



MADHUSUDAN MASALA LIMITED

(Formerly known as "Madhusudan Masala Pvt. Ltd.")

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

CIN: U15400GJ2021PLC127968 | GSTIN: 24AAPCM2743Q1ZU | FSSAI No.: 10721999000495

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Date: November 29, 2024

To,
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex
Bandra (East), Mumbai-400051.

Dear Sir/Ma'am,

Subject: Transcript of the Earnings Call for the First half year ended on September 30, 2024

Ref: Madhusudan Masala Limited (SYMBOL/ISIN: MADHUSUDAN / INE0P6701019)

This is further to our letter dated November 26, 2024, whereby the company had submitted the link to the audio recording of the Earning Call held post announcement of Un-Audited Financial Results for the First half year ended on September 30, 2024.

Pursuant to the Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, Please find enclosed the Transcript of the said Earnings Call, for your information and records.

The transcript of the earnings call is also available on the Company's website:

<https://madhusudanmasala.com/investors/investor-presentation.html>

Kindly take the above on your records.

Thanking You,

Yours Faithfully,

For, **Madhusudan Masala Limited**

**RISHIT DAYALAJI
KOTECHA**

**Rishit Dayalaji Kotecha
Chairman cum Managing Director
DIN: 00062148**

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“Madhusudan Masala Limited
Q2 & H1 FY '25 Earnings Conference Call”

November 26, 2024



MANAGEMENT: **MR. RISHIT KOTECHA – CHAIRMAN AND MANAGING DIRECTOR – MADHUSUDAN MASALA LIMITED**
MR. HIREN KOTECHA – WHOLE-TIME DIRECTOR – MADHUSUDAN MASALA LIMITED
CA SARVESH GOHIL – CONSULTANT – MADHUSUDAN MASALA LIMITED

MODERATOR: **MR. RAMADHIN RANE – HEM SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY25 Madhusudan Masada's Limited Earnings Conference Call hosted by HEM Securities. As a reminder, all participant line will be in listen only mode and there will be an opportunity for you to ask question 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. Ramadhini Rane from HEM Securities. Thank you, and over to you, sir.

Ramadhini Rane: Thank you. A very good morning, ladies and gentlemen. I welcome you all to the H1 FY25 earnings conference call of Madhusudan Masala Limited. Today on the call from the management team, we have with us Mr. Rishit Kotecha, Chairman and Managing Director Mr. Hiren Kotecha, Whole-time Director and CA Sarvesh Gohil, Consultant to the Company. As a disclaimer, I would like to inform all of you that this call may contain forward looking statements which may involve risk and uncertainties.

Also as a reminder that this call is being recorded. I would now request the management to brief us about the business and performance highlights for the half year that went by the growth plans and visions for the coming year. Post which we'll open the floor for Q&A. Over to you Rishitji.

Rishit Kotecha: Thank you, Ramadhini. Hello, good morning everyone. Myself Rishit Kotecha, Chairman and Managing Director of your company. I welcome all of you to the earning call of H1 FY25. Actually, I don't know the exact number of participants who joined the conference, but I believe that good numbers are joined in this conference. So again, I welcome you all to the conference call of this H1 FY25. I believe that you have had an opportunity to review the presentation and financial results that were uploaded at the exchange.

Before I discuss about our financial highlights, I would like to give a.... Some of you already aware about our company, but I believe today some new investors are also joining this interaction. So I am happy to let you know about our company in brief. Madhusudan Masala Limited, which was incorporated in 1982. We are a manufacturer and trader of spices and other food products.

We are engaged in the business of manufacturing and processing of various types of spices under the brand names of DoubleHathi, Maharaja, Mantavya & 77 green. Other than spices we are also manufacturing and selling some grocery products like various kind of flours, tea, papad, soya products, hing, achar masala, salt, kasuri methi, mint flakes etc. under the brand name of DoubleHathi.

Operating in the industry since last 4 decades, our founder, promoter, Mr. Dayalji Kotecha and Vijaybhai Kotecha lead the foundation of our business in 1982, through a partnership from Madhusudan and Company to focus the high-quality -- providing high-quality foods, which

were cost effectiveness and improved accessibility. Later our next generation myself, Rishit Dayalaji Kotecha and Hiren Vijaybhai Kotecha continued legacy and developed an extensive experience in the industry. We believe that we have established our brand as a preferred home consumption brand for the Indian families.

