GOPAL SNACKS LIMITED
(Formerly known as Gopal Snacks Private Limited)

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BSE Limited
Department of Corporate Services,
Pheroze Jeejeebhoy Towers,
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National Stock Exchange Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra-Kurla Complex,
Mumbai – 400051

Script code: 544140

Symbol: GOPAL

Sub: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 –Transcript of Earning Conference Call – Q1 UFR FY25

Dear Sir / Madam,

In continuation of our letter dated 19th July 2024 for Analyst / Investor Earning Conference Call and in pursuant to Regulation 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, enclosed herewith the transcript of the Earning Conference Call with the Investors and Analysts held on Wednesday 24th July 2024 at 02.30 PM (IST) to discuss the operations and financial performance for the quarter ended on 30th June 2024.

The transcript of the Earning Conference Call will be available on the website of the Company at: www.gopalnamkeen.com

Kindly acknowledge and take on your record. Thanking You.

Yours Faithfully,
For, GOPAL SNACKS LIMITED

Gangani Mayur Popatbhai
Digitally signed by Gangani Mayur Popatbhai
Date: 2024.07.29 16:55:43 +05'30'

CS Mayur Gangani
Company Secretary and Compliance officer
Membership No. FCS 9980

Encls: a/a

“Gopal Snacks Limited

Q1 FY '25 Earnings Conference Call”

July 24, 2024

MANAGEMENT: **MR. RAJ HADVANI – CHIEF EXECUTIVE OFFICER – GOPAL SNACKS LIMITED**
MR. MUKESH SHAH – CHIEF FINANCIAL OFFICER – GOPAL SNACKS LIMITED
MR. NAVEEN GUPTA – HEAD OF SALES – GOPAL SNACKS LIMITED

MODERATOR: **MR. SUMANYU SARAF – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day and welcome to Gopal Snacks Limited Q1 FY '25 Earnings Conference Call hosted by JM Financial. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sumanyu Saraf. Thank you and over to you, sir.

Sumanyu Saraf: Yes, thanks to you. Good afternoon to all the participants. We are pleased to host the Earnings Call of Gopal Snacks Limited for Q1 FY '25. From the management, we have with us Mr. Raj Hadvani, CEO, Mr. Mukesh Shah, CFO, and Mr. Naveen Gupta, who is the Head of Sales.

I would now like to hand over the call to the management for opening remarks, post which we will follow up with the Q&A. Thank you and over to the management.

Raj Hadvani: Yes, this is Raj Hadvani. Good afternoon and thank you for joining us for the Earnings Call. We hope you all got a chance to go through our investor presentation uploaded on the Stock Exchange. We will share our key operating and financial highlights for the quarter ended June 30, 2024. The fiscal year 2024 was exceptional for our company with the successful launch of our IPO. This motivates us to strive for higher growth in the coming years.

During the quarter, we maintained our leadership position and continue to remain strong and growing in line with the market. In terms of segment performance, our strategic focus on increasing share of Gathiya and Wafers in the revenue mix yielded results, with the Gathiya and Wafers segments grown by 9.4% and 51.3% Y-o-Y, respectively in Q1 financial year '25. Wafers segment has reported highest ever revenue in Q1 financial year '25.

In terms of state-wise performance, our core market has grown marginally by 3%. However, our focus has grown significantly with revenue growth of35% Y-o-Y, which was majorly driven by our expansion in distribution network in our focus market. We have added approximately 100 plus distributors in our focus market in last one year, in line with our strategy to increase our market share in focus market.

As you are aware, one of the key drivers of our growth in our business is our distribution strength. In line with that, our distribution network has grown to 753 distributors an increase of 170 distributors making 29% Y-o-Y growth. This expansion has been pivotal in driving our revenue growth and market share.

In terms of product launch, our team continues to innovate, and we had three launches during the quarter. Where two products from Namkeen segment and one product is from Wafers segment. We have also revamped our product packaging in some of our products to be aligned with market trends.

