



MADHUSUDAN MASALA LIMITED

AN ISO 9001:2015 - ISO 22000:2018 & HACCP CERTIFIED COMPANY

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Regd. Office: F.P. No. 19, Plot No. 1 - B, Hapa Road, Jamnagar - 361001 Gujarat India

M.: +91 94262 24445 Web: www.madhusudanmasala.com E-mail: contact@madhusudanmasala.com

Date: November 24, 2023

To
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E)
Mumbai – 400051

Subject: Transcript of Earnings Call pertaining to the Unaudited Financial Results for the half year ended September 30, 2023

Ref: Madhusudan Masala Limited (Security Id: MADHUSUDAN)

Dear Sir/Ma'am,

With reference to above, we hereby enclosed herewith transcript of the Earnings Call on Unaudited Financial Results of the Company for the half year ended September 30, 2023 held on November 22, 2023.

Kindly take the above on your records.

Thanking You,
Yours Faithfully

For, **Madhusudan Masala Limited**

Rishit Dayalaji Kotecha
Chairman cum Managing Director
DIN: 00062148



Madhusudan Masala Limited
November 22, 2023



**“Madhusudan Masala Limited
H1 FY '24 Earnings Conference Call”
November 22, 2023**



**MANAGEMENT: MR. RISHIT KOTECHA – CHAIRMAN AND MANAGING
DIRECTOR – MADHUSUDAN MASALA LIMITED
CA SARVESH GOHIL – AUDITOR – MADHUSUDAN
MASALA LIMITED**

MODERATOR: MR. RAMADHIN RANE – HEM SECURITIES



Moderator:

Ladies and gentlemen, good day and welcome to the H1-FY24 Earnings Conference Call of Madhusudhan Masala Limited hosted by HEM Securities. 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 your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ramadhin Rane from HEM Securities. Thank you and over to you Mr. Rane.

Ramadhin Rane:

Thank you, Michelle. Good evening, ladies, and gentlemen. On behalf of HEM Securities, I thank you all for joining the Madhusudhan Masala Limited. H1-FY24 Earnings Conference Call. Joining us on the call today are Mr. Rishit Kotecha, Chairman and Managing Director, and Mr. Sarvesh Gohil, Auditor of the company. For the benefit of the participants, a quick introduction about Madhusudhan Masala Limited.

It's a company engaged in manufacturing and processing of spices. It was listed on the NSE Emerge Exchange on 26 September 2023. Today, as given on the screener website, the market cap of the company is INR157 crores with a P multiple of INR27.3 and the share price is INR122.

Now for more details about the company, its growth plan, let's commence the call with the opening thoughts from the management, post which we will open the forum for Q&A session, where the management will be glad to respond to any of your queries that you may have. At this point, I would like to add that some of the statements made or discussed on the conference call may be forward-looking in nature. The actual results may vary from these forward-looking statements.

I would now like to hand over the call to Mr. Rishit. Thank you and over to you, sir.

Rishit Kotecha:

Yes, thank you, Rane ji. Namaskar. Good evening ladies and gentlemen. Myself, Rishit Kotecha, Managing Director at Madhusudhan Masala Limited. Wish you all a happy Diwali and a happy New Year. I welcome all of you to the H1 FY24 earnings call.

Since it is our first earnings call, I would like to brief about our company and its product range. I believe you have had an opportunity to review the earnings presentation and the financial results that were uploaded on the exchange. We are, Madhusudhan Masala Limited, engaged in the business of manufacturing and processing of more than 32 types of spices under the brand name of Double Hathi and Maharaja.

We also sell some other products other than spices like tea, rajgira flour, papad, soya products, asafoetida, ready-to-mix pickle powder, black salt powder, rock salt powder, katlu powder, kasuri methi, etc. under the brand name of Double Hathi. Operating in the industry since the last four decades, our promoters Mr. Dayalaji bhai Kotecha and Vijay Kumar Kotecha led the foundation of our business in the year of 1982 through a partnership firm. Later, it has been converted into a limited company. Our next generation, myself, Rishit Kotecha and Hiren Kotecha, continue the legacy and develop the extensive experience in the industry. We believe



that we have established our brand as the preferred home consumption brand for the Indian families.