Currently, we operate from our manufacturing facility located at Jamnagar in Gujarat. Our manufacturing unit is situated at Industrial Area Hapa near the Jamnagar, which is strategically located near the local PMC market, which is facilitating easily procurement of raw material and quick access to transportation, which reduces our transportation cost also. Also recently, we acquired unit, Vitagreen Products Private Limited is operated from Rajkot, which is located at Metoda in Rajkot, and our blended spices are manufactured from this unit.

Both of our manufacturing facilities are equipped with plant and machinery to facilitate efficient production process of cleaning, drying, grading, sorting, grinding and packaging. All spices and other products are manufactured at our unit with utmost care and by way of natural process with scientific methods so as to retain the natural properties of the spices, like colors and odors which will not reduce with the time.

Now I'm very happy to say that your company has delivered a solid performance on both financial and operational front for the half year ended financial year '25, like we have touched consolidated revenue of INR99.58 crores, which is almost 83% grown from the last half year ended financial year '24, while our EBITDA has been increased by 106% to INR12.24 crores, which was also gained from INR5.94 crores from the last half year ended financial year '24 while our profit after tax has tremendously increased by 97% to INR6.5 crores, which was INR3.3 crores in H1 FY '24.

The main reason for increasing in PAT and EBITDA is that we have increased our branded sales percentage from 56% to 63% in this half year ended FY '25. And I'm very happy to inform you that we are in line with our improvement of increasing our own brand sales as mentioned in our earlier earning call. We are constantly working to expand our reach by adding new products in our portfolio, going in the -- aiming at greater geographical presence.

To get several customers, we have implemented several operational enhancement. Like we have added 4 new packaging -- automatic packaging lines at our Metoda factory at Rajkot, which enabling us to do constant and smooth supply of small-size SKU while we deployed 2 new delivery vehicles to make timely delivery to our distributors on scheduled period.

We also expanded our product portfolio with adding some new SKUs like we have added 200-gram HDPE jar for blended and ground spices, some new products like mint flakes, fennel powder or existing portfolio which enabled us to cater a new customer and provide entire range of spices to the existing distributor channels.

We have successfully entered in the new market of Uttar Pradesh from July '24 and Jammu Kashmir from September '24. And currently, I'm very happy to let you know that we have received repeat orders from these 2 states also. And currently, we are operating in only

Srinagar in Jammu Kashmir and Lucknow territory at Uttar Pradesh. More territories to be opened soon. So these 2 states are being more sales in the coming period also.

Some strategic initiatives like below has also gained -- help us to gain our markets share. Like we have divided production facilities of ground spices and blended spices in both of our factories, like we're manufacturing the ground spices portfolio from our Jamnagar factory and blended spices portfolio are being manufactured at Metoda unit. So this initiative will help us to manage our dispatches smoothly and on-time delivery to our channel partners.

Some of grammage optimization also help us to gain our profitability and also enable retailers and distributors to enjoy the healthy margins in these small sizes gain. And our own cold storage facility also operational from this financial year. This also help us to save the cost of our rental raw material. So it is enhancing our overall profitability.

Some of our marketing initiative has played a crucial role in driving growth, like our highly acclaimed Rewards for Retailers scheme has been a phenomenal success, offering a unique scratch and win opportunity that guarantees a sure price for every participating retailers, thereby fostering loyalty, enthusiasm and widespread. And our distributor also enjoys like buy more, save more scheme, which enable the distributors to take discounts and enhance profitability on their bulk orders. Our executives are also being rewarded by focusing our products in retail outlets. Recently, we read that Anuga Food 2024 at Mumbai Exhibition Centre, which delivered successful resounding and unlocking the new business opportunity nearby areas of Maharashtra.

And some of our other sales initiatives like constant marketing support to our sales team like we are giving the news media campaigns, eye-catching hoardings, auto-ricksha branding and more to drive visibility and true sales growth. And I'm very proud to announce that our company has certified with the prestigious ZED Gold Certificate, which makes us the first spices manufacturer in India to receive this honor in the spice category.

Additionally, we received the Pride of "HALAR" Award from the TOP FM as a leading spice manufacturer. All of this initiative and seeing the half yearly sales and profitability, I'm very confident that we will let you INR240 crores plus revenue from this current financial year.

I would like to extend my deepest gratitude to our esteem investors for their unwavering trust and confidence in our company. Your faith in our vision and strategy has been instrumental in driving our success. I also thank our dedicated team members, channel partners and stakeholders for their tireless efforts and commitment. Finally, I would like to congratulate our team on their outstanding performance in H1 FY '25. Your hard work and dedication have opened us to new heights.

