our strategy of expanding, capacity enhancing operational efficiencies, and building scale across categories, enabling us to better serve our clients and strengthen our leadership in contract manufacturing.

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 ended 30 June, 2025. Thank you.

Mayank Samdani:

Thank you, Ganesh. I will now run you through the financial performance for Q1 FY '26. Q1 FY '26 was a quarter that brought us very close to a significant milestone, a INR1,000 crore quarterly turnover. We closed our quarter with a record profitability supported by the investment we have made in the new facilities and capacity expansion, many of which are now contributing meaningfully to our performance.

From a financial perspective, the total income grew by 15% year-on-year to INR998 crores compared to INR871 crores in Q1 FY '25. EBITDA was up by 10% to INR84 crores, while PBT increased by 16% to INR42 crores. PAT grew by 17% to INR32 crores.

During the quarter, the conversion of outstanding warrants further strengthened our balance sheet, bringing the net debt to equity ratio down to 0.65. We have identified avenues to deploy capital towards new projects and acquisition with the focus on achieving our targeted return on equity. We are optimistic of achieving the targeted ROE numbers from FY '27.

Looking ahead for this financial year, while we do expect seasonal variation in demand, the overall annual outlook remains positive, and we are confident in our ability to sustain growth momentum.

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

Moderator:

The first question is from the line of Faisal Hawa from H.G. Hawa.

Faisal Hawa

So my question is about the depreciation. So now depreciation is almost, like, INR20 crores per quarter. So how far is this depreciation actually not a book entry and it is actually -- there will be some kind of a capex up on it?

Sameer Kothari:

Faisal, I'm not understanding the question. If the question is about replacement capex?

Faisal Hawa

My question is about depreciation. How much is it actually incurred as a matter of cash expense? I know that it's a book entry, but do we actually incur a lot of maintenance capex?

Sameer Kothari:

So that's what, I would guess it would be either maintenance capex or replacement capex. But in case of our dedicated manufacturing model, as you are aware, that even the replacement capex or the maintenance capex gets capitalized in the books of the for the purpose of the commercial construct as a new capex. So from that aspect, the depreciation is actually not, how should I put this, not commensurate to the replacement capex. Our replacement capex is much lower.

- Faisal Hawa** Correct. Because most of the machineries would be from very reputed manufacturers, and plus I mean, the kind of usage is also more of assembly in nature. So maybe the actual cost would not be that much
- Mayank Samdani:** Yes.
- Faisal Hawa** over the next the next 10, 12 years And my question is that -- one more question is that, how are we looking at actually reducing some kind of cost? I know that, finally, we are in a contracting business, but are we looking at reducing interest cost or any kind of employing like Kaizen or Six Sigma or reducing logistic cost to even have some kind of improvement in our EBITDA?
- Sameer Kothari:** So, Faisal, that as a contract manufacturer, we have to be competitive in the industry. So any kind of cost initiatives, cost reduction initiatives are minimum price of admission for us. We have a team which continues to look at this on a regular basis, which includes automation, which includes various types of Kaizen, which includes a bunch of things.
- As far as interest cost is concerned, a major cost of the interest is a pass through to the customer anyways and linked to external benchmarks, whether it is the repo rate or the MCLR. And those interest rates get reduced or increased automatically.
- Faisal Hawa:** And as a strategy, will we now look at more areas to expand our business? Because if this slowdown in the FMCG industry continues, we could we are looking at even some difficult times.
- Sameer Kothari:** Well, Faisal, we are actually hoping that things are going to start improving from here. So from that perspective, we do believe that the new avenues that we have identified, the new expansion that we are doing should take care of our growth aspirations at least for the next couple of years. We don't see a need for getting into new product categories or new -- completely different businesses right now. But, as you know, we continue to look at all kinds of opportunities.
- Faisal Hawa** And any acquisition targets coming up our way with people getting more and more tired of doing manufacturing?
- Sameer Kothari:** So that's also a structural thing. We continue to evaluate a bunch of acquisitions, both in terms of consolidation as well as backward integration. I, obviously, don't have anything specific to talk about as of now. But yes, that's a structural trend that you've rightly identified.
- Moderator:** The next question is from the line of Harsh from Nepean Capital.

Harsh: So just on our capex expansion plans, we have a current gross block of nearly INR1,500 crores. So first question would be where are we on target to achieve that INR1,800 crore gross block by this year? And secondly, what will be our expansion plans beyond FY '26 then?