We operate from our manufacturing facility located at Jamnagar, Gujarat. Our manufacturing unit is situated in the industrial area at [Dhapa] near Jamnagar. It is strategically located near the local PMC market as we are procuring our raw materials very easily and reduce our transportation cost as well.

Our manufacturing facility is equipped with the plant and machinery to facilitate the efficient production process like cleaning, drying, grading, sorting, grinding, packaging. All processes are in-house. All the spices and other products are manufactured at our unit with utmost care and by way of natural process with scientific methods.

Some other products like asafoetida, papad and soya chunks are procured through the third party manufacturers with our specific standards and under our own brand name Double Hathi. Our spices are available in retail and wholesale packs for consumers as well as HoReCa business. Ground spices are sold in packs of 10 grams to 20 kgs while blended spices are available in 10 grams to 100 grams.

Our business is majorly spread in this region of Saurashtra and southern part of Gujarat and some parts of Maharashtra also. It has been a pride moment for Madhusudhan Masala that we have delivered a solid performance on both the financial and operational front for the quarter 2 and the first half of the financial year 2024. Consolidated revenue for the financial year 2024 of the first half is increased by 32.5% considering INR of 54.28 crores while EBITDA for the first half year is increased by 70% INR5.82 crores while our PAT has been increased by 84% to the INR3.31 crores in the first half of 2024.

So, our first half is a very good sign so on. Although our main period of the season is coming to second half, but still our first half is very good. Coming to the project update and the product highlight, I am pleased to say that our cold storage facility is fully operational from this month.

After starting of our own cold storage, our rental cost will be saved. Also, our new manufacturing plant started delivering out of 6 new manufacturing plants, 2 were supplied and the rest will be supplied within this December. After installation of new plants, we will be able to process with less manpower and more linear quality spices to our consumers.

Considering the overall growth in the spices market and our future plants, we are giving a guidance of approx. 30% increase in our revenue this year with improved margins. That is all from my end. Thank you for your time.

I would now request you to open the floor for questions and answers. Thank you.

Moderator:

Thank you very much, sir. The first question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah:

Good afternoon. First question. You said main period of season is now H2, correct?



- Management:** Yes.
- Rahil Shah:** So, is it fair to assume that majority of the revenue comes from this? Has it historically been the same? The split of revenue that H1 is lesser and H2 is more?
- Rishit Kotecha:** Yes, H2 is more. As per our historical data, our H1 is 30% to 35% of our total revenue while H2 is 60% to 65%. So, our H2 is the season period and it will be double the H1.
- Rahil Shah:** Double the H1. Okay. And what is the outlook for other sales which is lower in terms of split of revenue between own brand and other sales? So, what do you think about that? How much will it increase? And what are the key products in that?
- Rishit Kotecha:** Yes. Our key products are ground spices like CTC, Chilli Turmeric Coriander. And this half year, we already achieved good sign of own brand like in total sale of INR54 crores of this half year, we achieved INR35 crores in own brand and CTC is stood at INR13.40 crores.
- Rahil Shah:** Yes. So, that's what I'm asking. So, what's the outlook for that? Is it going to be like this proportion will stay the same or you expect more from, you know, other brands?
- Rishit Kotecha:** Currently, this year, this could be stood at this level only because our trade are best but all the efforts are doing to sell the own brand material only. In coming days we will open in Maharashtra, we have recruited sales staff who are going to join by 1st December in Maharashtra. Hope will get good sales from Maharashtra too. And now we are covering the new market with our own brand only.
- Moderator:** Mr. Shah, does that answer your question?
- Rahil Shah:** Yes. I just have a last question. You've guided for 30% this year. Now, I would like to know your thoughts on margins as well. What will be steady state margins? And if you can also, you know, give us an idea of what kind of growth are you expecting next year, FY25? And yes, that's my last question. I'll get back to you.
- Rishit Kotecha:** We are expecting 30% to 32% revenue growth while our PAT margin would be increased accordingly because we are growing in own brand sales. So, our margin should be increased. Yes. Tentatively, this 30% growth will be continued in FY25 also.
- Rahil Shah:** So, is it fair to say you will touch double digit margins? EBITDA?
- Rishit Kotecha:** EBITDA will be double digit surely. PAT will be in 24. It is in single digit only.
- Moderator:** Thank you. We'll take the next question from the line of Akshat Vijay, who is an individual investor. Please go ahead.
- Akshat Vijay:** Can you please bifurcate the extent of revenue growth in terms of price increases and volume growth? So, my question is that can you please bifurcate the H1 revenue growth in terms of volume growth and price increases?
- Rishit Kotecha:** Sure. I mean, you want to know the quantity and amount?



