"Ganesh Consumer Products Limited

Q2 FY '26 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Ganesh Consumer Products Limited conference call, hosted by Go India Advisors LLP. 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 this conference call, please signal an operator by pressing start then zero on your touch-tone phone. Please note, this conference is being recorded.

I now hand the conference over to Ms. Garima. Thank you and over to you ma'am.

Garima Singla: Thank you. Good morning, everyone. I am Garima Singla, and it's my pleasure to welcome you on behalf of Ganesh Consumer Products Limited. Thank you for joining us today for the Q2 Financial Year '26 Earnings Call. This call is being hosted by Go India Advisors. Please note that, today's discussion may include certain forward-looking statements. Therefore, they must be viewed in conjunction with the risks that the company faces.

Today on the call, we are joined by Mr. Manish Mimani, Managing Director, Mr. Amit Tapadia, CFO and Mr. Narendra Mishra, CS and Compliance Officer.

I now invite Mr. Manish to present the company's business outlook and performance after which we will open the floor for Q&A. Thank you and over to you, sir.

Manish Mimani: Thank you, Garima. Thank you, and good morning, everyone. I am Manish Mimani, Director, Ganesh Consumer Products Limited. It gives us immense pleasure to welcome you all to the maiden earnings conference call of Ganesh Consumer Products, which is our very first as a listed company.

On behalf of the entire Ganesh Consumer family, I would like to extend my heartfelt gratitude to all investors, partners, employees, suppliers, and stakeholders for their continued trust and support. When we began our journey, when we began our rather humble journey, our vision was simple, yet very ambitious, to bring authentic, high-quality, and affordable food staples to every Indian household.

What started as a humble, modest, local packaged staple food brand, today we have evolved into an integrated consumer product company with a strong and growing presence across Sattu spices, flours, orders of all types of cereals and pulses, and ready-to-cook blends. Our story has always been about the balance between tradition and transformation, staying true to our roots while embracing modern systems and processes.

From our deep sourcing networks spread across Uttar Pradesh, Madhya Pradesh, Bihar, Rajasthan, and some parts of Western India also, to a robust distribution engine powered by 360-degree marketing initiatives, this blend of the old and the new has been the foundation of the growth.

Over the past few years, the transformation has been remarkable. Between financial year 2022 and financial year 2025, our revenues grew at a CAGR of over 18%, accompanied by steady improvement in profitability and return ratios. Even through periods of commodity inflation, weather disruptions, and competitive intensity within the industry, we remained resilient and consistently profitable, a reflection of our operational discipline and consumer trust.

A defining milestone in this journey came earlier this year, with our successful IPO on the BSE-NSE platforms, a proud moment for every member of the Ganesh Consumer family. The fresh issue of INR130 crores raised through the IPO is being strategically utilized to strengthen working capital, optimize production capacities, expand distribution reach, and invest in brand-building initiatives. This listing is not just a financial event.

It's a renewed commitment to our transparency, corporate governance, and long-term value creation. FY '26 marks a proud new chapter as a listed entity, and I'm pleased to share the quarter two financial year '26 financials in which we Attained one of our highest ever quarterly performance.

Revenue from operations stood at INR2,387 million, up 7.2% year-on-year and 17.6% sequentially over quarter one of '26. For H1 financial year '26, revenue grew 7.1% year-to-year to INR4,416 million. Gross margin rose from 24% year-on-year to 621 million with an expansion of 350 basis points to 26%, led by improved realizations, sourcing and supply chain efficiencies.

EBITDA also grew 24.7% year-to-year to INR239 million, with margins improving 140 bps to 10%. PAT for the quarter stood at INR110 million, up 17.3% year-on-year, while H1 PAT reached INR207 million, demonstrating the strength of our business model and operating leverage.

Our performance this quarter was broad-based across categories, reaffirming the power of our diversified product portfolio. B2C staples, excluding Sattu, grew 15.4% in value and 6.4% in volume, supported by festive demand and shifting consumer preference towards packaged food products. Spices, a new launched emerged as a star performer, registering 23% year-on-year growth, driven by product diversification, deeper market penetration and enhanced brand visibility.

While Sattu saw softer growth due to a shorter summer season, we remain confident of recovery as seasonal patterns normalize. Our e-commerce and quick-commerce channel continued their strong trajectory, growing 97% year-on-year, underscoring the success of our multichannel strategy and growing digital adoption among consumers.

Most importantly, this quarter also reflected the strength of our brand equity, which we were able to effectively pass on calibrated price increases to consumers without impacting demand, highlighting the trust, loyalty and pull factor which we have built across markets.

Operationally, H1 FY '26 did see some near-term moderation due to extended monsoons and softer rural sentiment, yet underlying demand remained healthy and momentum picked up strongly towards the end of Q2, especially ahead of the festive season. Over the last six months, we have continued to strengthen the building blocks of sustainable growth.

On the distribution expansion, our network now covers more than 350,000 retail touch points across traditional modern and digital channels. On portfolio diversification, with more than 200 SKUs, we now cater to a wide range of regional and national touch preferences. On brand investments, focused efforts on digital marketing, MSO visibility and influential-led campaigns are driving a stronger consumer connect and recall.

