



HARSHDEEP

Date: 15th November, 2024

**To,
The Manager,
BSE SME Platform
Department of Corporate Services,
25th Floor P.J. Towers,
Dalal Street Fort, Mumbai - 400 001**

BSE Scrip Code: 544105

Subject: Transcript for Audio Recording of Earnings Conference Call pertaining to H1 FY 2024 - 25

Pursuant to Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, Please find attached herewith transcript for Audio Recording of Earnings Conference Call held on Monday, November 11, 2024 at 12:15 PM to discuss the Company's business and financial performance for H1 FY 2024-25.

Thanking You,

Yours faithfully,

For HARSHDEEP HORTICO LIMITED

**HITESH CHUNILAL SHAH
MANAGING DIRECTOR
DIN -09843633**

HARSHDEEP HORTICO LIMITED

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“Harshdeep Hortico Limited H1 FY-25 Results Conference Call”

November 11, 2024



**MANAGEMENT: MR. HITESH SHAH – MANAGING DIRECTOR & CEO.
MR. HARSHIT SHAH - WHOLE TIME DIRECTOR &
CFO.**

MODERATOR: MS. CHANDNI CHANDE – KIRIN ADVISORS.

Moderator: Ladies and gentlemen, good day and welcome to Harshdeep Hortico Limited H1 FY25 Results Conference Call hosted by Kirin Advisors.

As a reminder, all participants' 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Chandni Chande from Kirin Advisors. Please go ahead.

Chandni Chande: Thank you, Nikita. On behalf of Kirin Advisors, I welcome you all to the Conference Call of Harshdeep Hortico Limited.

From Management Team we have Mr. Hitesh Shah – Managing Director and CEO and Mr. Harshit Shah – Whole Time Director and CFO.

Now, I hand over the call to Mr. Harshit Shah. Over to you sir.

Harshit Shah: Thank you Chandni madam. Good afternoon everyone. I warmly welcome each one of you to our First Conference call for Harshdeep Hortico Limited.

Before we delve into the specifics of our performance of H1 FY25, let me offer a “Brief Overview” of how the Company is run and how Harshdeep has done over two decades with specialized experience in high quality pots, planters, garden accessories and outdoor furniture.

So, basically our Company holds a unique position as the only publicly listed player in this sector. We are proud of our commitment to quality, innovation and financial stability, because our Company is completely debt-free. Our extensive product range boasts over 500 designs and includes more than 2200 SKUs catering to both functional and esthetic demands in domestic and international market. Put this broad products portfolio we have built two state of the art manufacturing facilities in Maharashtra, covering over 1,60,000 square feet of a total infrastructure one in Mumbai and one in Pune. These facilities have advanced injection molding machines, rotational molding machines, blow molding machines and fiberglass technology. Complementing our manufacturing strength, we have six exclusive showrooms and one warehouse in Bangalore, and 10 official and exclusive distributors of Harshdeep Hortico Limited all over India, that support us with pan India reach across 27 states and Indian territories. We also have our hands in the export markets, wherein we extend our key markets to Europe, Africa, Asia and New Zealand. Our in-house R&D and design team has been instrumental in maintaining a strong pipeline of innovation and enhancing our competitive industries.

Recently, we have taken strategic steps to reinforce our market position and meet increasing demands in horticulture. We recently expanded our Pune facility bringing its total to 50,000 square feet dedicated production shade nets that is added shade nets with an annual capacity of

–3:26 diversifies our product range and strengthens our ability to meet the growing demand in the horticultural and gardening sectors

Coming to our H1 “Financial Performance”:

Coming to our H1 FY25 Financial Performance:

I am happy to report that we have achieved strong results, which comprises of revenue of 24.92 crore reflecting an 8.2% growth over the Financial Fiscal Year. Our EBITDA stood at 5.96, up 4.56% year-on-year growth with an EBITDA margin of 23.93%, which is also up by 5 bps year-on-year, highlighting our operational efficiency and cost management efforts. Our net profit grew significantly to 4.23 crore making an impressive year-on-year growth of 71.11% and a net profit margin of 16.96% with a 9 bps year-on-year increase. This growth is further reflected in our EPS, which closed at Rs.2.63 underscoring our solid financial health and commitment to creating sustainable value for our shareholders.

Looking ahead, we have a strong focus on future growth to meet growing demands. We are investing in our capacity expansion and product portfolio diversification. Our strategic roadmap includes an enhanced manufacturing capabilities and the launch of new environmentally friendly products that align with both local and global market trends. Our sustainable practices remain at the core of our business, as we have made some substantial investments in eco-friendly material and extended product lifestyles, life cycles, reducing waste and contributing to a greener environment. It aligns with the increasing demand for horticultural issues and strengthens our brand reputation, both domestic and international market. I thank each of you for your support. Thank you once again for your presence and continued support.