- Akshat Vijay:** Yes, I want to know the volume growth in H1 and contribution of price increase in the overall growth?
- Rishit Kotecha:** Yes, just give me one minute. Yes, the volume is almost stable considering the last 22 H1. So, the volume is increased as per the -- yes, just one minute. Yes, our rate of raw material and selling product are almost the same considering the last year. So, the volume of the product is the same as increases amount.
- Management:** Actually, there is an increase in quantity compared to the previous semi-half. So, almost the price has remained stable in both the... If you compare this half-yearly result with the immediately preceding one. So, rate is almost the same. So, actually, there is an increase in volume in terms of quantity, you can say like this.
- Akshat Vijay:** Okay, got it. So, like the overall revenue growth is coming from the volume growth only. There is no price rise, right?
- Management:** Yes, almost stable.
- Rishit Kotecha:** Almost stable. Minor change is there, but this is not considerable.
- Akshat Vijay:** Okay, got it. And my next question is that, can you provide the current capacity utilization for the various segments? And like, do you have any plans to increase the current capacity in near future?
- Rishit Kotecha:** Our production capacity is more than our requirements because our chilly capacity is 24 lakhs kg per hour, while turmeric and coriander is also 12 million. So, the capacity utilized in the last 22, 23 is 33%. And this half-yearly, we utilize more than 40%. So, we do not need to expand our manufacturing plant. But yes, we are changing our all manufacturing plants because our plants are semi-automatic.
- So, we are going to fully automation process and which will less our manpower and also contactless, atmospheric contactless manufacturing process. So, the quality will be, linear quality spices will be given to the consumers. So, we will be a top three players in manufacturing spices industry after installing the new machineries.
- Akshat Vijay:** Okay, so like, you are currently operating at 40% capacity utilization size. So, like, do you have any plans to increase this? Going back, this 40% utilization rate?
- Rishit Kotecha:** Yes, because our business is seasonal business. So, in first H1, we utilize 40%. After February and March, it will be up to 70% to 75% because the season period is more consumed.
- Moderator:** Thank you. The next question is from the line of Tanvi Jain, an individual investor. Please go ahead.
- Tanvi Jain:** Hello, sir. Congratulations on your listing on the NSE and those platform. I just have a couple of questions starting with, first, if I see the sales pattern, the sales have doubled from INR65 crores in FY22 to INR127 crores in FY23. Along with that, your fixed assets have also doubled. So, what is the main reason behind this revenue being doubled over the year?



Rishit Kotecha:

Yes. In 22 or 23, we achieved INR127 crores and in 22, it has been at INR65 crores. So, almost it is doubled. But our actual turnover was INR10 crores turnover was in another firm due to conversion of our partnership firm into a private limited company. We got misguided by some of our other auditors that we have to stop the products and selling in existing firms. And so, our INR10 crores revenue was booked in another firm.