On supply chain resilience, process standardization and sourcing optimization continue to improve our cost efficiency and quality consistency. Following the IPO, we took decisive steps to strengthen our balance sheet. We have repaid INR970 million of debt, including INR600 million through IPO proceeds and INR370 million via promoter Group Holdings repayment, which was due as Inter Corporate loans.

This has significantly reduced finance costs and improved profitability, setting a solid foundation for our future growth. Further, as a part of our commitment to rewarding shareholders, the Board has declared an interim dividend of INR2.5 per share and approved a revised dividend policy with a payout ratio of 25%-50% aligning with our strong cash generation and prudent capital allocation. In line with our long-term sustainability roadmap, GCPL has partnered with Roofsol Renewables to implement our solar power project across five facilities.

This initiative will not only reduce our carbon footprint, but also lower power costs by approximately 0.65 million annually from financial year 2027. Though it is a small amount, yet a meaningful step towards a greener future. As we look forward to the second half of financial year 2026 and beyond, our strategic priorities are clear and focused.

Scaling the B2C portfolio with sharper focus on our core categories and value-added extensions, deepening distribution in existing and new geographies, alongside strengthening our modern trade and e-comm presence, investing in brand building and data-driven demand planning to enhance consumer insights and operational agility, maintaining working capital discipline and driving margin expansion through operational excellence.

With capacity expansion underway, a strong fundamentals and favorable tailwinds from formalization in the staples and packaged food sectors, GCPL is well positioned for sustained profitable growth, creating enduring value for consumers, suppliers, partners, and shareholders.

Before I conclude, I want to extend my deepest gratitude to all our employees for their relentless commitment, our suppliers and distributors for their collaboration, and our shareholders for their confidence in our vision. This is just the beginning of our journey as a listed company, and we are determined to build Ganesh Consumer Products Limited into one of the India's most trusted and admired packaged food staple companies. Thank you all of us for joining.

We can now open floor for questions.

Moderator: The first question is from the line of Tanmay Jhaveri from Finterest Capital. Please go ahead.

Tanmay Jhaveri: Hello, sir. Good morning. Firstly, congratulations on your first ever con call. Sir, I have a couple of questions. So, currently in our portfolio, we have around 200 plus SKUs, which are spread across 40 categories. So, could you share the current revenue split between the core weight and gram-based derivatives like Atta, Besan, Sattu, and the new categories that we have spices and instant mix?

Manish Mimani: Thank you, Tanmay for connecting with us. So, I am handing over for this figure numbers to Amit.

Amit Tapadia: Good morning, Tanmay. Amit this side. So, the Atta, which we call it as wheat flour, forms around 35% of the revenue, 33% to 35% of the revenue. The value added product segment, which includes gram based and wheat based flour, which is Maida, Sooji, Dalia, Besan, and Sattu, this constitutes close to 60% of our revenue.

Now, the third category, which we classify the other portfolio is the emerging products, wherein we include spices and other ethnic flour, which includes, which forms around close to 5% to 7% of our revenue.

Tanmay Jhaveri: Okay. Thank you so much, sir. So my next question was that emerging categories like spices segments, so we have gone down INR50 crores plus in this in FY '25. So, how do we see the growth capacity in this segment in this category is evolving over the next couple of years? And what will be the core factor that will drive this margin expansion? Right.

Manish Mimani: So, as our expectation on the spices, a new launch category, for year financial year '25, '26 was nearly INR40 crores to INR50 crores rupees. And we are there present with the entire basket of whole spices, CTC powdered spices, and blended spices. Now, as you know, spices is a regional story. The category itself is a regional story Pan-India.

And we are optimistic with our long research and understanding on the blended spices and powdered spices, which suits to the palate of Bengal and Eastern India. We look forward to have a wider distribution.

We look forward to have a wider distribution across Bengal and Eastern India. And the market size of packaged spices itself is very big, which is nearly INR6,000 crores of Eastern India. So, with the help of our current supply chain, and our knowledge on the sourcing side, and we are ourselves we are manufacturing the spices.

We did the in the coming years, we look forward in this year also. And in the coming year also, we look forward to expand our revenues on the spices side. Now, as you know, spices itself, the EBITDA margins of the spices category is overall better than the core category.

So, when I say core category, it is wheat derivatives and gram derivatives. So, once the revenue rises, with the more distribution, deeper distribution, the margins will also increase. As of till today, we are to scale up our -- this vertical, we are sitting this category with lesser margins. But once we reach a scale, our margins will also improve along with revenue.

Tanmay Jhaveri: Thank you so much, sir. It was a very detailed answer. I really appreciate that. Sir, this quarter, I see our inventory has risen approximately three times than the March number. So, can you throw lights on that?

Manish Mimani: So, I would like Amit to take this forward.

Amit Tapadia: So, our inventory level increased as compared to the March numbers, because the inventory of raw materials, which includes wheat, gram and spices were increased. We have to consider a couple of things here. In the previous year, the prices of wheat and gram had increased close to 25%.

Now, considering the sharp price increase in the previous year, we as a strategy, we decided that we will buy bulk of the overall annual requirement in the first half of the financial year, which resulted in increase in the inventories of raw materials. Now, going forward by towards the end of this financial year, which is FY '26, the inventory level will come down to the level we reported in the previous financial year.