I am delighted to announce that we have commenced corrugated box manufacturing operation at our Rajkot ancillary one facility, which will help us to save INR 2 per box. This strategic move aligns with our vertically integrated strategy and aims to optimize costs further. From our manufacturing facilities perspective, we are at 4 lakhs plus metric ton of capacity currently. We are utilizing the capacity of close to 35%-40% at a blended level.

We are focusing on new initiatives to foster innovation and enhance our product offerings, ensuring we uphold the true essence of our brand by introducing a range of products aimed at diverse customer segments and implementing a bold dynamic advertising and branding strategy. We are on an exciting path to increase our market share and create value for our stakeholders.

I will now request Mr. Mukesh to provide insight on quarter gone by.

Mukesh Shah: Thank you, Rajbhai. Good afternoon, everyone. So, let me begin with sharing key financial and operational highlights for the quarter which has gone by. So, this year we have started with a very positive note with our revenue from operations for Q1 FY '25,we stood at INR 354 crores, which reflects a Y-o-Y growth of 11%.

This growth was primarily driven by our strategic expansion of the distribution network. We have added close to 170 plus distributors in the last 12 months. If you see the growth trend in Q1, our speed of adding the distributor is 2.5x of the previous quarters and that is going to continue in the quarters to come. The gross profit for the quarter stood at INR 103 crores, at a gross profit margin of 29%, if we exclude subsidy income, the gross profit margin is 28% compared to 31.4% in the same quarter of last year.

There are a couple of reasons for reduction in GP margin. The reason being, we have witnessed an increase in raw material prices, like chana has increased by 17%, potato prices have increased by 13%, urad has increased by 24%, which has an impact in our gross profit margin in Q1 of FY '25.

As I mentioned in my previous earning call also, that we have increased our grammage sometime in Q2 of FY '24, which has also a negative impact if we compare it with Q1 of previous year. There has been an increase in grammage in couple of our ethnic products, which include Ghatiya and Namkeen from 20 grammage to 25 grammage, effective July 2023. Similarly, in July 2023, we have increased the retailer margin from INR50 paise to INR75 paise in couple of our INR 5 SKU, again in ghatiya and namkeen product, which has impact in the gross profit margin when we compare gross profit margin of Q1 of this year versus Q1 of previous year.

Now coming to EBITDA, EBITDA for the quarter was INR 41 crores, which reflects an EBITDA margin of 11.5% compared to 15.3% in the corresponding quarter of the previous year. The reason being, the increase in raw material prices, grammage, etc., which I have just explained. Further, there has been an increase in employee cost, which has come because of increase in employee headcount. Close to 140 headcount we have increased during the year, and there is an impact of annual increment as well.

Overall, from a PAT perspective, our PAT for this quarter was INR 24 crores with a PAT margin of 6.9%, which compared to 8.9% in the same quarter last year. We are confident in our ability to achieve our goals and deliver sustainable growth in the coming quarters. We remain focused on creating value for our stakeholders through operational excellence and maximizing revenue.

That's it from our side. Now we can open the forum for question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avnish Roy from Nuvama. Please go ahead.

Avnish Roy: Yes, thanks. This is Avnish Roy. My first question is on the margin. So, in the coming quarters, in terms of the retailer margin, which you have increased and the grammage also you have increased in Namkeen and Ghatiya. Could we expect some level of cost control here, given the entire industry will face the gross margin pressure? So, is it possible to reduce the grammage back to, say, 20 grams in Namkeens and Ghatiya?

Similarly, on the retailer margin, I do understand one competitor came in that market a few quarters back. So, how is the competitive intensity with that player because the name is also very similar? So, could the retailer margin be reduced now given some time has gone and now there will be stability in terms of competition?

Mukesh Shah: Yes. So Avnish I will take the first question what you have asked. So, for example, what you have said is that with the increase in raw material prices are we going to take impact in the grammage reduction etc. If you see in Q1 we have taken that. Couple of our high price pack we have reduced the grammage in Gathiya and Namkeen product for the dispatches which has happened from our Nagpur plant.

We have not touched the products which we are selling from Rajkot, but slowly we are increasing the grammage wherever it is possible and all the products which are getting sold outside Gujarat are at higher grammage compared to what we were selling in Q4. In terms of reduction in the retailer's margin we don’t foresee any reduction as of now. We will continue to sell at INR 75 paisa.