So, actual turnover was INR75 crores in 22 and in 23, it was INR127 crores. All these revenues have grown because of our marketing strategy and new area discovered. Earlier, we were present in only Saurashtra region. Last year, we appointed distributors and wholesalers in some southern part of Gujarat like Surat, Valsad, Baroda and Maharashtra also. So, this presence in new area has increased our sales.

Tanvi Jain:

So, just one thing, you know, just appointing more distributors within Gujarat only got you sales of 70% upside sales. This year, you plan to step into Maharashtra region, then why only a guidance of mere 30% as compared to 70% while moving within the state and now when you are increasing your market area, you have given a guidance of only 30% increase. So, what is the main reason?

Rishit Kotecha:

Yes, I will explain this. Because we are selling majority CTC products, I mean, chili, turmeric, coriander. These basic ground spices are very region-wide sales products. I mean, in Saurashtra, the taste of chili and coriander are different than the southern part of Gujarat. And same like in Maharashtra, the chili is consumed in another quality. So, we have to discover the whole type of quality and survey the market, taste of the consumer and other parts like distributor channels margin, retailer margin.

So, all this takes a big time to cater the new market. So, we are considering 30% is enough for us because 70% is not one year. 70% is only not help of one year. We were planning for 2 or 3 years, then after we got 70% increase in sales.

Tanvi Jain:

But in FY21 to FY22, the numbers were just flat. This marginal increase in revenue was over FY22 to FY23. So, my question is, if Gujarat seems a better market, why don't we plan for a deeper penetration in Gujarat only? Or if you think that these marketing strategies give results after a period of two, then FY22 was flat as compared to FY21. We saw this increase in FY23 only. So, I am just wondering about the revenue pattern?

Rishit Kotecha:

No, no. Your question is right. That's why I told you that we were planned before 2 or 3 years, then after we got result in 23. So, our sales had increased. Because we didn't increase our sales overnight. In '19 to '20, we understood the market outside of Saurashtra, like in Southern Gujarat and Maharashtra.

Then we got benefit in '22 to '23. So, in '22 to '23, we saw the revenue growth. So, if we go to Maharashtra and some areas of Rajasthan in '23, we will do a survey, we will make a distributor, we will make a sales team.

So, the benefit will be seen somewhere in '24 to '25. So, now we are assuming 30% that we will not be able to cover the entire market. But if we can acquire 5%-10% of the market share, then our revenue growth will be up to 32%. This is our assumption.



- Tanvi Jain:** So, you are saying that after 2 years, we can get 50%-60% revenue growth again. You told us that the revenue growth will be up to 25%-30%. But beyond that, because your penetration will increase, we can get an even higher revenue growth, 50%-60%.
- Rishit Kotecha:** Yes, yes.
- Tanvi Jain:** Sir, you had written something else. Thank you for this answer. Sir, you had written that the sale of your own brands decreased from 70% to 47% in '21 to '22. So, what is the sale split of our last sale, FY23? And why is our own brand sale decreasing? Because the main margin business will be more in the own brand sale, I believe?
- Rishit Kotecha:** You are right. In '22-'23, there was a lot of increase in the prices of spices like cumin and chili. So, our raw material was very high. So, we sold it. That is why our unbranded sales are increasing. If you look at our half-yearly results, we have INR35 crores own brand sales in our INR54 crores sales.
- Tanvi Jain:** So, what will be our guidance for own brand sales?
- Rishit Kotecha:** Our own brand sales will be between 60%-70% in FY24. And we are planning to increase it to 75%-80% in FY25.
- Tanvi Jain:** Sir, you have given one more bifurcation here. Whole spices get 45% revenue and blended spices get only 1% revenue. But blended spices look like a value-added product where we will get more margins. So, will we do anything to increase its sales?
- Rishit Kotecha:** Yes, definitely. Our focus is on that. We are relaunching our blended spices range in a new way. Our brand will be developed but we are changing the packaging look, packaging quality and manufacturing plant for blended spices. So, we are taking many steps to increase our blended spices segment to double or more than double the overall growth of 30%. We are working on that.
- Tanvi Jain:** Sir, as you said, CTC is your main business. But CTC is a highly commodity price. So, overall market prices will be derived according to the rates of chillies, turmeric and coriander in the market. So, won't this be a commodity business? You will have to pass on the rates according to the rates in the market. So, there can be high or low inventory. How do you tell that? Given that CTC is your main business, the main revenue is coming from CTC.
- Rishit Kotecha:** Yes, you are right. For that, our procurement is almost 70%-80%. In the whole year, the seasonal period of two months-three months, our procurement is complete. So, our working capital increases a little due to that. But we can cater for the price. We procure our needs for three months-12 months of the season.
- Tanvi Jain:** Sir, if the price of commodity decreases in the future, will we take any measure for your high-cost inventory? Are we doing any hedging? How do we deal with that? How do we deal with the high-cost inventory that we will have in the future?