Tanmay Jhaveri: Okay, sir, it will average out by March numbers.

Amit Tapadia: Yes, and the benefit side of this is we have enough inventory in hand and this will facilitate us to maintain a healthy margin and maintain a consistent supply in the market in the next two quarters.

Tanmay Jhaveri: Okay, okay. And one last question, if you could just throw some lights on what kind of growth are we looking for this year and probably next couple of years? And what will be the sustainable EBITDA margin that we aim for?

Amit Tapadia: So we feel that we'll be able to have an annual growth rate of 12% to 15% this year. And going forward, we will maintain a growth rate of around 15% to 20% on the revenue side. And on the EBITDA side, we feel that anywhere between 9.5% to 11% we'll be able to deliver.

Tanmay Jhaveri: So, this year, if I'm not wrong, we can clock around INR950,000 crores revenue.

Amit Tapadia: Yes, so on the near term, commenting on the specific numbers will be difficult, but we feel that we'll be able to achieve a growth of around 12% to 15%.

Moderator: Thank you, sir. The next question is from the line of Pritesh from Lucky Investment. Please go ahead.

Pritesh: Hi. Sir, little bit on the, since it's the first call and then we see the half yearly balance sheet as well. So, the interest cost that we see this year is specifically linked to this inventory purchases that you have done and hence the interest cost and -- is that the interpretation I should do and how should we look at the interest cost number incrementally? That's my first question. I'll ask, you know, once you are through with this question.

Amit Tapadia: Yes. So, the interest cost as you, as you rightly pointed out, interest cost has increased in the first half of this financial year on because of increased short-term borrowings, which is directly in relation to the increase in the working capital requirement linked to the procurement of raw materials, in the first half of this financial year.

And as we highlighted that we have repaid close to INR97 crores of the short-term borrowing, partly from the IPO proceeds, close to INR60 crores and remaining from the INR37 crores intercorporate loan, which was repaid by the promoter group.

So, currently, if you ask me, the loan amount is close to INR58 crores in the book as of now, as of today. And going forward, we feel by the end of this financial year, the debt levels will be zero and the interest in line with -- as we have repaid the loan, the interest will also go down in the coming quarters.

Pritesh: So, which means if your annual interest that you used to pay in the past was about INR5 crores, INR7 crores.

Amit Tapadia: So, last year, it was in that range. This year, we feel it will be close to INR10 crores to INR11 crores.

Moderator: Thank you. The next question is from the line of Naveen Trivedi from Motilal Oswal Financial Services. Please go ahead.

Naveen Trivedi: Yes, good morning, sir. My first question is, was there any impact of GST transition for the quarter? And if that is the case, then how much impact was there in the quarter two? And also on the GST side, how has been the GST rate reduction has impacted our kind of a portfolio if that is the case?

Amit Tapadia: So, 99% of our product portfolio had a GST of 5% before. And hence, there is no impact because of the rate change on our category. However, we feel that the sentiment is -- has -- the consumer sentiment has become better in this quarter and that will benefit us indirectly.

Naveen Trivedi: And also considering there was a festive up and down has kind of played out and East has also kind of a Durga Puja this thing. Any impact of that on in quarter two and how you kind of seeing that demand trend picked up in the October month, especially last 40 days kind of a trend line? If you can give us some sense about that.

Manish Mimani: So, normally every year this entire festive season in Bengal falls in the same period, either in the month of September or October. So, the overall revenue growth of the categories where we operate and play are not very much directly linked to any festive season of the last quarter. But then moving forward, once the winter approaches then the third quarter and fourth quarter see a spike in the overall consumptions by the households.

And in the last festive season, largely one category, which is Sooji, the wheat derivative, the sale of Sooji increases as for the consumption of overall consumption in the household for the ritual side, for the dishes they make for the ritual side.

So, the net-net, the conclusion is the every quarter two of every year, have the festival season. So, overall, around the year we have got -- we see a same average growth, nothing specific to the festivals, because it is not directly consumed. It is a household gravy item. And largely in the festive season, they move outside the homes to consume.

Naveen Trivedi: Yes. Sure Manish. And since you are giving around 12% to 14% kind of revenue guidance for this year that implies that maybe the second half we can expect around 16%, 17% kind of a growth rate. If I look at your quarter two, excluding Sattu, I think we are already kind of a 15% kind of a growth rate.

So, excluding Sattu, I would assume that Sattu would have very less mix in the second half, especially in the quarter three. So, the other products which are growing in kind of a 15% growth rate, this will kind of a growth rate we can expect in the second half kind of numbers, correct? Is the understanding, right?

Amit Tapadia: Yes.Your understanding is on point. So, as you correctly said, the categories excluding Sattu, we grew at close to 15.5%. Now, Sattu in this part of the country is majorly consumed during the summer season, because it is -- it acts as a beverage, a coolant, right? So, people drink Sattu in the morning and in the afternoon. Now, in this -- because of shorter summer this time, there was a de-growth in the Sattu category for us.

And going forward, anyway Sattu sales normalizes in Q3 and Q4. And hence, we are very much optimistic that we will be able to maintain the growth rate, which we achieved in the other categories going forward as well.