So, the INR 50 paisa movement was an industry movement not for any competitor movement. It was done by most of the players in the market and that's the reason we have done, and we have revised based on the industry movement. So, industry have a movement from INR 50 paisa to INR 75 paisa. That's why we have done the same thing.

Avnish Roy: No, my question was on Gujarat only because there essentially the competition has come.

Mukesh Shah: So, we haven't considered that reason for any margin change.

Avnish Roy: No, my question was on Gujarat cutting grammage. So, what is the issue here because is it just a competition because then your gross margin in Gujarat will be much lower. So then how and when do we intend to come back to a better margin profile in Gujarat?

Mukesh Shah: So, if you see in Gujarat all the players the offering is similar in all the players. It is not that it is because of one competitor there is a revision in grammage or increase in the margin. The entire market in Gujarat is at INR 75 paisa for INR 5 SKU and the grammage offering is just 22 grammage and 25 grammage. So, we maintain the similar stand as of now. Till the time there is a change, or the industry take a call.

Naveen Gupta: Avnish Bhai Naveen this side. Let me give you a clearer perspective. Three years back margin on INR 5 price point product used to be INR 75 paisa only, but owing to sudden spike in palm oil prices couple of years back if you remember it went up to INR 176 per litre palm oil. So, all industry players made a downward revision in retailer margin from INR 75 paisa to INR 50 paisa. However, when palm oil prices stabilized last year so all the industry players again went to this INR 75 paisa retailer margin regime. This answers to question number one.

And the second one is how do we contemplate to improve our margins in Gujarat right? While the grammage remains either at par with the competition and retailer margin also remains INR 50 paisa. So, answer is that whatever new products we are launching we are not doing only packaging renovation rather we are taking care that our grammage is not so high. Our recently launched two products have grammage of 20 grams only in INR 5 price point and by end of September we will be having a packaging renovation complete overhaul. So, we will be taking grammage correction to the tune of 4% to 5% not beyond that in Gujarat.

Avnish Roy: Okay. So, 4% to 5% grammage correction in most part of the Gujarat portfolio by September?

Naveen Gupta: Yes.

Avnish Roy: But that will be led by the market leader Balaji. Are they also kind of doing it? Is that the sense you are getting?

Naveen Gupta: It will not affect us because we are getting a market survey done and market research done basis that we will take a calculated move in which SKU we need to reduce we will reduce and most of the SKUs we will successfully reduce it.

Avnish Roy: And the last quick question on Gokul snacks. What is the impact now? Would you say that worst is behind? Any numbers you can share on how Gokul would have done in Q1?

Naveen Gupta: See we don't track their numbers as such, but it is clearly visible from two elements at least. A few of our channel partners had left us and joined Gokul. However, 80% of them have rejoined us, number one. Number two, we don't have exact track of their numbers although, but what we get to know that averagely they were dispatching roughly 22 to 23 trucks on daily basis four, five months back.

And now that rate has come down to 15 trucks number one. Number two, we can see that they are migrating to other categories like they are trying their luck in confectionery, they are trying to sell atta, they are trying to sell biscuits, they are trying to sell drinks, wafers biscuits as well. So, I mean now they are digressing. So, their impact is mitigating now. We can clearly see.

Moderator: Yes sir. We will move on to the next question. It's from the line of Pradeep Singh from Finterest Capital. Please go ahead.

Pradeep Singh: So, what are the steps we are taking to increase our revenue, as revenue has been flat Y-o-Y basis. I have two, three questions but this will be first question.

Mukesh Shah: What your question is on pan India?

Pradeep Singh: Yes sir.

Mukesh Shah: So, I think if you go through our presentation our revenue has grown by more than 11% Y-o-Y.

Pradeep Singh: Yes sir, but sir Y-o-Y basis there is a minor increase I mean to say from the EBITDA margin last year was 12%. This year is 11%. So how we are looking forward to increasing our revenue as well as our EBITDA margin for this year? Can you guide us?

Naveen Gupta: So sorry I could not get your name dear.