Mayank Samdani: So, Harsh, we are told about the INR1,800 crores by FY '27. So we are in line with the target of achieving that and beyond also. So we are looking at around INR2,000 crore capex by for '27. And right now, this is what we have in hand. We are continuing to assess the various greenfield, brownfield, and acquisition, but nothing specific to discuss right now. But as and when it comes, we'll know. We are looking beyond we are working towards the targets beyond '27 also, that is what I can talk about.

Harsh: Sir, so INR1,800 crores by FY '27 is what we have in mind right now. Is that a correct assumption?

Mayank Samdani: Yes. 500 here and there. So we are looking at matching that in FY '27. So, yes, we are in line with that target.

Moderator: The next question is from the line of Akhil Parekh from B&K Securities.

Akhil Parekh: But I just continuing the last question. Mayank, if I remember that gross block target of INR1,800 crore was by the end of FY '26. Right? Have we kind of postponed it by 1 more year? Or I'm not understanding it correctly.

Mayank Samdani: No. We have told that we are working towards it. So we are at INR1,500 crore total and we've given the '26-'27 as a target, right? So we are working towards that, and we will be at INR2,000 crores, we are looking at the number of around INR2,000 crores by FY '27.

Sameer Kothari: This is Sameer. Just to clarify, I think there's a little bit of confusion between Harsh and you and, I think. We've talked about a couple of numbers. What I can do is I can give you the visibility as on-date. You can imagine that these numbers change based on our discussions with our clients, etcetera.

What we have disclosed publicly is that we are at about INR1,491 crores, so INR1,500 crores as of today. We've signed a project, and the Board has authorized us to invest about INR200-odd crores in our North ice cream facility, which will take us to about INR1,700 crores.

In addition to that, we have invested about we have got the authorization to invest about INR50-odd crores in our Shoe business, which will take us towards INR1,750 crores. And we have done the expansion in Hyderabad, which is a continuing thing, and that will increase further. And then there will be some amount of brownfield expansion in our ice cream facilities.

So the reason why we are hesitant to put in a number of FY '26 or FY '27 has got to do more with the timing of March versus April. Because in all probabilities, the ice cream facility in North will come online in Q4 of this financial year, in which case, obviously, the INR1,800 crore number will be met in this financial year itself. In case it gets pushed by a month or so, that will get there. I think we're trying to split hair as far as that is concerned.

Broadly, the number that we currently have visibility is more like INR2,000 crore, which is by FY '27. There are certain projects in pipeline, there are certain discussions going on, which gives us the confidence that we should be able to get to INR2,000 crores. And like Mayank was hesitantly saying might even better than by FY '27.

Akhil Parekh:

Got it. This was very clear. Second, on the sports shoe business. I mean, this quarter, we have not quantified the amount of sales, while we did in 4Q of FY '25. If you can share a bit more details on the sports shoes, and in terms of sales. And where do we stand at in terms of the profitability? I think that's probably the I think most of the investor community are waiting for maybe by 2Q, 3Q, where do we see the profitability trajectory for sports shoes?

Sameer Kothari:

Akhil, what we try to do is instead of getting into segment-wise or product-wise details, what we did in Q4 was we disclosed the quarterly turnover numbers and the capital allocated or capital employed for what we are calling as shared manufacturing versus dedicated manufacturing.

You would be right in extrapolating the fact that a large part of the shared manufacturing is the shoe business. However, that's not the only thing which is in the shared manufacturing business. So from that perspective, I would urge you to look at it as shared manufacturing versus dedicated manufacturing. And because there is capital employed number, which we would like to disclose along with it, especially since in case of dedicated manufacturing, the turnover is actually irrelevant, we decided that we'll do this every 6 months in September and March figures because that's when we would be giving out the balance sheet numbers as well. So that's the idea.

In terms of overall, Ganesh discussed this, and I talked about it as well, the shoe business is performing good. We've ramped up the South facility. We actually hit a record turnover in the month of June. We expect that July, August, September will be as good. We do not have the visibility of the second half of this financial year. And that's what I was referring to in my opening remarks that we will come back to you as soon as we get some visibility of what exactly is happening with the tariff situation and how it is affecting some of our customers.

Like I clarified in the opening remarks, 100% of our demand is for domestic. But because we deal with companies which have global operations, they might get affected by the tariff situation. So we'll come back as soon as we have some clarity.