Naveen Trivedi: And also, on the gross margin side, this quarter, we have seen close to 350 plus kind of a margin expansion. Can we expect a similar -- at least margin of 25% to 26% band even for the second half for this year?

Amit Tapadia: So, yes. So, there was a margin expansion in this quarter. Reason -- the reason is the better realization across product categories. Then we also enjoyed sourcing goodness. As we already discussed that we procured bulk of our annual requirement in the first half of this financial year. So, that helped us with the -- that gave us sourcing goodness as well.

Now, the third reason is, so we have strategically located our manufacturing unit, both near to the farm and near to the market. So now, so as a strategy, we are procuring and manufacturing wheat-based products in UP, because it is near to the farm. And because of the synergy we get in procuring wheat in the state of UP and manufacturing there in our plant in Agra and Varanasi. So, that benefit is flowing in the overall material margin for us.

And going forward, as we highlighted that we have purchased major bulk of the inventory, which is required for the entire financial year. So, that will help us to maintain a healthy growth margin in Q3 and Q4.

Naveen Trivedi: Sure. And in the other expenses line item, there was a kind of around 26% growth in the other expenses. I would assume this will largely be driven by the marketing spend, which kind of spending?

Amit Tapadia: Yes. So, as a strategy, we launched a consumer scheme on the spices category, wherein we gave 3-plus-1 and 4-plus-1 scheme. Further, we also ran a scheme wherein we gave sugar free with our Atta category. So, that resulted in now, because that was to be present and to be very much active in the consumer mind space.

Also, in this quarter, Emami, which is a FMCG player in this part of the country, they launched Atta, Maida and Sooji. Now, to be competitive in the market and to be very active in the consumer mind space, we ran this strategy.

Now, if you ask me over the years, over the last 5, 7 years, many brands have launched similar products in this category, which includes Patanjali, AdaniWilmar, Fortune. But we were able to maintain our market share and we hold the same perception here as well that going forward, means it is a matter of time in three to four quarters.

We will be able to maintain the market share with our 360 degree marketing initiatives. And as you asked, the overall increase in the spend in this quarter and in the first half is due to this selling and distribution expenses.

And further, the second reason was the festive season. We wanted to be active, very much active in the puja pandals in Calcutta and in the nearby region during Durga Puja. In Q3 and Q4, obviously the spend will be a bit lower as compared to Q1 and Q2. But we will be very active in the market in terms of marketing initiatives.

Moderator: Thank you. The next question is from the line of Pritesh from Lucky Investment. Please go ahead.

Pritesh Chheda: Sir, just an observation for the last year, the H1 and the H2 is a completely different performance for you where H2 had lower margins as well. And on the other hand, in H1 this year, you are off by your CAGR growth. Your CAGR growth was plus 15%. For H1, you are at about 7%. So, first of all, will you revert back to your CAGR growth in H2 and this year, basically?

And why is it that the margin is substantially lower last year, being the first conference call? And we just want to understand the seasonality, if any, in all these observations that I am putting. One is the growth and the other is the margin number. So if you can give some assessment of how H2 will look like.

Manish Mimani: Right. Thank you, Mr. Pritesh. So, due to monsoon, proper summer and extended period of monsoon, this year, the sales target of Sattu was not achieved. Other than Sattu, as we mentioned, at Sattu we have grown at 15%. So, I think we are online in H1 also on revenue growth other than Sattu. And the reason for Sattu's degrowth is very clear. Now, if you see on the coming two quarters, that is quarter three and quarter four, which is largely in which Sattu is largely not consumed due to winter.

So, and the inventory, as you asked in the last question, the debts have also increased. The working capital has increased due to the high inventory, which will be a blessing to us in the coming quarters. So, we can leverage our inventory for two reasons, for two points. One, to have a revenue growth, because we will be in a position, a better supply chain on the RM side, and a bit consoled on the inflation side.

And second, the margins will also increase, because if you see the last year, last two quarters, as you rightly said, last year quarter three, the PAT was only 3.6%. And the quarter four, it was only 2%, which was largely due to the spike in the RM prices of wheat and gram both. And this year, we are in a position to leverage that because we have got enough inventory with us. So, we look forward to have the same margins in the range of 4.5% to 5% in the coming two quarters.

Pritesh Chheda: Would you be able to comment on the operating margin? Will the operating margin in H2 be similar to H1?

Amit Tapadia: So the operating margin, as we said, the gross margin has improved for us in the first half of this financial year. And we feel that we will be able to maintain a similar gross margin in the next two quarters.

And going forward, since the volume is increasing, and we are analyzing the overall production into various plants in Agra, Varanasi and Calcutta, that will give us operational or capacity benefit also. So, going forward, we feel that our operational margin will be in line with our Q1 and Q2 numbers of this financial year.

Pritesh Chheda: And the last question is on the slightly longer CAGR growth, so beyond FY '26. So, we have been growing at a strong number between whatever 15% to 20% CAGR. So, if you could comment on incremental CAGR and the key drivers to that CAGR, if you could enumerate the same.

Manish Mimani: Right. So, as our historical CAGR growth, we -- though the historical CAGR growth also had some bottlenecks with the launch of, in the last couple of years, a number of companies have came into this space, as Amit mentioned, like Patanjali, like Fortune, and like Parle-G also. Amul is also trying in some part of the country.