Rishit Kotecha:

No. That's right. According to the experience of my father and uncle in the spices industry, we can estimate the price according to their experience. We can estimate the price according to their experience. Mostly, according to our experience in procurement, the seasonal period is never less than that. Hardly in 10 years, the price of the farmers' selling price has gone down by one year. As you are saying, the price of the farmers' selling price in the market and the price we purchase in the seasonal period, the price does not go down by the whole year.

According to our experience, we do our procurement according to that. If the price is going down by the whole year, then we take the commodity for three months-four months and then we do the further procurement. According to our experience, we are able to manage it.

Tanvi Jain:

Okay. Sir, doesn't CTC also come in your own brand sales?

Rishit Kotecha:

No. Not only CTC, all the other products other than blended spices are not branded.

Tanvi Jain:

Okay. Sir, how do we do revenue bifurcation? If we want to do revenue bifurcation, will we do whole spices and blended spices like this? What was the revenue bifurcation of both of them in the first half year? And if you tell us about FY '23?

Rishit Kotecha:

Yes, if I tell you, there are four-five categories in our own brand. One is blended spices, ground spices, grocery products, tea and whole spices. This is our own brand sales. And other non-branded sales are whole spices and food grains. So, if I tell you the bifurcation of H1 FY '24, in our own brand sales, the sales of blended spices is INR119 lakhs, ground spices is INR1,340 lakhs, other grocery products are INR184 lakhs, tea is INR40 lakhs, and whole spices is INR1,872 lakhs. While other non-branded sales in whole spices stood at INR1,873 lakhs. In total, it is INR5,428 lakhs.

Tanvi Jain:

You are telling about half year, right?

Rishit Kotecha:

Yes, I am telling about half year.

Tanvi Jain:

Sir, just to confirm, this is blended tea, all blended tea, grocery, and in our own brand. Sir, can you repeat the name of our own brand? Blended is INR119 lakhs, tea is INR40 lakhs, grocery is INR184 lakhs, ground spices are INR1,340 lakhs, and whole spices is INR1,872 lakhs?

Rishit Kotecha:

INR1,872 lakhs, yes.

Tanvi Jain:

So, in other sales, only whole spices are there?

Rishit Kotecha:

Yes, in other sales, only whole spices are there which are in bulk sales, without brand.

Tanvi Jain:

Okay, got it. And sir, one last question. If we are converting such a good revenue, INR65 crores to INR127 crores, then why are our cash flow operations coming negative year-on-year?

Rishit Kotecha:

Okay, my auditors will be able to explain this better. Savesh ji.

Sarvesh Gohil:

Yes. Pardon your question?