- Akhil Parekh:** So theoretically, but we shouldn't get impacted, right, because we are right now only catering to the domestic markets.
- Sameer Kothari:** Absolutely. Like I said, and I'm reemphasizing that our current production is 100% domestic. However, 100% of that domestic business is or at least 90% of that domestic business is for multinational companies who do have global footprint. And I really do not have any idea of what they are thinking and how they are going to allocate their resources, capital, sourcing strategy, etcetera, based on the tariff situation.
- Akhil Parekh:** Sure. My third and last question is, was there any impact of deflation in our sales number for the quarter? Or that's the steady-state growth basically? On a Q-on-Q basis, was there any kind of a deflation in the outlook?
- Sameer Kothari:** So there were 2 things and which is why we keep urging people to not look at the turnovers. So one is the seasonal businesses of both Beverages and Ice Creams got affected because of the rains. So to a certain extent, our turnover got depressed from that perspective.
- Inflation, deflation actually continues in some commodities and meaning in some commodities, the prices are increasing and some of them, they are decreasing. I would not go to the extent of saying that that's the main driver for our quarterly number. In case of this quarter, I think the biggest factor which affected our revenue numbers was the seasonality.
- Akhil Parekh:** Sure. And would you be able to quantify what could have been the possible impact because of the early monsoon on the Beverage and Ice Cream segments? Would the growth be 20% plus had the summer been the normal season?
- Sameer Kothari:** That's difficult to quantify, Akhil. I mean, you appreciate that our numbers are based on the numbers of our customers and how much they can sell. I mean, it's a theoretical exercise for me to extrapolate any number. I mean, I think that just doesn't make sense.
- Akhil Parekh:** Sir, and last question if I can squeeze in on the Ice Cream front. A couple of days back, HUL management highlighted that they want to double their sales in Ice Cream over the next 2 years' time frame. Are we seeing any improved positive traction in the Ice Cream business from HUL? Yes, that's the last question.
- Sameer Kothari:** Yes, I obviously can't speak about any specific customer, but Ganesh spoke about it in his opening remarks, and I talked about it as well. I think Ice Creams was a very good decision for us in terms of diversification. We continue to see some traction in Ice Creams from all the customers. I think the overall industry is growing. And I think all our customers will continue to grow from that perspective. We are, obviously, putting some money where our mouth is in terms

of our investments in the Ice Cream. And we do believe that there will be further scope for capital allocation to this industry.

Moderator: The next question is from the line of Abhishek Mathur from Systematix.

Abhishek Mathur: On the Shoe business, I just wanted to check, so as we had highlighted, FY '25 was a year of us integrating the acquisitions and so a lot of sort of struggle to get in the increased number of employees and the inventories in line. What I wanted to check is, this year, can we look forward to specifically on the inventory front and the employee cost front, can we look forward to some more stability as far as the Shoe business is concerned?

Sameer Kothari: Absolutely, Abhishek. I mean, that's the entire job. And like Ganesh highlighted, I think we've spent a lot of blood and tears in getting that right. So we are definitely hoping that FY '26 will be much, much better than FY '25. I mean, there's no question about that.

Abhishek Mathur: Right. And specifically the inventories, which actually significantly shot up, can we look forward to them sort of reducing a bit coming more becoming more normalized in FY '26?

Sameer Kothari: So inventories will be a factor of the turnover, right. I mean we are also looking at a substantial increase in terms of the turnover. If you look at DOH, which is days on hand, we're definitely being able to bring that down, and that's the target for Ganesh and his team as well. They are definitely working towards reducing the DOH.

But if you look at it as an absolute number, I really don't have any guidance to give from an absolute number perspective because we are definitely increasing the turnover and as a result, inventories will increase.

In addition to that, this entire tariff situation will lead to some kind of stocking, destocking, and I really don't have an idea. So I do not want to get into specifics about our inventories at this moment.

Abhishek Mathur: Right, Sameer. Just a follow-up on the tariffs bit, I know you spoke about some bit of uncertainty and you don't have visibility in the second half order book, which is a fair point. But a few months back, maybe on one of the calls, either in the fourth quarter or in the third quarter, we had expressed some bit of hope that this global tariff situation will lead to maybe a tailwind in terms of greater sort of impetus to the contract manufacturing opportunities in India. Has that outlook of yours changed? Has it got tempered down? Or is that optimism still there? Or are you thinking more negatively? Just wanted to hear your updated views on that.

Sameer Kothari:

So Abhishek, very difficult to make any views right now, right? I mean, at the current levels of tariffs, we've got more tariffs than even China. So the entire China Plus One theory is dependent on us being a preferred partner as compared to some of the other countries.