So, but then still, we have kept our market share intact. Rather, we have grown in the history. And as Amit mentioned,Emami, which is a big player in this space. In the oil space, they have also launched wheat derivatives this last quarter.

But then still, we are very bullish, optimistic and hopeful to keep our market share intact, one, and continue growing with the same pace, with the same CAGR in the coming years. Again, the another important point is with the bottom-line growth also. So we would like to continue our revenue growth with a good PAT margin. And we are hopeful we will be able to do this. Reason being, the overall manufacturing is done largely in our space. Most of the players rely on third-party manufacturing facilities.

In our case, the entire manufacturing which is in-house. So, the captive production helps us on the supply chain, one, and on the bottom line growth, two. So, with the help of these two, we will continue growing. And for revenue growth, we are going to launch in Bihar and Northeast with the start of our Agra manufacturing facility on Atta site, which is due to be done in this November itself. So, the balance four months is going to see the advantage of revenue from our Agra for the newer geographies like Bihar and Northeast also.

Pritesh Chheda: Okay. And what is the capacity utilization and the capex number? I think you have a substantial capacity, right? You need not put up capexes.

Amit Tapadia: So, currently, the capacity utilization will be close to 60 plus percentage. And if you see at a product level, so Atta has a higher capacity utilization. That's why we decided to install Atta plant in Agra and it will be active from November.

For other categories, we have enough headroom to expand with the same facility. And the additional capex, which is planned as a part of the object of the offer, that is to backward integrate the Besan and Sattu manufacturing, which will result in consistent quality throughout the year and better margin.

Pritesh Chheda: Did we initially call out the dividend policy? Has we formulated anything?

Amit Tapadia: Yes. So, in the board meeting -- this board meeting which happened yesterday, the board has approved a dividend policy wherein the payout has been maintained at close to 25% to 50% of the pack of annualized pack. So, we believe that and also if you see the history of last six, seven years, we have paid, we have maintained a dividend payout ratio of close to 36%.

And in line with our historical trend, we endeavored to pay dividends to our valued shareholders in the similar line. And hence, we have kept a policy. We have maintained a policy, we have introduced a policy which got approved by the board yesterday, that we will maintain a dividend payout ratio of close to 25% to 40% in the range of 25% to 50%.

Moderator: Thank you, sir. The next question is from the line of Vijay Jangir from Systematix. Please go ahead.

Vijay Jangir: Good morning. I just wanted to know about the margins. I mean, how high our margins are in B2C in comparison of B2B? I mean, are our margins lower in B2B category comparing to B2C?

Like, I just wanted to know if B2C is 10% margin we are making, then how much margins we are making in B2B? Same goes to either like general trade in e-commerce or our modern trade in general. I wanted to know about the margins.

Amit Tapadia: So, the continued focus of the organization is on the package class segment, which we call it as B2C segment. Now, B2B includes sale of by-products and co-products, which are getting manufactured during the manufacturing of our finished goods.

The prime focus again to be is to be active in the B2C segment. So, the B2C segment and we track the segment-wise margin at a gross level. So, the B2C gross margin for this quarter is close to 29% and the B2B margin is close to 3%.

So, the focus is on the B2C category and we are hopeful that we'll be able to drive home a gross margin of close to 28% to 29% in the complete financial year FY '26.

Vijay Jangir: And on your generate trade…

Amit Tapadia: And one more question. Yes. On general trade margins and the e-commerce margins, so, general trade is close to 85% of the overall B2C sales, which is on cash and carry basis and remaining 15% is modern trade.

Now, the margins we are billing the modern trade customers at a rate which is similar to the rate at which we are billing our distributor in the general trade margins. So, that way the gross margin is similar in both the space.

Does that in case of modern trade, we are not paying any additional commission, which we are paying in case of general trade to our C&F agent, so, that way, if you see at a bottom-line, the margins are better in modern trade as compared to general trade.

Vijay Jangir: Okay. Okay. Thank you, sir. And one other question related to emerging categories is we are growing at a CAGR of more than 65% since last FY 2023. So, any like any regional brand acquisition or any capacity-led expansion, we are looking for in this category, that is emerging category.

Manish Mimani: So, as of now, the enough capacity is with us and with the advent of new capacity creation in our Agra facility for whole wheat Atta, which is going to start in November. In near future, we don't see to augment our capacities. This is one.

Number two, of course, we look forward for merger acquisition in this side of country. And in our addressable agencies, if we find any good opportunity at a good price, we look forward for M&A activity.

Vijay Jangir: Okay. Okay. Thank you, sir. And one last question. I mean, our margins are highest in emerging categories than value-added products and carrier-products, right?

Amit Tapadia: So, if you see the gross margin, on a gross margin level, the gross margin is higher in value-added products and in the emerging category, currently, as sir said, we are feeding the spices category. So, there we have kept a very aggressive margin so that we are very competitive in the market and we want to expand the distribution network.

So -- but going forward, if you see at a category level, obviously, the emerging category command a better gross margin as compared to the value-added category and the wheat flour category.

Moderator: The next question is on the line of Bhargav from Ambit Asset Management. Please go ahead.

Bhargav: Yes. Good morning team and thank you for the opportunity.