Thank you for your attention, and I welcome any questions you may have. That is all from my end. Thank you for your time. I would like to request you to open the floor for question and answer. Thank you.

Moderator:

Thank you very much. The first question is from the line of Vivek Patel from Fincom Family Office. Please go ahead.

Vivek Patel: My first question is, what is the source of confidence that you have to achieve INR240 crores in FY '25? And also a sub question would be, how about the margins? What would they look like?

Rishit Kotecha: Thank you for your question. Vivek, as our business is some kind of seasonal based business, so our first half financial year will be 35% to 40% of total revenue, while second half would be more in revenue. So based on this -- our past experience and our business cycle, I assume that we will definitely achieve INR240 crores of revenue in this current financial year. Margin would be similar to the half year -- we will continue -- till the end of the financial year.

Vivek Patel: So about 12% margins?

Rishit Kotecha: Yes, 11.5% to 12% throughout the entire year.

Vivek Patel: All right. Next question is, how has been the working capital base presently? If you could break it down in terms of inventory, trade receivables, payables? And also, how would you expect that to be...

Rishit Kotecha: Recently, we have opened a new area. So as of now, our trade receivables are on a higher side. But as soon as we get comfort from these channel partners, the receivable cycle will much similar to the 30 days of cycle, as of now it is more than 80 days.

Vivek Patel: Okay, understood. And next, how has been the integration with the acquisition of Vitagreen? How has been the response so far from cross-selling initiatives that you have taken? What are the -- about Vitagreen, what are the revenue, inventory days, dealers, the status of that?

Rishit Kotecha: Yes. In this financial, we have consolidated the Madhusudan and Vitagreen both procurement combinedly stored in our Madhusudan factory. So inventory, days are much downside Vitagreen because Vitagreen is manufacturing only blended spices while other products like ground spices and grocery products and whole spices are being manufactured and packaging facilities are at Jamnagar factory. So inventory are mainly stored at our Jamnagar factory.

Vivek Patel: Understood. And also, how has been the response to your non-Gujarat states also about target market in the northern belt? And I think you have also come to a point brand ambassadors as well, marketing initiatives. How has that been?

Rishit Kotecha: Sure. Recently, we did not appointed any brand ambassador, but we are planning to appoint a good brand ambassador to cater to this new area. But as of now, our priority is to provide local test quality to this new territory. Like in UP and Jammu Kashmir we have developed special blend for both states. So first, our first priority is to supply good quality and local like this to any required territory.

This will help distributors and our retailers to get consumers easily convert to our brand. And later then, we also are planning to make marketing activity in these areas. So our products are well aware with our consumers and then we can get good benefit from the marketing campaign.

Vivek Patel: And also, I think the current blended spices share as of H1 is at 4% -- 3.5% to 4%. And what do you expect the blended spices share to be in the coming 2 years, if you can?

Rishit Kotecha: Yes, sure, definitely. Because from the last financial year, we have grown almost more than 200% in blended spices. So this due to our acquisition of Vitagreen which has good quality blended spices and its healthy portfolio of old blended spices ranging in other Indian brand. So definitely, we will grow our blended spices category in the coming year.

Vivek Patel: So what will you believe that share could be, 20%, 25%?

Rishit Kotecha: As of now, our share is very lower as per our expectation. But we targeted that it could be 10% within 2 years.

Vivek Patel: And if I could squeeze in one last question. What is the current breakup of online versus offline revenue? And offline, how much is general trade and modern trade, if you could just simply break that down?

Rishit Kotecha: Sure. Yes. As of now, our online presence is at Amazon only while Flipkart we have just registered our company. So with the Flipkart sale not arriving, so Amazon on our own website sales are coming. But these sales are very negligible, which cannot also be measured in percentage of our total sales. But hopefully, we can cover this online sales in the coming future. And our major sales are from traditional sales synergies only, like retailers and distributors are selling 95% of our sales, only 4% to 5% are selling through modern sales channels.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to Mr. Ramadhin Rane from Hem Securities for closing comments.

Ramadhin Rane: I believe we have one participant for a question, if you would take him, allow him to speak.

Moderator: Next question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: Many congratulations for a good set of numbers. Sir, can you throw some light on our future plan for expansion in terms of geography? I mean, recently, we have entered into UP and Jammu and Kashmir. So over the next 6 months to one year, what are other geographies we are looking to cover? So that would be very helpful. And my second query is how do we see FY '26 in terms of growth and margins?