- Tanvi Jain:** Yes, so I just wanted to understand, your sales have doubled from INR65 crores in FY '22 to FY '23 to INR127 crores. However, at the same time, the cash flow from operations, you are generating negative cash from operations. So, what is the main reason behind this?
- Sarvesh Gohil:** The cash flow from operations, in minimum figure, it is negative. The actual reason is that there is a, due to seasonal business, the heavy stock has been lying in the, in the form of the closing stock, which is due for the sale in the next year of the next quarter. That is the main reason that the cash flow is negative in the FY '22.
- If you see the, result for this financial year, the cash flow has become, operating profit has become positively from this semi of quarter.
- Tanvi Jain:** But sir, this would be a seasonal matter. Every year we would see negative cash flow from operations because the stock pile up?
- Sarvesh Gohil:** No, the actual, what happened in the initial year, there is a heavy cost for the marketing cost also is heavy in the initial financial year. In the financial year, '21-'22 and '22-'23. Now we are taking the benefit of the cost, which has been expanded in the form of the marketing. So, from this semi of quarter, this financial year, you see the operating cash flow from the positive side. Even you just analysis our result for the semi half for the six months, the cash flow, I think it is in positive part.
- Tanvi Jain:** But as the managing director, sir, rightly commented here that because of the nature of the business, they make 70% to 80% of all the procurement during the main spice season. This heavy stock would always be an issue?
- Sarvesh Gohil:** After Deepavali, the main sale arrives after Deepavali only. For these four months, the sale is almost in terms of the volume and rupees terms is almost doubled compared to the previous six months sale or seven months sale.
- Tanvi Jain:** Okay. And sir, what percentage is the marketing cost if we could just have a number?
- Sarvesh Gohil:** Marketing cost, actually the main marketing has been done in the last two financial year only. The financial year '21-'22 and '22-'23. So, naturally, the main product is the B2C products. So, marketing cost is the main cost to get the benefit from the market. So, it is not in the fixed terms of fixed percentage, but they incurred a heavy cost in the financial year '22-'23 of almost I think INR2 crores to INR3 crores in that financial year and even in the current financial year almost the same amount.
- Rishit Kotecha:** Yes, right. In current year, we spend almost INR1.25 crores behind advertising in social, news media and hoardings.
- Sarvesh Gohil:** Even if you see the inventories of, if you compare the two financial year results in inventories for 2023 and 2020, so the inventories block is also increased due to the procurement of the raw material in the, you can say, in the main season time where the crop, new crop are available. So, it's the main region operating profit is somewhat in negative. Due to investment in the inventories and the same amount for the creditors is also pending to be paid due to the



procurement of the new crop. So, that is the main region where the operating profit is in the negative terms.

Tanvi Jain: I just wanted to add here, if we see the sales of own brand to increase in future, then we need to incur more marketing costs to have that own sales, higher own sales. So, how do we see this marketing cost going down? It cannot be a one-time cost marketing and advertising we need to keep on doing if we want to increase our own brand sales?

Sarvesh Gohil: As of now, company was not listed but after listing, the one type of marketing also done in the form of the branding by taking the benefit of the listing and NSE EMERGE. So, regarding the marketing costs received by, would you have a better idea? But I think now everyone knows that Madhusudhan Masala Limited.

Rishit Kotecha: Madam, we got inquiries from out-state like from Telangana, we have a hot inquiry that whole Telangana state, one buyer who is a distributor who wants the whole Telangana state to sell our masalas. Because he has a small manufacturing unit there for FMCG. So, there are many inquiries without any marketing. So, I think due to our IPO, we got an inquiry from South Delhi. That is also a hot inquiry.

Tanvi Jain: How are you responding to these queries of expanding beyond Maharashtra and certain parts of Rajasthan?

Rishit Kotecha: Right now, we have kept it on hold because we don't know the market there and what kind of product will run there. So, we have kept it on hold and someone will go there and survey the market once. Which product is running, what kind of quality the customer is preferring, what is the cost of the product, what is the distributor dealer margin, after doing all that survey we will plan to market there.

But the marketing spend, you were telling about, so on that basis, I told you that after IPO, we are getting a lot of inquiries, which are not from our existing market, but from where we were not present anywhere, we are also getting a lot of inquiries for distributorship. So, this year our marketing spend has been a little less, but now the coming season, our season starts from February, so now our majority will be spent in February and March and the majority will be spent behind marketing.