Manish Mimani: Good morning.

Bhargav: Sir, my first question is that is it possible to quantify what is the first half revenue of spices and what is the kind of gross and EBITDA margin that we are making in this business? And related question is that maybe in the next three years, what is the plan on this category?

Amit Tapadia: So, in spices category, in quarter one, we have grown at close to 70%, 68%-70% because of the lower base in the previous financial year. And in this quarter, which is Q2 of this financial year, we have grown at close to 23%. Yes.

Bhargav: Revenue, absolute revenue, what would be the absolute revenue in first half in spices?

Amit Tapadia: So in the first half, the revenue will be close to INR16 crores to INR17 crores in the spices category.

Bhargav: And margin?

Amit Tapadia: Margin will be in line with the emerging categories. As we said, we are seeding the category. So, this is not a margin or not a very stable margin in case of spices because we are running consumer schemes. So, it will be close to….

Bhargav: No, sir. Gross margin?

Amit Tapadia: Yes. Gross margin only, since we are running the consumer promo scheme, it forms part of gross margin only. So, that way, it will be close to 20%. And -- but we feel that the spices category commands a better margin, which is - anyways, as compared to the previous financial year, we have improved the gross margin in spices. And going forward, we will be able to achieve a level which is in line with our peers.

Manish Mimani: So, we look forward to have gained the market share in spices in near stable future. So, we want to wake up the entire category in this part of country. And it cannot be done alone, only with the distribution and the quality.

Initially, we need to have a reach in the kitchen. And I think other than distribution and quality, we need to play on the entire 360 degree marketing, sampling, at least the consumers should sample us first. Then only in the future, they will be able to differentiate and reward us with a better margin.

Bhargav: And sir, to basically make this a far more profitable business, what level of revenue do you think can one needs to achieve? Meaning at a INR200 crore revenue can we become a 35%-40% gross margin company in spices or is INR200 crores a smaller number?

Amit Tapadia: So, we feel -- and considering the internal target which we have, so going forward in couple of years, we feel we will be able to have a revenue of close to INR100 crores on the spices category at a gross margin of close to 30% and 35%.

Bhargav: Okay, even at INR100 crores, you can make decent gross margin?

Amit Tapadia: At 100 crores and the gross margin of 30 to 35%.

Bhargav: Sir, my second question is that if you look at your second half last year, the EBITDA margin is fairly low at 6.8%. So is it typically seasonality and lower share of Sattu or there was something abnormal in the second half last year?

Amit Tapadia: Yes, so Amit this side, as we highlighted that there was a sharp increase in the prices of raw material, which is wheat and gram in the second half of the previous financial year and it is a public data.

So, that way -- that affected us the gross margin as well, and which slowed down to the PBT and PAT. So, the PAT for Q3 was close to 3.6% in the previous financial year and Q4 was close to

2% as we reported in the previous quarter. So, that was the only reason, the sharp increase in the raw material prices of wheat and gram.

Bhargav: So, sir, now that you've procured the raw material in advance, it's visible in your cash flow. So, is it fair to say that in the second half, the EBITDA margins will be in line with the first quarter or how is it?

Amit Tapadia: Yes, we feel that we'll be able to deliver similar margins in the next quarter, because of the levers of inventory, which we have in hand as of 30th of September.

Bhargav: And Sattu makes what, kind of, EBITDA margins? Is it possible and revenue, if possible, last year?

Amit Tapadia: So, the last year, Sattu revenue was more than INR130 crores and the gross margin at a VAP category, as I said, we categorize into the VAP category, it is more than 30% gross margin.

Moderator: The next question is from the line of Disha Giria from Ashika Institutional Equity. Please go ahead.

Disha Giria: Hi, sir. So, my question is regarding how do you share in comparison to your national brands since you are going into the expansion and opening Agra facility? What is your market share versus their market share?

And how do you ensure your margin stability, be it in the spices feed category, because commodity business, that is why your margins are not stable in general because commodity business one-time if the prices are high, it does impact. So, is there any plan to roll out as a proper FMCG company that would help stabilize margins in general?

Manish Mimani: So, on the margin side, as we have said, last year, in the last two quarters of Q3 and Q4 of financial year 2025, the prices of raw material of both wheat and gram, they shot up with more than 20%, 25%. And that was one of the key reason of our lower margins in the last two quarters of last financial year.

Moving forward, for that reason, we have increased our inventory level this year to make sure due to any sudden spike in the RM prices, we should not suffer on the supply side as well as on the margin side.

Now, moving forward, of course, it is a commodity area, it is a commodity category. But then, we, as a brand, or with the strength of brand, with the strength of full of the customers, and with the help of the distribution network in this part of country, we are in a position and we have historically passed on whatever the raw material prices increased with the increase in our average selling price also.

So, maybe the last two quarters, last year, two quarters were exceptional because it was more than 20%, 25%. Otherwise, historically, whatever the increase is there, a single digit or a smaller double digit increase in the RM prices, regularly we pass on it to our consumers and they have accepted this. So, this is on the margin side. Looking forward, we look forward to have same margins of H1 in our next two quarters.