Pradeep Singh: So, my name is Pradeep Singh. I am from Finterest Capital. So, my question is that how we are taking forward the steps to increase our revenue as Y-o-Y basis has been flat and what are the EBITDA margin we are improving on it for this current year and future also?

Naveen Gupta: Sure. So let me give you perspective on revenue first of all Pradeep bhai. Number one thing on Y-o-Y basis there is a growth of more than 11%. So, it's not flat. Number two we are doing in sales and distribution we are taking core steps to improve on our revenue. Just to give you a perspective our number of channel partners has gone up by 50% on Y-o-Y basis and in Q1 of this year speed of making new dealers is two and a half times of what it was in Q3, Q4 last financial year.

So, coming to the footprint expansion it is not confined to general trade alone. We just took railway resource, we just took modern trade resource all these numbers will start getting reflected in first month of Q3 itself. Railway it has already started reflecting some numbers. Now in S&D strategy as well as marketing strategy, we will be unveiling our marketing campaign in one of our brands called Cristos as well as the mainline brand. Cristos will be unveiling our marketing campaign by mid of August and Gopal by mid of September. So, we are contemplating healthy double-digit growth in this financial year. As far as EBITDA is concerned Mr. Mukesh will throw some light on EBITDA.

Mukesh Shah: So, in last earning call I have given the guidance. EBITDA margin will be in the range of 11% to 13% for this financial year. And as Naveenji said we will have a healthy double-digit growth in revenue.

Pradeep Singh: So, my question is also on some you have given a guidance regarding new markets. So how we are entering and expanding our new markets and getting the plans and all that?

Naveen Gupta: So as far as new markets are concerned Pradeep bhai we went up in our number of channel partners by 150 over last year Q1 and as I just shared that speed of empanelling new dealers in Q1 is two and a half times of last year H2. And this speed is going to continue, and we have taken a goal of billing 1,000 plus dealers at end of this financial year which will be almost 80% more numbers. So, our footprint expansion is on the right track. And our Nagpur plant is instrumental in facilitating our footprint in focus states as well as other states.

Pradeep Singh: Sir, any guidance for this year? Means what are the areas we are exploring? What are the states? Can you guide on that?

Mukesh Shah: So, as Naveenji said, our focus state and other state, the penetration is close to 15-20%. And we are increasing our footprint by expanding our distributor network. So, we will continue to focus on this focus state and other state. And Gujarat, we have 75% to 80% penetration. And there we have a couple of strategies where we are working to grow revenue in Gujarat state as well.

Naveen Gupta: See, Pradeep bhai, any place which is in vicinity of 500-600 kilometres from our Nagpur plant or our Rajkot plant is a strategic location to us. So, we are clearly demarking which are the vacant areas, which are the potential areas, and we are doing this exercise of increasing our channel partner along with rightsizing in sales team as well. Although we increased our headcount by 15% last financial year, but by end of Q2, we will see a correction of similar percent in terms of headcount.

Because we have started exercising of rightsizing as well. So that has started yielding us some results with the help of technology adaptation, because we are upgrading our DMS system, which is now getting geotagging enabled. That is helping us to improve productivity of sales team. So, almost 50% of rightsizing exercise is already complete.

Pradeep Singh: Okay. Sir, you have also guided some strategic partnership on supermarket and e-commerce. Can you throw some light on this?

Mukesh Shah: So, what we have done is, we have signed an agreement with one of the channel financing guys who give temporary finance, etc.. So that is how the working capital management of dealer is taken care. Similarly, we are in discussion with couple of modern outlet guys. Railways, we are present currently, where we are expanding our footprint. And e-commerce platform, we are now present in almost all the e-commerce platforms.

Naveen Gupta: And we are present in Zepto, Instamart, Blinkit. And railways, we are currently present in Westerm Railway as well as Central Railway. And by end of this calendar year itself, we are working a lot upon product customization, grammage customization, which is needed to cater to that particular channel.

So, our revenue from railway channel itself will be on annualized basis it should cross INR 20 crores. As modern trade is concerned, we just hired a senior resource a couple of days back only who is on our panel now, who carries rich experience. We already have some terms of trade understanding with major modern trade player.