Now, I would request moderator to open the floor for questions-and-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shivanshu Dube from WC Securities. Please go ahead.

Shivanshu Dube: My first question is, how we actually differ from other planter manufacturers available in the market?

Harshit Shah: So, I will explain you how the journey of Harshdeep started in this planter industry. This Company is two decade old, and we have diversification in terms of planters, as we have four different verticals wherein planters are manufactured. One is the injection molding technique, second is rotational molding technique, third is the blow molding technique, and fourth is the fiberglass planters. So, how we define us as different from other players is that, we include all of the technologies in our own infrastructure and we manufacture planters from all four kind of technologies, and others might do one or two other technologies for example someone will be doing only injection molding, someone will be doing only fiberglass planters. So, that is how

we differentiate us some others in terms of volume, in terms of quality, in terms of network and in terms of dealer network.

Shivanshu Dube: Sure sir, my second question would be, how is the planter industry growing year-on-year and how are we growing in this industry as well?

Harshit Shah: So, if I would say we are expecting a growth of horticultural industry by \$6 billion by the end of 2030.

Shivanshu Dube: And how are we growing in this industry?

Harshit Shah: We have a steady pace of 25% to 30% growth year-on-year on our revenue.

Shivanshu Dube: Sure. What will be our geographical presence and what are plans going ahead for growth?

Harshit Shah: So, basically, as I have mentioned earlier, that we are focusing more over our factory owned source in cities like Mumbai, Delhi, Pune, Rajamahend, Bangalore, Ahmedabad and we are also planning to open up more showrooms in areas like Hyderabad, Lucknow and Punjab. Why because it helps us in a geographical advantage the reason being that they are the emerging market needs as infrastructure is growing rapidly in places like Ahmedabad, Hyderabad, so this is improving our distribution to these kind of **Inaudible** 9.11, and buy material at a very less amount of time, and the turnaround period of a planter increases by that.

Shivanshu Dube: Sure, sir and what kind of top line and bottom line can we expect three to four years from now?

Harshit Shah: We are expecting a positive growth of more than (+100) crore by end of this year.

Shivanshu Dube: Sure, sir excellent and my last question would be, what are your long term plans for export?

Harshit Shah: So, we have recently developed a small workshop office in Amsterdam, because reason being Amsterdam is the heart of horticultural industry for the whole world. So, if anyone wishes to buy a plant, date or travel all the way to Amsterdam, they fill up the containers over there, and then they distribute it to their respective countries. So, I am targeting the heart of horticulture as my hub, and from there, I will be planning all of my actions and targets from there, which will help me as it is a very good location for networking and for distribution of my products.

Moderator: Thank you. The next question is from the line of Bhavish Chauhan, an Investor. Please go ahead.

Bhavish Chauhan: Sir, would like to know why our sales growth was very weak in terms of Y-o-Y performance from nearly 23 crores, we have just reached 24.8 crores for the first half September. So, if we are targeting 25% growth, what was the disappointing factor that lead to weak sales growth?

Harshit Shah: I would like to restructure by saying that, IPO was opened in the month of February that is just the end of the first financial year. And considering the revenue that we got from the IPO and the

funds that were used, take a little bit of time in terms of machinery, in terms of infrastructure development, in terms of distribution development. So, if you ask me that why the numbers are not so fancy in terms of your eyes is because, we have started developing our own factory, own showrooms all over India. First of all that will help me contribute to my revenue. Second is that, **(Inaudible) 11:45** that would increase my efficiency and my production capabilities. Third is, procuring of respective machinery and robotics, which took time of three to four months after ordering them. So, reason being that even though there was not much advancement in terms of infrastructure and machinery in first two to three months, even then we were able to have a growth of 8%. So, if we give time for H2 that is when the real yield of our results will come in, and that is when the actual results will be reflected to the reports.

Bhavish Chauhan: Okay. So, you are saying that H2 will be far better?

Harshit Shah: Yes, because considering all our funds which we got in the IPO have been allocated now and as you can see, it takes a little bit of time when we do the payments and when we get the machinery, and then we set our operations in line.

Bhavish Chauhan: Right. And also on the positive note, our margins were quite good at 23.4% operating margin so what should be our normalized margin let's say as we move ahead in next year FY26?

Harshit Shah: As far as I consider my results and my margin, we will be keeping them same.

Bhavish Chauhan: Okay. So, we maintain that?

Harshit Shah: Yes, we will be maintaining that because we have a fancy margins over here, and we wouldn't wish to decrease them anytime soon.

Bhavish Chauhan: Yes. And sir, I was following your lot of press releases that had come out. You are doing a lot of expansion as you also mentioned, new stores open, so all these meaningful benefits will come in next fiscal year or FY27 or how should we look at it?