Tanvi Jain: Okay, got it. And sir, one last question, this is the last one. Your '22 to '23, your fixed assets have doubled. So, all these fixed assets have doubled, is it because you are bringing new technology of automation, because of that we have booked the entire cost, or in the future we will incur some other cost to improve the capacity, to bring new technology?

Rishit Kotecha: No, the technology that we are bringing now is the latest technology, which is called cool grinding technology in spices. We are bringing that latest technology, so now in the next 10 years, we will not need to upgrade our technology. And the technology that we are bringing is completely non-atmospheric contact machine. So, if we want to go to any other export in Europe, then we will not have any issue for export.



- Tanvi Jain:** Sir, my question was that the cost of that is already doubled. In '22 to '23, the fixed assets have doubled. If we look at the balance sheet, will we book any more costs in the fixed assets? Because we have already spend lot of money.
- Rishit Kotecha:** No, in this financial year also, you are seeing the result for the six months only. So, in this financial year also, some of the fixed assets will be added to this block, some of the 25% to 30%, I think.
- Tanvi Jain:** Okay, so this year we will see a 25% to 30% rise as well?
- Rishit Kotecha:** As of now, we are seeing this, yes.
- Tanvi Jain:** Okay, as of now, so it could even go beyond that point? You have not capitalize here.
- Rishit Kotecha:** Right.
- Tanvi Jain:** Okay, and sir, in this thing only, sir just said that we would be among the top three players in the country in the spice manufacturing. So, by top three players, you are trying to compete with the big brands like MDH, FS or whatever, the big players?
- Rishit Kotecha:** No, madam, we are not top three sellers. We will be in the top three manufacturers. As per our procurement of our new plants and machineries, our supplier has told us that machines are supplied to some of the Indian manufacturers among the top three. You are in the top three players. We are not top three sellers.
- Management:** In terms of procurement of...
- Rishit Kotecha:** In terms of manufacturing process and our equipment's, we are in top three.
- Tanvi Jain:** Sir, technology-wise top three or capacity-wise top three?
- Rishit Kotecha:** No, technology-wise, madam, not capacity-wise. We are technology-wise top three.
- Tanvi Jain:** Okay, thank you, sir. That was really very informative. Thank you. I will just join in the question queue.
- Moderator:** Thank you. The next question is from the line of Abhay Jain, an individual investor. Please go ahead.
- Abhay Jain:** Hi, thank you so much for giving me the opportunity. Sir, I wanted to ask you that do you have any plans to reduce your debt? As I can see that your debt has already increased from INR42 crores to INR50 crores. So, any further plans of reducing your debt?
- Rishit Kotecha:** Yes, the debt is still INR42 crores. It won't happen for now. Because we have a cold storage that has recently been operationalized. So, its debt has also increased. We are also installing new plants and units. So, due to that, the debt will not be able to reduce in the recent period. And our business is a high working capital required business. In the coming period, our sales will increase. So, for that, we will also need a lot of working capital for raw material



procurement. So, our debt will be intact for the coming period. It won't increase, but it won't be able to decrease either.

Abhay Jain: One more thing, your EBITDA margin is 11%. Will you maintain it or will it improve further? EBITDA will improve.

Rishit Kotecha: In the coming period, you will have to pay more. EBITDA will improve in H2. Because last year, our EBITDA had a higher proportion of non-branded sales. So, this year, our sales have doubled in H1. So, this scenario will continue in the coming H2. So, according to that, EBITDA will improve.

Abhay Jain: Sir, you talked about capacity utilization earlier. So, in H1, it was 33%, which is now 40%, as you said. And in H2, you are saying that there will be 70% to 75% capacity utilization. So, how much was H2 FY'23, sir?

Rishit Kotecha: In FY'23, our year-over-all was 33.5%.