I, frankly, have no view right now of what and how things will evolve. All we can do is, we are hoping that there will be some amount of rationalization as far as these tariffs are concerned. And the only reason, and I think I should take a minute in sounding this off to all of you at large.

So the Shoe business accounts for, let's say, about 10% of our company's turnover, right? And while we continue to give a lot of importance in terms of our discussions and our future visibility from the perspective of the Shoe business, the fact of the matter is that in the overall scheme of things, we are quite confident that our remaining domestic business and especially our dedicated manufacturing business will shield us from all of this tariff situation.

However, how this pans out will affect what happens to the growth of the Shoe business. So we definitely are hoping that the tailwind for the shoe industry that we had identified when we acquired this way back in '24 will continue and it will come back soon.

Moderator:

The next question is from the line of Priyank from Vallum Capital.

Priyank:

My question is on the dedicated manufacturing blocks. And I'm thinking beyond INR1,800 crores of gross block that you will already have a visibility. So what are the kind of discussions usually, in the past, we have seen in these dedicated blocks you have contracted at, say, around 18%, 20% kind of an IRR on the investment. How are the talks going on when it comes to the further expansions beyond INR1,800 crores?

Sameer Kothari:

So Priyank, like I said, we're beginning to see some traction, and that's visible from the commentary of most of our customers. They are beginning to get a little optimistic about the volume growth across most of the industries. Assuming that, that trend continues in the festive season as well, we are quite confident that we should be able to come back and look at expansion in terms of the dedicated manufacturing model and the capital allocation towards it.

In terms of the IRR and the ROE expectations specifically, I do not see that changing because what we do is we benchmark the ROE numbers to the risk that we are taking in case of the dedicated manufacturing, depending on the counterparty, depending on the location and depending on the product. I don't see that changing drastically in the future either.

Priyank:

And just to understand much better in terms of, what would be the mix for, say, D2C companies in your dedicated manufacturing block versus, say, large incumbents in the FMCG space. Anything that can be highlighted?

And when we visited your stall in this current exhibition, we also saw that there were lot of such dedicated contract manufacturing companies emerging in India. I'm sure it's a very large space to look forward for. But then how are the competitive pressures playing out in this space, if you can highlight that also?

Sameer Kothari:

Yes. So Priyank, we generally avoid giving out specific market shares or wallet shares of customers for obvious reason, right? All I can say is that we continue to remain engaged with both traditional brands, meaning incumbent brands as well as challenger brands. We continue to look at business opportunities being agnostic of any kind of colour in terms of whether they are D2C, whether they are digital only or whether they are the traditional GT brands. What we are looking at being able to fulfill the service in terms of their requirement of manufacturing for brands.

Now in terms of competition, you're absolutely right. Competition has always been there, while CMPL, the exhibition that you're referring to, has given a platform to all of us, contract manufacturers. It's the same set of people who've been in the industry for quite some time. So I've always maintained that we don't we are not working in an industry which is monopolistic. Contract manufacturing has a lot of competition.

In our case, because we are so diversified, it works in a slightly better way for us because we have different playing fields in which we can compete, whether it is Ice Creams or whether it is Home Care or whether it is even sports shoes. So from that perspective, we have competition in all of these fields, but we do not have a single player which is competing with us across all of these fields. That's the only thing that I can say about that. However, competition is alive and well for sure.

Priyank:

And if you can allow me one more on, just to again further understand your dedicated manufacturing better. Generally, what is the time line for such contracts? Is there any large contract in a near-term due for renewal? That's question number one.

And when it comes to the product mix, of course, it's a dedicated manufacturing, so it's a take-or-pay contract. When the product which is getting manufactured from that plant, in case that product hits any disruption, so would it entail further more capex or a change in the contract for this asset?

Sameer Kothari:

So let me say this. Out of the dedicated manufacturing assets that we have, our average contract tenure as of today will be between 8 and 9 years. At any given point of time, there will be some contracts which will be renewed or will be in the process of renewal, and there will be some contracts which will be very, very new and have the entire visibility of 10 or 12 or even 15 years

going ahead. Average, I would say, is between 8 or 9 years. So that's far as the first question is concerned.

The second question, and I'm not sure how you want me to address that question. In case of dedicated manufacturing, the fungibility of the assets are limited. Obviously, if you're manufacturing ice creams in a facility, you can't suddenly start manufacturing toilet cleaners in that facility. However, within Ice Creams, there is enough fungibility, whether it is from a brand perspective, whether it's a format perspective. And that's what we try to leverage when it comes to that. So I'm not sure what exactly you want me to address in the second question.