But our ecosystem was not good enough to cater to those modern trade complexities. Now since that resource is on our panel already, and we have been working on product customization as well to take care of these alternate trade channels. So, surely numbers will start reflecting by mid of Q3 in those channels.

Pradeep Singh: Thank you, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Mehul Desai from JM Financial. Please go ahead.

Mehul Desai: Yes. Hi, good afternoon, sir. So, first question on Gujarat. Obviously, you said overall growth will be in healthy double digits. If you can be more specific on Gujarat, which although has been in low single digit in this quarter, do you see this trajectory moving to high single digit growth in second half? And if yes, what are the levers for this acceleration in Gujarat market?

Naveen Gupta: So, Mr. Desai , we can assure you that it will be high single digit growth in Q2, but definitely it will be double digit growth in Gujarat in Q3 and Q4. So, the main levers will be channel management. We will see a lot of improvement, number one.

Number two, we are doing product innovation as well as product renovation. And number three will be definitely when we unveil our marketing campaign, brand campaign, so that will help us in improving consumer attractions.

And last but not the least, just to give you a glimpse that Gujarat wafer market size is more than INR 100 crores per month. And right now, our market share is less than 10% in wafer segment. We are going to do some very exciting product renovation as well as trade campaign, channel engagement program around wafer's category.

So, it's not a big-ticket item alone, but it's a low-hanging fruit as well for us. So, wafers will be one of levers which will definitely give us healthy double-digit growth in Q4 and certainly double-digit growth in Q3 in Gujarat.

Mehul Desai: Understood. And secondly, if you can throw some light on key markets in your focus market, I mean some large markets like Uttar Pradesh and all, how have they performed while your overall growth is pretty strong? If you can give some flavour to which are the key markets in this focus market which are driving this growth?

Naveen Gupta: So, our key focus markets are definitely Maharashtra, that being since we have got a plant in Nagpur. Another strategic market is Madhya Pradesh, again in vicinity of Nagpur. And then Uttar Pradesh being a large state from consumption perspective, it remains one of our focus market and Rajasthan again in vicinity of our Modasa plant as well as Rajkot plant. Our Q1 growth on Y-o-Y basis has been impressive, more than 35%.

Mukesh Shah: So, Mehul, one more input is that if you have seen the number of addition of dealers, incremental dealers we have added is 100 plus in focus market and out of that Maharashtra has contributed almost 60% of the incremental dealer. So, Maharashtra we are doing great. Our revenues are increasing. We have added 2.5x of dealer in Q1 versus previous two, three quarters. These incremental dealers will start giving us revenue in coming quarters.

Similarly, UP has performed very well in terms of incremental dealer, almost 50% of the dealer count we have increased in UP in last one year. So, these are the market where our focus has always been in increasing the footprint by getting a quality dealer on board and then increasing their revenue by doing range selling, etc.

Mehul Desai: And in this focus market, Gathiya as a product is also showing a good traction or is it more led by other products like wafers, namkeens?

Mukesh Shah: No. So Gathiya and namkeen is showing a great traction. There has been a 21% increase in the revenue, both in Gathiya and namkeen Y-o-Y.

Mehul Desai: In focus markets?

Mukesh Shah: Three products are doing very great in our focus market.

Mehul Desai: Okay. And lastly on EBITDA margin side, if you can throw some light on how do you see gross margins? Do you think gross margins can sustain at current levels or do you need to take price hikes to maintain current gross margin levels? And secondly, given that we have plans to up our marketing spends, how do you see that impacting our margins in 2Q and 3Q?

Mukesh Shah: So, Mehul, the guidance for the rest of the year is that we will maintain a gross profit margin range of 27% to 29%. This quarter, if we exclude subsidy income our gross profit margin reported number is 28%. We have taken certain price hike in this quarter where we have reduced the grammage of couple of our high big-ticket product from Nagpur location.

We have increased the price of Besan, resulting the increase in price of chana, etc.. So, we continue doing that. We will continue increasing the price, etc., wherever it is required. And as I said that in case there is a significant increase in the raw metal prices going up, we will look for a grammage reduction as well so that we maintain our gross profit margin in the range of 27% to 28%.