Rishit Kotecha: Thank you for your question. Yes, I will answer your first question. We definitely are planning to spread our presence in Madhya Pradesh and Punjab in this current financial work. Also, we have appointed a sales team at Madhya Pradesh, which will be started from the month of December. So in this financial year, we will operate from Madhya Pradesh and Punjab also.

Later on from next financial year, we have planned to cover Rajasthan territory also. Although have sales coming from Rajasthan and Madhya Pradesh and Telangana also, but we do not have a sales team or proper sales distributors are there. So we are not considering these

territories as our operational area. So most probably Madhya Pradesh and Punjab will start with good number of sales from these financial years.

Deepak Poddar: Okay. Understood. And in terms of branded sales, how do we look at? I mean, in terms of branded sales currently 63%, how do we see the share of branded over the next two, three years?

Rishit Kotecha: Two to three years, we already planned as we earlier discussed in our call also, till 2030 we will be sales only -- branded sales. I mean, 100% of our sales will be of branded sales throughout 2030. So most probably, this year will be closed around 65% of branded sales. And next year, we have planned for 70% to 75% of branded sales in FY '26.

Deepak Poddar: Correct. And by 2030, it would be 100%?

Rishit Kotecha: Yes.

Deepak Poddar: Okay. And then how do we see FY '26 revenue growth and margins?

Rishit Kotecha: In FY '26, I assume more than INR340 -- INR325 crores to INR340 crores will be growth in FY '26.

Deepak Poddar: And what about the margins?

Rishit Kotecha: The margins would be around -- EBITDA will be 12%.

Moderator: The next question is from the line of Praveen Sahay from Prabhudas Lilladher Capital. Please go ahead.

Praveen Sahay: My first question is related to the branded sales. Definitely, in the branded sales currently, we had increased share of blended spices from 1% to 4% from last financial year to now. And the way forward that you are also guiding to reach to a branded sales 100%. So how the mix in the branded you are expecting the way forward between the blended spices, ground spices and -- so other grocery products?

Rishit Kotecha: Yes. So in branded spices, our category of ground spices will be the top selling category in the branded sales because we have expertise of ground spices since our inception. And we have a good -- personally, I see a good opportunity in ground spices to spread throughout the Pan India because there is a very huge gap of ground spices sales of any particular brand in entire India. So I'm seeing a big opportunity to develop our brand DoubleHathi as a leading ground spices company in coming years. So in the future, our ground spices category will be zero products for our entire branded sales.

Praveen Sahay: Okay. So basically to understand this, the 100% branded, mostly the blended spices and the ground spice you're targeting to improve?

Rishit Kotecha: Yes, mostly first our priorities on ground spices and secondly the whole spices because these 2 categories are yet very unorganized in all territories. So we can easily come out to unorganized to organized in our proper way. So we are targeting these 2 categories priority base while

blended spices has already developed big players like MDH, Everest, Badshah Masala and in some western parts like Eastern Masala and Northern, there is Goldiee Masala, a very good presence in blended spices category.

So this category is very competitive by other players. So this ground spices and whole spices in a very unorganized sector. So I'm personally seeing a good opportunity in these 2 categories. And our primary focus is how to cater this ground spices category in different territories, like in India, there is a vast differentiation in ground spices, like northern states have different kind of taste in chilli powder while western parts have different kind of chilli powder -- using different kind of chilli powder. So we are constantly working on this products on our ground spices category to supply proper blend to this particular territory.

Praveen Sahay: Sir, also related to this, basically, if I look at your whole spices number is quite high, whether it's a branded sales or your non-branded sales. So in the way forward, you want to reduce this whole spices business as a whole and transition to the ground spices? Is it like that?

Rishit Kotecha: No. In branded sales, our whole spices are growing quickly because this whole spices are currently selling with unbranded road lose sales from retailers or Kirana stores. So we are giving a good quality whole spices in our own brand in small packaging like 100-gram and 200 grams. So customers are really demanding this branded whole spices because of hygiene and transparency of quality. So our whole spices category in branded sales will be growing more in coming year also.

Praveen Sahay: Okay. So basically to summarize this, your branded would be a mix of blended ground spices and the whole prices altogether. Where you are seeing a good growth in the way forward once it will achieve the 100% of branded, majority would be 3 segments. Is it fair understanding?

Rishit Kotecha: Yes, correct. Majority are these 3 categories will be for branded.

Praveen Sahay: And also if you can give some gross margin level differences between these 3 segments, like a blended or ground and the whole, how is the gross margin scenario?

Rishit Kotecha: Sure. On this branded sales category, we are enjoying good margin in blended spices, like 22% to 25% growth margin in blended spices while ground spices is 12% to 15% and whole spices has 6% to 7% of margins in whole spices, while other grocery products like tea and clothes somewhere between 8% to 12%, different in particular products.