Priyank:

No. Just in case that the plant is dedicated for Reckitt Benckiser and the product profile that Reckitt Benckiser is manufacturing goes into a disruption, say, for example, soaps goes into a disruption for liquid wash. Would it require your plant -- would it require you to make a dedicated capex, renew a contract? Is that coming through in the near-term when the dynamics of FMCG itself are so fast changing?

Sameer Kothari:

Yes. But Priyank, that's the definition of a dedicated contract, right? So we have a take-or-pay agreement with these customers, which actually prevents or shields us from this kind of a vagary in terms of change in consumer behaviour. And from their side, obviously, they would enter into this kind of an agreement only in those product formats where they don't see such kind of disruption coming in.

You picked the example of powder hand wash and liquid hand wash. And the fact of the matter is for powder hand wash, what we've done is we've set up a shared manufacturing facility because it's a new product category and none of the customers are very clear on how the product is going to move.

But on the other hand, if you talk about liquid detergents, that's a structural shift and all the players in the market are very clear that, that's the area of growth in the future. And as a result, they are happy to enter into an agreement for 5, 10, 12 years and enter into a take-or-pay.

So dedicated manufacturing by definition is for products or for product categories, which will not be disrupted. I mean if there's a chance of it being disrupted, people would prefer to have the flexibility in terms of manufacturing.

Moderator:

The next question is from the line of Mayur Parkeria from Wealth Managers.

Mayur Parkeria:

So two, three questions from my side. It's just a little near-term trying to understand. So on one side, we were facing issues on the stabilization earlier quarters back about Footwear, and now

there has been some improvement in that. But if we look at the headline margin overall, that has been pretty stable across quarters.

So would it be fair to say that because of the disruption in Ice Cream and Beverages, the margins would have actually been lower there, but because of improvement in Footwear, they are still at the reasonable levels. Is it will it be there is something which goes down has gone down because of a seasonality, but something structurally is improving and hence, we are broadly the similar. Will it be a fair way to look at?

Sameer Kothari:

Mayur, actually, the fair way of looking at it is not to look at margins at all. But let me address the question. And the reason why we do not recommend looking at margins is because of the entire dedicated manufacturing principle. I don't want to discuss about the whole thing in detail over again, and we can take it offline. But principally, in case of take-or-pay contracts, the margin profile or the vagaries of the season or the changes in inflation, deflation do not affect us. And as a result, our bottom line is fixed.

If you talk about this specific quarter or even the last couple of quarters, our product mix changes drastically. The last two quarters, the share of Ice Cream and the share of Beverages would be much higher than some of the other product categories. If you look at the period starting from, let's say, June, July, actually more July, August, the share of liquid detergents would have increased substantially in terms of our revenue numbers.

If you look at Shoes, and that's the reason I mentioned that in response to one of the earlier questions. Shoes accounts for less than 10% of our total business, right? So the effect of Shoes from a perspective of the absolute number is limited. The reason why we, as management and as a company are giving so much focus to Shoes, because we're extremely bullish, and we continue to remain bullish about the contract manufacturing of Footwear as an industry. Just the same way that the company is extremely bullish about Ice Creams, the company is extremely bullish about Beverages. And also the company is extremely bullish about OTC Pharma.

As far as the traditional customers are concerned or the traditional product categories are concerned, whether it's Home Care, whether it's Personal Care, etcetera, like I was saying in response to another question, we are beginning to see some traction. We hope that, that traction continues, and we'll come back to you within the next quarter or so on how that's looking.

Mayur Parkeria:

So one more basic question. I'm sorry, it may be very sounding basic, and I didn't understand quite well that and if you have said this answer, my apologies. You said Footwear is largely a domestic business, and yet you would want to watch how the brands or your customers would look at this tariff situation or the disruption which is happening.

Can you give -- can you make us understand or I have not understood why this situation would be there if it is a domestic orientation from that perspective? Is it that while customers are in India, but is it for their export or something? What is it if it is for the domestic consumption? Where is the final customer is it for consumption in India, the Footwear? I mean trying to say sell in India or is it for sell outside India? Why it should matter if it is a domestic orientation? So if you can just help us understand, that will be my last.