In terms of EBITDA range, so we have our capital already invested in Nagpur and Modasa plant. We are incurring fixed overheads there. With the increase in the revenue, we will not incur any incremental overhead as such. We will leverage on the existing fixed overheads. Whatever the increment cost will be, it will be towards brand and marketing costs, which will be in the range of 1.5% to 2% of our revenue. We see incremental EBITDA margin coming from the incremental revenue. So, we will maintain a similar EBITDA guidance of 11% to 13% by end of this financial year.

Mehul Desai: And this 11% to 13% includes subsidy, right?

Mukesh Shah: Subsidy, as per our projection, it will be in the range of INR 10 to INR 12 crores for this financial year.

Mehul Desai: Okay, great. Thank you so much and good luck for coming quarters.

Moderator: Thank you. The next question is from the line of Pooja Kabra from Sahasrar Capital. Please go ahead.

Pooja Kabra: Yes. Hello, sir. Thank you for the chance. Actually, I just wanted to know that can you please help to give the numbers on online percentage and offline sale percentage?

Mukesh Shah: When you say online, it is general trade or e-commerce?

Pooja Kabra: E-commerce, Sir.

Mukesh Shah: E-commerce, our contribution has been very negligible. We have started e-commerce in last three, four months. The revenue is increasing month-on-month, but the contribution as overall revenue is very negligible in terms of percentage, 0.1% only.

Pooja Kabra: Okay sir. Thank you sir.

Naveen Gupta : We see this as an opportunity.

Moderator: Thank you. The next question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

Arpit Shah: I just wanted to understand since you have increased our distribution expansion by 29%, what would be our fill rate to a lot of distributors that we have? Like if they order, are we able to fulfil all their demands and everything?

Naveen Gupta: From our Nagpur plant, our fill rate is staggering 90%. And from our Rajkot plant, it's also above 95%.

Arpit Shah: 90% and 95%, right?

Naveen Gupta: In both cases, it is 95% plus.

Arpit Shah: Good. So, what would be, let's say, we will be at certain revenue per distributor. So, how do you see that number going higher? Let's say that number is at X. So, you see that number going to 1.5x or 2x maybe in a couple of years. How should we see that number? There are a lot of dealers will be under-indexed because they just got added to our system. How should we see that growth going forward?

Naveen Gupta: Yes. So, when we try to expand horizontally, so revenue per distributor will certainly go down for some period, right? So, we will definitely do an exercise, whereas we will divide our distributor in two, three segments.

One is above index, another is close to break-even and third one is below break-even. So, we will work on a strategy called protect, correct and create. So, we keep protecting our smaller number of distributors till the time they reach a certain threshold level and certainly when they get into league 2.

So, parallelly there will be another set of distributors which will be created who will require protection. So, currently, roughly 15% of our dealers are working at below threshold level. So, we keep supporting them through various trade engagement program and channel engagement program.

Arpit Shah: 15% is below threshold?

Naveen Gupta: Yes. And their average turnover is somewhere between INR 2 to 3 lakhs, half a truck per month since this industry typically works on truck load, half truck load concept. So, when we dispatch our truck from our factory, we have to take care of our logistics costs as well.

So, we try to give minimum half truck load to a dealer. So, the moment offtake improves, or his market improves, so the dealer shifts gear and get into full truck load dealer kind of. That brings him on break-even.

Arpit Shah: Got it. And I think I missed a quick commerce share of our revenue. What would be that number?

Naveen Gupta: It's less than 0.1% as on date. We recently, by end of March only was our first billing to quick commerce customer. Currently, it's roughly around INR 10 lakhs per month.

Arpit Shah: 10 lakhs per month, that's it.

Naveen Gupta: But we are in the stage of developing various products. We are very keen on improving our product management. So, we are designing customized products to take care of not only modern trade, but exports as well as quick commerce customers.

Arpit Shah: Got it. And any insigths on any other new facility that we want to build out? Because you're building distribution to Uttar Pradesh and everything. Right now, we have facilities in Rajkot and Nagpur. So, do you have any intentions to build a new facility around Madhya Pradesh, Uttar Pradesh?