Praveen Sahay: Got it, got it. And the second thing on the geographical expansion you had already given in the presentation. So there are 4 or 5 states you are looking at for the expansion. But if I look at like you had highlighted for Uttar Pradesh, you have a presence in Lucknow or Jammu and Kashmir, you have presence in Jammu, so is it not like going beyond Lucknow in the Uttar Pradesh itself first and then after explore other states? Or you are just -- you're just targeting certain region of certain states only?

Rishit Kotecha: No. Our main object is to cater to new territories that we have already established dealer partners from our Vitagreen company which were connected with Vitagreen since last 10 years. So they are demanding us to reopen these territories, which was closed by the old

management of Vitagreen. So currently, we are taking advantage of this sales of Vitagreen, which already stated in this territory like Madhya Pradesh, Rajasthan, UP, Punjab, Jharkhand and Jammu Kashmir. But first of all, we see a good opportunity in Uttar Pradesh and Jammu Kashmir dealers which are very aggressive in sales. So we suddenly opened these 2 territories.

And our sales team is constantly approaching new dealers to approach -- to sales in other territories of Uttar Pradesh and Jammu Kashmir. But in Jammu Kashmir, our Srinagar dealer is very capable to cover the entire state like he has a presence at end of Gilgit and Baltistan also. So in Jammu Kashmir, we will cover entire state within a short period. While in Uttar Pradesh, we have plan to deploy more than 30 to 35 distributors in different territories. So this is also in our plan.

Praveen Sahay: So how many distributors of Vitagreen you have right now?

Rishit Kotecha: We have 200 distributors of Vitagreen?

Praveen Sahay: Okay. So out of 200 only, you are giving an indicative of 30, 35 distributors in the UP you are targeting or it's an addition to that?

Rishit Kotecha: No, no. We are adding this new distributors to our Vitagreen entity. There already worked with Vitagreen in earlier period before our acquisition, but we are conservatively starting this distributors because after starting this particular distributor of territory, we do not want that these distributors order -- per month one order will give to us. We insisted them to particular focus on our particular brand and ground spices and whole spices, and after taking the commitment from these sales channels, after that we started work with them.

Praveen Sahay: So usually for you, average sales per distributor, how is that?

Rishit Kotecha: Sorry, I mean, you are asking that per distributor how much of revenue we are getting?

Praveen Sahay: Yes, you are expecting. Like when you appoint any distributor, what's the expectation of average sales?

Rishit Kotecha: Actually, this depends on how big territory that particular distributor sells. Like if -- one distributor has 100 retailers or portfolio of 100 retailers, then we expect INR10 lakhs of sales per month from this distributor.

Praveen Sahay: Okay. And last question, sir, because you had talked about the marketing -- lot of marketing activity you are doing also the way forward some brand investor will also come. Distribution expansion is also happening to drive the growth. But also you are guiding the margin will not going to impact. So like 11.5% or 12% of the margin guidance also you are giving. So after doing all those market expenses, how you are confident of maintaining the margin?

Rishit Kotecha: See, as of now, we have our branded sales around 63%, while non-branded is 37%. So our profitability in non-branded sales are very cheap, like only 4% to 4.5% in non-branded. So in coming period, we are going forward to enhance our branded sales. So this branded sales

profitability is much higher than non-branded sales. So I'm sure that this profit margin will be needed throughout our assumption.

Moderator: The next question is from the line of Ronil Dalal from Ficom Family Office.

Ronil Dalal: So my first question is, usually -- I think one of them you have answered, but if I can get what is the average sales per distributor for Madhusudan versus what is it for Vitagreen? And how much can it be going ahead?

Rishit Kotecha: Sure. Thank you for your question. Yes, particularly, we have different category of distributors. Like our Vitagreen distributors has average sales of INR7 lakhs to INR8 lakhs while our Madhusudan sales are coming from without distributors area, like our western part of Gujarat area is really strong part of our total sales, like our western part which is called Saurashtra. We have 35% of market share in this particular territory for our DoubleHathi brand.

So in this area, we do not have a single distributor. We are directly supplied to retailers and wholesalers, which are numbers of almost more than 3,500 of retailers and wholesalers. So majority of our sales are coming from this direct-dealing retailers and wholesalers in Madhusudan while in Vitagreen, entire sales is coming from distributors only. So that is by far the reason of distributors and retailers.