Now, on the market share side, of course, we want to be one of the biggest food category player in Eastern India first, and then we would like to go multi-regional or Pan-India. We would like to go more deep rather than going more wide and in geography. And we would like to create more synergical -- we would like to step into more synergical agencies also, which we are doing with the help of spices. And in the coming future, we look forward to have some of more categories which are adjacent.

Now with the help of this big basket and deeper penetration in the Eastern India where we operate, I think the market itself of Eastern India is very big, which is 33% population of pan-India. And with the market size, the categories where we operate, the core category wheat derivatives and grain derivatives market is more than INR5,500 crores in East India and INR6,000 crores in spices. So I think enough headroom is there to grow in this area itself.

Now on the third answer for your question is on the market share vis-a-vis the pan-India players. The pan-India player in this category is Aashirvaad in Atta category, which is 33% to 35% of our total revenue.

So we are not in direct fight with any brand because 65% of our revenues come from the other categories where Aashirvaad doesn't place. So I think we have a very good product basket to -- for the advantage of our supply chain advantage also with the help of Atta, which is a carrier. And with the balance 60%, 65% category, which helps us on our pricing path.

Moderator: Thank you. The next question is from the line of Naitik from NV Alpha Fund. Please go ahead.

Naitik: Hi, sir. Thanks for taking my question. So my first question is if you can give me absolute number for H1 breakup of wheat flour, value-added products and also B2B versus B2B sales for first half?

Amit Tapadia: So, you need for the entire first half, right?

Naitik: Yes, yes.

Amit Tapadia: So Amit, this side. So in the first half, the revenue from wheat flour was close to INR117 crores. And from value-added flour, which is wheat-based and ground-based flour, it is close to INR200 crores. And your next question was on the B2B, right? So the B2B revenue in the first half of this financial year was close to INR97 crores.

Naitik: INR97 crores. Got it. And my second -- only INR97 crores, sorry I...

Amit Tapadia: Yes, 9, 7, INR97 crores.

Naitik: B2B was INR97 crores.

Amit Tapadia: Yes, B2B. So, again, so the B2B includes sale of by-products and co-products, which is not a focus area for us. Since it comes out during the process of production, we have to sell. We have no other option but to sell it. The majority of the sales, close to 78%, 79% of the sales is B2C.

Naitik: B2C. Got it. And sir, my next question is, you did mention that you repaid some amount of debt, but can I get the gross debt amount as on date?

Amit Tapadia: Currently, the short-term borrowing is close to INR58 crores. And there's a long-term borrowing as well in the books, and it is close to INR12 crores.

Naitik: Got it. So INR70 crores is the gross debt that we have as on date. And sir, my last question is, you mentioned that we didn't buy inventory in bulk considering the prices that shot up last year. But my question is what if the prices start coming down, I mean, like they have in the couple of months, I believe. So I mean, if the prices go further down, then won't we face pressure again?

Amit Tapadia: So, sorry, your question is, what if the prices go down? If the prices go down for…

Naitik: Yes. For RM like wheat and…

Manish Mimani: Right. So, it's a very valid question. But then if you see with the advantage of the brand and with the advantage of the pull factor of the consumers, we are in a position to keep our prices the same even if it isn't the case, the RM prices go down.

But to avoid the extremities or the extreme condition of having a disruption in supply chains and margins, which happened last year due to the lesser inventory. So, this year, strategically, we wanted to have enough inventory with us to avoid that situation. So, if you compare the both situations, it is better to have inventory rather than not to have it.

Moderator: The next question is from the line of Aniket from Subhkam Ventures. Please go ahead.

Aniket: Good morning, sir. So, firstly, yes, you did mention about the increase in inventory to safeguard your margins and the pricing, everything. So, this is just a one-year phenomenon which you have adopted this year or this is structural in nature? Every year you will do this?

Manish Mimani: No, no. This is, I think, first of its kind in our life, business life. And it's a one-year strategy. The reason being, till last year, if you see last couple of years, three to four years post-COVID, government collection of wheat and gram was not up to the mark.

So, out of 100 million crop every year, government, till last year, was not in a position, they only procured INR20 million-INR22 million. But this year, the procurement was nearly INR29 million-INR30 million.

So, now government carry-forward stock is big enough to come into the picture if any disruption is there in the supplies, which was not there in last year. And that was the reason why the prices increased last year.

Now, once this cycle has concluded with the government having a procurement of INR30 million, nearly INR30 million this year, moving forward, every year government will be in a position now to, will be in a comfortable position to carry-forward the wheat stock, which in return will stabilize the prices in the open market.

And I think moving forward, we will, the company or the industry will need not to carry the same high level of inventory.

Ankit: Okay. So, this is not structural in nature. Okay. That is good. And, sir, your margins in Sattu are higher or lower as compared to your company average margin?

Manish Mimani: Higher.

Aniket: It's higher. So, going forward, if, since Sattu has a low base, so if the growth in Sattu is higher next year compared to your company level, you feel that the margins will improve for the company as a whole? Of course.

Manish Mimani: Of course. So, even in the value-added products, where the margins is more than 30%, the Sattu itself is one of the highest margin contributors within all the value-added products, which is more than 33%, 34%. And the next year, if everything goes well, and if we have a growth in Sattu, the margins -- overall margins will grow.