Mukesh Shah: So, not now. Currently, if you see our utilization percentage, we are in the range of 35% to 40%. And putting a facility comes with cost. So, you have to start the fixed cost from day one. So, our strategy is to make a market first and then based on the market size, etc., we go for expansion. So, currently, we don't have any plan to add any facility in any of this location.

Arpit Shah: Got it. And any kind of revenue number that you're targeting for FY25? You've done about INR 14 – INR 38 crores for FY24. So, should we look at a number, maybe 20%-25% growth or less than that?

Mukesh Shah: So, we have a different growth estimate for our different market. Overall, what we see is that double-digit growth, close to 10%-12% growth in overall revenue in FY25.

Arpit Shah: Got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Shrinarayan Mishra from Baroda BNP Paribas. Please go ahead.

Shrinarayan Mishra: So, drawing from the earlier question, what can be the peak capacity utilization?

Mukesh Shah: So peak capacity utilization currently, our revenue will be two times of the existing revenue when we reach our peak capacity. Maybe it is only for wafers, there will be the peak. We are currently at a utilization of 69%. There, the capex requirement will be a bit earlier compared to any other products.

Shrinarayan Mishra: Okay. So, sir the new products which we have been launching over the maybe last couple of quarters or even more. So, how has been the traction there? Because if you see last three, four quarters, the revenue has been flat. So, is there a kind of cannibalization with old products or I mean new products are not getting that much traction? What is happening with the new products?

Naveen Gupta: See Mr. Mishra, we launched three products in Q1. So one was, we did a test marketing in Maharashtra. The two products belong to Namkeen category, and both were test marketed in Maharashtra.

So, one of the products has gone very well in Maharashtra and yesterday only we started releasing in Gujarat as well. One of the products did not do so well and another product, that was in wafer category, we launched by end of Q1 and last week of June. So, exact off take and traction has yet to be assessed.

Naveen Gupta: In the current quarter, we already have launched one new product couple of days back in Gujarat and we have a firm plan to launch another two products in the current quarter itself and both are big ticket items. I mean, our size is big for those products.

Shrinarayan Mishra: So generally, what has been your experience with, so whenever you launch a new product, so is there any kind of cannibalization with your existing products or, I mean, it is not that meaningful?

Naveen Gupta: See it depends if I am launching a new product for which market share already exists. There is a huge market size for, say, some existing product and I am new to that category. In that scenario, definitely we eat out competitor's market share.

So, we are trying to figure out those products, whereas competition is present, we are not. So, less cannibalization should happen. Sometimes we do product extension, whereas we already are present in that product category, and we launch new variant and a new SKU. In that case, to some extent, definitely cannibalization happens.

Shrinarayan Mishra: So basically, the revenue guidance which you are giving for current year, so much of the growth you are seeing from net distribution expansion and not because of new product launches, right? So, distribution will be the driver for revenue, at least for this year?

Naveen Gupta: Yes.

Shrinarayan Mishra: Okay. And just one question, if I can squeeze in. So, in terms of retailer margin, so as you move to new channels like quick commerce and online, so, how is the margin spread? So, will it be lower, right?

Naveen Gupta: No. Let me give you clarity on that. See, modern trade, e-commerce, these channels, typically definitely ask margin on markdown basis. But then there are two catch. One is intermediary is removed. Currently, in modern trade, there are two large players in West India. Everybody of us know who are those two players. So, in both the cases, intermediary will be removed, so that much margin will be saved.

Secondly, in case of large contributing SKUs, we will come out with customized packaging with a different MRP regime. So, we will not compromise definitely on our margins. Like when we go to railway channel, so, I mean, you as a consumer can easily differentiate that a wafer packet of INR 10 MRP, what you get outside railway station, you get the similar grammage in INR 20 MRP within railway station. So, I mean, all those tactics are very common trade practices. So, we will not take a hit on our margins.

Moderator: Thank you. The next question is from the line of Nitin from Emkay Global. Please go ahead.