Ronil Dalal: So is there any average number? Like for Madhusudan, what would be the average sales for distributor or you saying there's not much use of distributors in Gujarat state?

Rishit Kotecha: Just like we -- if we are talking about direct billing channels, there is an average number of per month sale is, something INR80,000 to INR1 lakhs per customer, but this is an average number because some wholesalers are selling INR8 lakhs to INR10 lakhs per month while some small retailers are selling only INR25,000 of sales in the entire month.

Ronil Dalal: Right. So that means -- so Vitagreen would be 7% to 8% and Madhusudan could be, I mean, you can say in the 8% to 12% kind of a range?

Rishit Kotecha: So yes, Madhusudan, if we are talking about distributor channel of Madhusudan, so our distributor average sale is more than INR20 lakhs in Madhusudan because we are -- we have a ground spices and whole spices category distributors in Madhusudan. So the same quantity of this -- both categories are really high in consumption. So our Madhusudan distributors average sales are more than INR20 lakhs per month while distributors of Vitagreen has the blended spices category, so sale is thinner than this ground spices category.

Ronil Dalal: Right. Yes. That's what I thought. So then in that case, so Vitagreen today is around INR7 lakhs to INR8 lakhs. Is there any plan to kind of take this up to maybe like the average from Madhusudan which is only at INR20 lakhs. So over the next year, 2 years, 3 years, do you have such a plan?

Rishit Kotecha: See, if we are appointing a new distributor in a new area, first of all, we insist our channel partner that they have a good knowledge of spices industries, like we are focusing on ground

spices and whole spices. So if our distributors or our channel partners do not have the knowledge of particular spices, they cannot sell to retailers in better manner. So first of all, if it is our channel partner, then they have a good knowledge of our spices industry.

Then after we identify the knowledge of spices, we approach them and ask them which kind of blend of quality are more selling in their particular region. So after getting the particular blend in range from his territory, we develop a particular blend to this particular distributor. So this is our news before acquiring new territory with help of local sales team and partners.

Ronil Dalal:

Right. Sir, but just one clarification that -- actually, I mean, if your distributor has the knowledge of spices or they are having the background of spices, then usually, wouldn't they already be like selling the spices of maybe the larger 3 players in India? So if in case we are developing anyways new distributors who may not be associated in spice market, but knowledge might be limited. So how can we overcome this challenge? Or what are the steps you are taking to educate them?

Rishit Kotecha:

Yes, sure. This is a good question. Actually, I will share one experience with our Jammu Kashmir dealer. This dealer was associated with a good brand like Hathi Masala, which is also our competitor in Rajkot manufacturing unit. And he was selling around monthly INR50 lakhs of spices in the Jammu Kashmir region. But he is not getting a particular kind of blend, which mostly is required in Jammu Kashmir state, like in chilly power, we required powdered foam and without oily material.

But the company is not giving as per his required quality. So we approached this distributor and we assure that we will provide you a particular -- as per your required quality. And after getting those samples to the retailers, he is very happy with our quality and our approach of giving that is as per his desired quality. So he easily convert to sell our products and now he's sole distributor of our DoubleHathi brand.

So these players are not easily change their blend to a particular distributor or particular territory. There is a particular distributor to sell which they promised. While we have -- if a big territory is there, we will develop a new blend for the particular territory, and after that, we get the sale from this territory.

Because if we are giving the coarse ground type material to the Jammu Kashmir area, then our material will not be accepted in this region by consumers. So this is the basic required in a new territory. So for this particular reason, we are expecting that our distributor channel partner also have knowledge of spices sold that he guides us to make a particular blend for his territory

Ronil Dalal:

Right. And there would also be like some percentage of distributors, which you will be appointing, especially in the newer states also it's possible, who don't have a background in spices because there might be distributors in something else or maybe you approach them to develop them as distributors. But it's possible that because there are the top 3 players in India, which are well entrenched in the system and in every state, so maybe it will be difficult for them to switch and so in that case, you would need a newer distributor if you want to grow, right?

Rishit Kotecha:

No. In that case, it's our -- we are getting a good distributor, which has -- who has a good sense of number of sales in spices, but he does not have a knowledge of spices, then we infused our good knowledgeable sales into this particular distributor and on behalf of distributor, our sales team survey the market and get feedback from consumers and retailers about the quality. After this is done, we develop a particular blend for this particular territory.

And also, if we are talking for big brands like 3 brands like MDH, Everest, they are doing well in blended spices category only. Their share of ground spices is very less in total revenue of the company because blended spices are not different taste in different territory while ground spices and whole spices are different blend and different taste in different territories. So these companies do not require knowledgeable sales channels to sell their products. While we are focusing on brand spices category, so we have first priority that our sales team has good knowledge of spices.