Aniket: Okay. And ultimately, your journey towards 11% operating margins by FY 2028, what would be the main driver? Would it be the product mix, the channel mix, or the operating efficiency, or what would be the main driver?

Manish Mimani: So, in the journey, in another couple of years, we look forward to have a data margin of 10% to 11%, the band of 10% to 11%. And I think it will be a mix of three, four factors. Primarily, number one, with the advantage of factories near to farm, that is in UP, in Varanasi and Agra, we are -- the company is in a position to procure at a lower rate, grind in those areas, manufacture in those areas, and supply directly to our distributors from that area itself, which gives the advantage on the margin.

Now, second, of course, on the pricing discipline, even though we, there is a competition -- intense competition in the markets there, still we would like to have a price discipline, which will give advantage to our margins. And the third, as the revenue grows, and the penetration of the geography grows, we will have an advantage on the margins.

And last but not the least, more the revenue grow on the spices in the coming years. And once we Attain at a scale, we will be in a position to have better margins from spices, which will add to the overall pool of money.

Moderator: Thank you. The next question is from the line of Naman Maheshwari from Singularity AMC. Please go ahead.

Naman Maheshwari Hi, sir. Thanks for the opportunity. Just wanted to understand that what is the breakup of B2B and B2C in our total revenue in H1?

Amit Tapadia So, the B2B revenue in H1 is close to 22%, and B2C revenue is close to 78%.

Naman Maheshwari Okay. And the second thing, if you can call out, Amit, is that what is the volume growth in H1 in whole wheat Atta and the wheat and gram-based products?

Amit Tapadia Yes. So, the volume growth in H1 in Atta, particularly is close to 17%. And excluding Sattu, the growth in the overall B2C segment is close to 10.1%.

Naman Maheshwari 10.1%.

Amit Tapadia Yes. And including Sattu, the volume growth is close to 7%, 7.5% in the first half.

Naman Maheshwari Got it. Second thing which I wanted to understand is that right now our overall market share, I mean 93% of our revenues from West Bengal, if I'm not wrong, what is our strategy to grow outside of West Bengal? And is there any progress on that?

Amit Tapadia So, we are targeting to complete and to start manufacturing Atta from Agra from the month of November, wherein which will help us to cater to the market of Bihar and Northeast.

Our sales team are already working on ground in Bihar and Northeast to onboard new distributors and CNF agents. So we are very hopeful that from the later part of this quarter, which is Q3, we will be able to increase or penetrate better in Bihar and Northeast. Further, Odisha and Jharkhand, which are the second and third markets for us after West Bengal, we are constantly thriving in those two states.

Naman Maheshwari Just one last thing.

Moderator: Sorry to interrupt. Mr. Naman, we request you to kindly rejoin the queue.

Naman Maheshwari Sure. Sure.

Moderator: Thank you. The next question is from the line of Digesh, an Individual Investor. Please go ahead. Mr. Digesh, we request you to kindly unmute your line.

Digesh: Okay. So, the first question is like from a sponsor's point of view and to mitigate the geographical risk, like 80% of the revenue is coming from West Bengal. So, are you planning to diversify?

Are you planning for – to have your presence in any other geographic or any other state? And if yes, then can you outline expansion strategy like any timeline and priority state or region to scale up? And initially, if you can focus on like what would be the investment for this such scale-up and expansion?

Manish Mimani: Right. So thank you for joining. So, as we said, the Eastern India market, overall market is nearly INR5,500 crore market of the categories where we operate and INR6,000 crore market for spices which we have entered.

But again, Bengal alone is more than INR1,500 crore market for the categories where we operate. So I think it's still Bengal, though we are the market leaders in Bengal, there's still a lot of activity or action is yet to happen in Bengal alone. So moving forward, the overall categories of staples is the overall market is nearly 5,500-6,000 in Bengal of which 18% is only being sold in package form.

So, there's 82% of wheat derivatives and gram derivatives in Bengal alone is being sold in loose form. And the same percentage is being sold loose form in Eastern India. So, I think moving forward the growth, to have a higher growth, we will not like to overlook the Bengal, though we are market leaders here.

So, we would like to go more deeper in Bengal also, as well as we have started our full-fledged marketing initiatives in Jharkhand and Odisha, which is our contributor of our own revenue as second and third. And with the advent of new facility in Agra, which will have better logistics supply chain advantage for Bihar and Northeast markets, which we are going to start in November last.

So, with the help of this entire focus on Eastern India other than Bengal, where we are very nascent player as of now, but with the basket size where we operate, with the advantage of the basket size and with the advantage of the supply chain, we look forward to have good figures and better market share in Eastern India also.

Moderator: Thank you sir. As there are no further questions from the participants, I now hand the conference over to the management for the closing comments.

Manish Mimani: Thank you very much to all the participants for your interest and for your continued partnership in Ganesh Consumer Products. We look forward to connecting with you once again for our next earning call for Q3 later this year.

As we move past the festive season, I would like to take this opportunity to extend warm wishes for the upcoming new year. May it bring prosperity, good health and happiness to all of you and your families. On behalf of entire Ganesh Consumer Products family, thank you once again for joining us today and showing the interest and trust on us. Thank you.

Moderator: On behalf of Go India Advisors LLP, that concludes this conference. Thank you for joining us. You may now disconnect your lines.