Sameer Kothari:

Sure. That's a question which actually, it's a great question, and I wish I could spend longer time on this. So Mayur, here's the Butterfly effect, right? The production that we do is 100% domestic. However, the customers that we produce for are all multinational customers. And these multinational customers are currently sourcing products from across the world. And the US continues to be their largest market. From that perspective, the tariff situation, whether it's in Vietnam, Bangladesh, China or India, will affect their sourcing strategies.

We really do not know what effect it will have on their sourcing strategy. But if you look at the stock market or the share prices of some of our footwear customers in the US, obviously, there's a lot of ambiguity in terms of what's going to happen. And I'm just trying to ensure that you as investors in HFL are aware that there is this small possibility of a Butterfly effect of the tariffs affecting the domestic demand as well. If you ask me, is there a direct effect, the answer is no.

However, because we are working with mainly multinationals, because most of the raw material and the packing material that we use for shoes are imported from Vietnam or from China. We really don't know what this global situation is going to lead to. You've seen some of the examples of how in the EMS space production was getting disrupted because of certain clampdowns by certain countries in terms of their RMPM availability, etcetera.

All we are saying is that in case of Footwear, we have complete visibility for the first half. We are in a very good place as far as the first half is concerned. We do not have the visibility for the second half. We will come back to you, hopefully, in the Q2 investor call on how we are seeing the second half develop.

Moderator:

The next question is from the line of Sucrit D. Patil from Eyesight Fintrade Private Limited.

Sucrit D. Patil:

I have a question for Mr. Mayank. Sir, actually Sucrit Patil here. I want to understand how is Hindustan Foods approaching capital allocation between its legacy FMCG segments and newer verticals like Ice Cream and Footwear, which you just now mentioned. And is there any particular segment that will be a key focus over the next couple of quarters?

And if macro or category-specific headwinds were to impact returns in these newer areas, what reallocation mechanisms or contingency plans do you have to protect your ROCE and sustain growth momentum?

Mayank Samdani:

So Sucrit, our capital allocation guidelines is more based on the dedicated versus shared manufacturing, where if it is a take-or-pay and the guarantee on the capital, we can invest unlimited money in that. Rather, if it is an operating leverage like shared manufacturing, we limit ourselves to a better debt equity ratio in that. In most of the cases, we don't take debt on that and the investment size is also limited. So our investment strategy is based on how secured the investment is.

Secondly, also our investment strategy in case of our M&As are all dependent on how much IRR we make. So we are we will not do the M&A just for the sake of doing it, but it should be EPS accretive or IRR what we are looking at.

Sucrit D. Patil:

Okay. So just to clarify, should we expect a measurable shift in capital deployment towards Ice Cream and Footwear in the next 2 quarters or your FMCG legacy segment will still command the lion's share?

Mayank Samdani:

So in one of the questions, Sameer has given the glide path from INR1,500 crores to INR1,800 crores capital investment in this around INR200 crores is the Ice Cream investment, which we are doing for the new factory. INR50 crores is for the Shoes, which we are doing and another is for the FMCG business, another INR50 crores.

So right now, the major from INR1,500 crores to the near future investment is most into the dedicated and that's in the Ice Cream. And we are investing some money into the Shoes also. So if I can answer your question, the near future allocation is not going to change. We will we are going more into the same areas.

Moderator:

As there are no further questions from the participants, I now hand the conference over to Mr. Vimal Solanki, Head, Emerging Business and Corporate Communications for the closing comments. Over to you, sir.

Vimal Solanki:

Thank you so much. Thank you all for joining us today. Q1 FY '26 has been a quarter of solid execution and steady momentum across the Board. Our financial position has further strengthened with the conversion of outstanding warrants, bringing down our net debt-to-equity ratio and giving us headroom to invest in growth while maintaining balance sheet discipline.

Looking ahead, while seasonal variations and a complex global trade environment may influence quarterly performance, the underlying fundamentals of our business remains strong. Our



diversified portfolio, long-term client relationships and disciplined approach to capacity building give us confidence in delivering on our full year targets.

We are excited about the road ahead, whether it's Ice Creams, Footwear or the next opportunity around the corner. With the right investment and the right people in place, we are here to build long-term value and hopefully keep things just boring enough for our auditors.

On that note, wishing everyone an early happy Independence Day. Here's to freedom in life and in business. If you need any further details, please feel free to reach out to us or our Investor Relations partners, that is SGA, Strategic Growth Advisors. Thank you again and take care.

Moderator:

Thank you. On behalf of Hindustan Foods Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