Ronil Dalal:

Right. Okay. So, sir, we discussed some of the reasons as to how one can grow into new states and what kind of initiatives you can take on the distributor development side? Besides that, what are the kind of things you think are the right to win in the new states? Like you have presence for many years in Gujarat, but if you are moving to the newer states, what can be our unique selling point or as they call right to win?

Rishit Kotecha:

See, our main USP as I already told that we required quality for consumers, which are very known from decades they are using spices in their home. Because in India, every person like our mother or grandmother are very knowledgeable in spices because India is well known for spices since decades. So in every family, one person is very knowledgeable in spices, so this ground spices category is not easily converted to another brand. So that's why we are getting the feedback from our retailers and from consumers also how -- which type of quality they need.

So first of all, we provide -- as per their need quality to them. And the secondary is our main competitor are unbranded, unauthorized or loose selling products. So particularly, we are targeting this unauthorized or unorganized players, which are selling loose -- sorry, bulk sell to retailers and retailers are selling to consumer as loose sales. So these products are also unhygienic and customers are also -- after COVID customers are also well educated on the packet food are safe to consume. So this benefit -- they have benefited us to sell in new territory.

Ronil Dalal:

Right, right. Sir, and one more question was that the dealers, distributors, what is like their usual profile? I mean, you mentioned already that they should have a knowledge and a background to some extent about spice market and you mentioned already the average kind of revenues you are doing from Madhusudan and also Vitagreen average sales per distributor. But besides that, what is the generated profile of these people? Like are they easily -- is this their only business? And do they have other interests of business? Is there any kind of other information or kind of rough profile of these distributors?

Rishit Kotecha:

No. Our first requirement is that particular distributor has good number of retailers under their territory and he has a good hold with retailer, so we can increase the retailers to buy our

products to them, then after our quality will speak itself to consumers. So first priority is that our distributor has a good relationship with retailers while the spread of retailers in that given area.

Ronil Dalal:

Right. So the next thing I wanted to ask was that you mentioned that there is a specific taste that people are looking for when it comes to spices in different states and areas. But I just wanted to understand that how does that conversion take place? Because usually, I mean, as per at least for my limited understanding is that you have a certain order which you are placing every few months for spices at your home.

So then how does there come a shift -- say like, if I'm placing already the same order for spices every 2 months or 1 month, 2 months, 3 months to my house or maybe I'm going and picking up the same thing from the same person for many years. How do I then make a switch? Like is it usually recommended that why don't you try this spice, it's better or is the push coming from the distributor or the retailer? I mean, more the retail -- at the retail side, I mean, how is the push happening?

Rishit Kotecha:

Yes, definitely, it is a good question. Because as per our past experience and from new territory, we've seen that where our products are selling to consumers, these consumers are buying our product, which earlier they are not buying some particular brand. Earlier they were using non-branded or making the homemade spices for their consumption.

Mostly our consumers which are buying our products in our newly entered area, these customers earlier they were using own manufactured, like homemade masalas for their consumption or they are procuring from their retailers non-branded packets. So majority of our new customers are coming from unorganized or homemade masalas consumers.

Ronil Dalal:

Right, right. But then what happens is that -- and I get that. But then, when you make this switch -- supposing if you're making homemade, then when you decide -- at one point, you decide that like -- I mean, maybe some elder person in the house has been making this, I no longer want to make it or that person has become old, they cannot make it. So maybe we need to buy from somewhere outside. So then when that conversation starts, I mean, then you do a Google search.

So Google search will obviously point you to the large established players versus are you saying it's -- so it cannot be based on online, so then it has to be based on physical. So that means you are maybe approaching a retailer and then they are recommending it to you. Is that the way it is? Because I would assume that -- then it's only specific to say a certain location where your goods are available and if they are exclusive retailer where they're only keeping your products, then that is how the sales happen. Is that a correct understanding?

Rishit Kotecha:

No, no. Where you are living, as per your understanding is correct. But if you are living in metros, your understanding is perfectly correct. But we are talking not about metros only. We are selling in category A, B or C towns. So this town's consumers are generally not much aware about the Google search or any particular brands, especially ground spices category I'm talking about. So these customers are influenced by their retailers or, I don't know, particularly

if their nearby neighbours are using which type of -- on which brand of spices. So they are dependent on other retailers only.