Nitin: Hello, thanks for the opportunity. My question pertains to again on the launches, what we are sort of have action. So, like this is also more towards the family pack salience. So, we have a high concentration of INR 5 and INR 10 packs. So, any effort we are also doing to sort of enhance our family pack salience?

Naveen Gupta: Yes, whatever and ever we will do into modern trade channel, quick commerce channels, definitely we will sell family pack products only, number one. Number two, even in case of general trade, we will be introducing standy pack by end of Q2. So, all those packs are family packs only.

Number three, we are contemplating some amount of consumer promotions on our family packs to improve traction of family packs. Another small tweaking we have done in case of our non-core states, whereas in Gujarat, which is highly competitive in terms of pricing, we have started keeping a differential MRP, whatever we are producing in Nagpur on family packs to give a higher retailer margin, simultaneously our realization has also gone up.

So, if we say for example, if we raise MRP of a product from INR 70 to INR 79, so we are passing on INR 6 to the retailer and we are retaining INR 3 with ourselves at cost of consumer, where consumer is willing to pay because still we will become either at par with the competition or still we will be a little cheaper to the consumer versus competition.

Nitin: You are saying that INR 70 to INR 79 in the sense like market competition is offering at INR 79, our product was priced at INR 70. So, we are basically taking our family pack pricing to the competition level?

Naveen Gupta: To some packs, to some products, to the competition level, in some products, even after hike, our MRPs will be consumer friendly.

Nitin: Next question would be with respect to your marketing campaign, can you throw some more light in terms of what all action we have planned around it, like have we signed up any celebrity, something like what we have seen in the industry by other prominent players doing it?

Naveen Gupta: It is WIP, and it remains confidential. We are in talks with certain agencies on this topic, so it will not be appropriate to divulge the details at this point.

Nitin: Okay, thank you. And the last question is with respect to the distribution expansion, so just wanted to know the profile of these distributors. Are they the existing category distributor or we are sort of signing up a new distributor in this newer market?

Naveen Gupta: Mix of both.

Nitin: So, like in case like we are creating a new distributor, don't you think there will be a risk element attached to it?

Naveen Gupta: The most of our distributors will gradually shift to channel finance, which we recently signed. So, our risk element in terms of our monetary exposure will remain zero. As far as sustainability and longevity of that dealer is concerned, we have a proper SOP set with ourselves.

So, this is why numbers of dealers getting replaced has gone down to five per month. When we say that our number of distributors were 100 and today, we are billing to 160 distributors, so there will always remain an element that we added 10 and 10 left us. But now that number who are leaving us has gone down to 5 dealers per month only, whereas gross addition is 30 per month and the guys who are leaving us are 5 per month. So, net new dealers are 25 months. So, that is a very good number. That's the best in the industry, I would say.

Nitin: Okay, okay. Thank you.

Moderator: Thank you. The next question is from the line of Bhumin Shah from Sameeksha Capital. Please go ahead.

Bhumin Shah: Yes, my question is to Mukesh sir. So, can you throw some light on the inventory which we are holding and what are our payables and receivables as of June quarter?

Mukesh Shah: So, inventory Bhumin, so normally at the start of the year and in the month of March, when the crop for chana and potato comes, we do holding of the stock three months relatively for chana and seven to eight months of the stock for potato etc. And even when we see advantage in terms of prices, there has been a bulk procurement of a couple of our commodity products. Currently, if you see the inventory holding days, on an average, it is close to 40-45 days.

In terms of payable etc., our payment terms are mostly on an immediate basis. Within seven days from the receipt of invoices, we make the payment to vendors. In terms of receivable etc., we deal in cash and carry business where mostly the advances come from distributors and then we do the billing to our dealers etc.

Bhumin Shah: Okay, and one more question regarding the interest. So, it was around INR 1.6 crores. So, can we assume that it will remain the same for this year with every quarter INR 1.6 crores or it can be higher also?

Mukesh Shah: So, interest cost will be in the similar range. Yes.

Bhumin Shah: Okay, thank you.

Moderator: Ladies and gentlemen, that was the last question for today's conference call. On behalf of JM Financial, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.