Abhay Jain: So, there is a sudden increase in the capacity utilization, which is going to be 70% to 75%?

Rishit Kotecha: 70-75% is in our seasonal period. In H2, it is not 70%. Our seasonal period starts from February. So, from March to June, July, we have 70%, 75% utilization. Because it is a seasonal period. So, instead of one shift, we get work done in two shifts. So, because of that, we keep our capacity higher.

Abhay Jain: So, I wanted to know about the next six months, sir. In the next six months, will there be a complete 70% to 75% utilization?

Rishit Kotecha: No, no. In the next six months, there will be no 70% 75%. I am telling you this in the seasonal period. Overall, in FY'24, your utilization will be between 45% to 50%.

Abhay Jain: And, sir, how much was it a year ago? Now, you are saying that it will be 45%, 50%.

Rishit Kotecha: In FY'21, '22, it was 29.5%.

Abhay Jain: Okay. Sir, I have one more question. Can you bifurcate your revenue and tell us? Is it from the Double Hathi brand or Maharaja brand?

Rishit Kotecha: Majority of our sales are from the Double Hathi brand. In Maharaja, we have only 21 branches. That Double Hathi and Maharaja both are available in the brand. Rest, all the blended spices, grocery products, other spices, all are sold from the Double Hathi brand. So, almost 85% of our sales are from the Double Hathi brand. And, 15% is from the Maharaja brand.

Abhay Jain: Okay, sir. And, another last question, sir. What are you doing to gain your market share from the organized and unorganized market? What activities are you doing to increase your market share?



Rishit Kotecha:

In our existing Saurashtra region, we have been selling for 40 years from four daikon's. So, our market share is almost 15% to 20%. I am telling you this by combining organized and unorganized. These were tentative figures. Because, there is no monitoring of the spices industry to get exact figures. In the rest of the area, we can increase our presence only through marketing. After marketing, we make a strategy to offer to the dealer, distributor to retailers, to give maximum scheme or margin. So, according to that, we have a pattern. And, our target is to achieve a market share of double digit.

Abhay Jain:

So, sir, till when can I expect your presence in Rajasthan or Maharashtra? And till when will it reflect in the revenues?

Rishit Kotecha:

Right now, in FY'24, we will not be able to do Rajasthan. Right now, we have made a strategy to cover Maharashtra. We have acquired a sales team for Maharashtra. They will join us from December. It was Diwali period, so they have joined after Diwali. So, from 1st of December, our Maharashtra region distributor, dealer, we have already received inquiries. So, we will see Maharashtra in FY'24.

We are trying for Rajasthan, but still, we can start from February or March next year. We take entry only after doing a complete market study. We don't do a distributor's inquiry and start selling goods. We go there and do a complete survey. We check the quality of the goods, what is the quality in the competition, what is the margin, etcetera. We start a new market only after doing a complete survey.

Abhay Jain:

Sir, I just wanted to clarify one thing. You said that this year's revenues will increase by 30%. Plus, EBITDA will also be in an improved number. It will be better than the previous one. Right, sir?

Rishit Kotecha:

Yes.

Abhay Jain:

Okay, sir. Thank you so much. This is all from my side.

Moderator:

Thank you. We have the next question from the line of Tanvi Jain, an individual investor. Please go ahead. Ms. Jain, I have unmuted your line. Kindly proceed. Ms. Jain? Ms. Jain? This brings us to the end of the question and answer session. Ladies and gentlemen, I would now like to hand the conference over to Mr. Ramadhin Rane for his closing comments. Over to you, sir.

Ramadhin Rane:

Thank you, Michelle. On behalf of HEM Securities Limited, I thank Rishitji and Sarveshji for giving their time and replying to all their queries in a detailed way. I would also like to thank once again all the participants for joining this call. Over to you, Michelle.

Moderator:

Thank you very much. Thank you, members of the management. Ladies and gentlemen, on behalf of HEM Securities, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.