So if retailers insist them that this brand is very good, you are getting a hygienic product. Earlier you were using this unorganized or loose masalas to your home or you are taking whole spices from this retailer and making powder at your home, but this process is not sustained throughout the year because if they are making the spices for entire year, the spices will get some black in color after the period of 2 or 3 months. So this process is not sustainable to consume.

So these customers are mostly influenced by retailers and retailers are influenced by our sales channels. So this is how our sales are getting from category A, B or C towns. And currently, we are not focusing on metros. In metros, we are focusing on blended spices through -- we are non-competent with well-established player. And for this competition, we are giving good margins to distributors and good margins to our retailers.

Ronil Dalal: Right. Right. And sir, my last question is that you brought an interesting point. So what would be the kind of break up you have of revenue between, say, Tier 1, 2, 3, 4 cities, if you have any kind of a break up available?

Rishit Kotecha: No, we do not maintain the category-wise data, but as per our distributor profile, we categorize A, B or C. So we have a data for our distributor, it's sales we are maintaining. But category-wise, we cannot able to manage because our distributor has therefore in particular area which is a big popular area, but he sells going in small villages also. So we cannot create the sales from our secondary channels.

Ronil Dalal: Right. So when you say category A, B, C, it's based on the relationship -- like the quantum of the relationship with the person? Like based on the amount of sales they do, are they categorized as A, B, C or some other kind of way of categorization?

Rishit Kotecha: No, no. Not categorize on sales of particular distributors. We categorize how big population area reached out as a distributor with a partial territory. On this particular territory, how much populations are there and on that data, we categorize it as A, B, or C.

Ronil Dalal: Right. Sir, finally, just a suggestion that -- 2 suggestions, one is that maybe some kind of higher -- I'm sure you are already doing it, but just an addition, maybe some micro influencers which are maybe influencing a particular property share, for example, some kind of marketing initiatives or sales promotion kind of initiatives with those kind of people would be better to get to brand awareness.

Nowadays everyone is actually -- slowly, slowly everyone started using Google because -- the elder generation, you are right, who are making the masala often, they may not be very well-versed, but usually now the decision maker has become a much younger person like maybe she has a traditional household, the daughter-in-law in the house definitely will be knowing how to use Google and maybe the mother-in-law who is making the masala, but daughter-in-law now is using Google for...

Rishit Kotecha: So your suggestion is very good. We will have plan in our marketing strategy. This is a good suggestion for us also.

Ronil Dalal: And nowadays the people who go to pick up the saman is the children. They too definitely look for Google, that's one, any kind of influence in marketing program, which is in local community wise or maybe some local brand ambassadors also, especially in newer states. Second one is for the metros, I just noticed that, sir, now quick commerce is -- everybody has started ordering many things on quick commerce, I don't think it will be very harmful to at least have some presence on the quick commerce platforms. So that is one suggestion as well.

Rishit Kotecha: Your suggestion is already being executed, like we have already approved through Zepto and Blinkit, but they have some different kind of requirements, like you have a local -- where, I would say, particular area in which they are serving. So mostly, with quick commerce side selling currently in metros only, so we are planning on how to create this quick commerce.

Moderator: The next question is from the line of [Mahavir Jain from Ashim Advisors 1:06:52].

Mahavir Jain: I wanted to understand the things on the working capital side. So currently, what is the credit period that we entirely give to the distributors?

Rishit Kotecha: Yes. Currently, we are giving 30 days of credit to distributors. But 30 days are not strict following up by our sales team because we are entering new territory. So mostly, it will get 45 to 60 days of cycle to receive trade receivables.

Mahavir Jain: Well, that is what -- actually, I was observing the receivables in the balance sheet currently. So going ahead, sir, as we see the expansion and growth in sales, do we see the working capital cycle similar to what it is currently? Or can we expect improvement in that?

Rishit Kotecha: No. In this half year financial, we have supplied some bulk material to our non-branded sales, that's why it's showing much higher trade receivable in balance sheet of half year ended. But this will be -- if we are talking about our branded sales, it will be -- it could be around INR35 crores or INR40 crores.

Mahavir Jain: And sir, one last question. After the recent fund raise, where do we see the peak debt numbers till FY '26?

Rishit Kotecha: Out of our total operational revenue, I'm seeing between 70 to 80 days of trade receivable cycle in the current financial year.

Moderator: Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Ramadhin Rane from HEM Securities for closing comments.

Ramadhin Rane: Thank you to all the participants for joining the call, and thank you, management, for giving us their time. Wish you all a very good day. Over to you, Sejal.

Moderator: Ladies and gentlemen, on behalf of HEM Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.