Harshit Shah: **(Inaudible) 13:42** my sales or my time, so we believe when the grass that we might see with the help of our stores and with the help of our machinery that we have put in inside that.

Bhavish Chauhan: Right. And sir lastly, how is export market looking today as we stand?

Harshit Shah: So, I will explain you why am I so high on my export market as far as antidumping China has been start by, with the Trump government coming up, China will be taking a hit because of planters the whole global market was done with China, and now as India is emerging as the potential manufacturer for plastic and with efficient manufacturing capabilities India is coming up and with the help getting a lot of new inquiries from America, from Europe and from Southeast Asia as well. So, we are expecting a growth of approximately 5% to 7% for the next fiscal year and then similarly we are planning to get 10% and 12% for the next following years.

That's the reason we have set up a small work shift office in Amsterdam, considering the growth that we might see.

Bhavish Chauhan: Okay. So, you are saying that majority of the growth will be from domestic market only?

Harshit Shah: From?

Bhavish Chauhan: Domestic marke?

Harshit Shah: As of now we are aiming highly on our domestic market, because we are increasing our reach and distribution to A tier and B tier cities as well.

Moderator: Thank you. The next question is from the line of Manoj Kumar an Individual Investor. Please go ahead.

Manoj Kumar: We would like to understand more on the business model that what kind of a business mode we have, how easy for a competition to enter in this business and impact the margin which we have?

Harshit Shah: Okay. So, first of all, I would like to say that this industry is still getting organized, and we might see this coming inside, but as evolution is happening and as the things are going online, as you can see, a lot of big institutions **(Inaudible) 16:30** they are finding planter stands wherein they can improve their sales and they can **(Inaudible) 16:41** so that is how, **(Inaudible) 16:44** my strategy is aiming at the airports, aiming the big institutional buildings, offices, corporates, and that is how a major chunk of revenue is coming in. And, for example if any new entrants comes inside, he might disrupt a market for me, but in a very regional way, and not on a global or on a national firm reason being, **(Inaudible) 17:16** institutions have their own norms and protocols and not all my entrance can accomplish those protocols. So, that is why we have a first mover advantage in our industry, that is being **(Inaudible) 17:33** shift to buy goods worth 50 lakh, 1 crore we are the only institution that can provide them with those volumes, and we can provide them with after sales service as well, which is not possible by other competitors or by the new entrants.

Manoj Kumar: Okay, thanks. And the next question is, regarding the high working capital days and inventory, is there any plan for improving this in going forward?

Harshit Shah: Sir, as I said that, Harshdeep Hortico Limited is the first Company to get public listed in this sector, and as we have the first mover advantage, we have a few investment that we need and we need the working capital to come into action as we are increasing our distribution with the help of Company owned stores all over India. So, that is one of the reasons require this kind of working capital.

Manoj Kumar: Okay. And which are the key raw materials which can fluctuate our margin?

- Harshit Shah:** The key manufacturing raw materials are polypropylene, HDPE that is high density polymer ethylene, LDPE that is low density polymer ethylene, nylon 66 and these are the following materials that are used by us in terms of manufacturing. So, the major supplier is Reliance for us and being Reliance, there are not many fluctuations that we see inside this market.
- Manoj Kumar:** Okay. And my last question is regarding the gross margin, how much gross margin we have in this business?
- Harshit Shah:** The gross margin will be somewhere around 35% to 40%.
- Manoj Kumar:** And this will bring the operating margin around 23% ?
- Harshit Shah:** Yes, correct, sir. I hope I addressed all of your questions.
- Manoj Kumar:** Yes. Thank you.
- Moderator:** Thank you. The next question is from the line of Jairaj Jain from EY Capital. Please go ahead.
- Jairaj Jain:** First question is, what are the current capacity at this new location, can you say your capacity utilization and any plan for the capacity expansion?
- Harshit Shah:** Sir, can you please speak a bit loud there is some disturbance. Can you please repeat your question?
- Jairaj Jain:** So, what are your current capacities at this two location and capacity utilization, and do you have any plans for any capacity expansion?
- Harshit Shah:** As, as I said that, we are currently expanding our Pune facility by 12,000 square feet as we are introducing a new vertical called Anglo Shade net that is being used by the builders in order to protect debris from falling from the floors. And second is this is used by a lot of nursery men and our business partners in order to grow the plants inside the nurseries. And this is also a key product that is being exported from India to Australia to USA and Europe. So, that is one of the reasons why we are increasing our facility by 12,000 square feet. And we have a utilization of 75% in our current infrastructure in Bhiwandi in Mumbai. And we are also increasing that by installation of machinery, like injection molding machines of 800 tons and 150 tons with the help of robotic arms.
- Jairaj Jain:** Okay. And sir can you just explain what are your planning for product diversification of agro shed net, and can you please elaborate on your plans in this product segment?
- Harshit Shah:** As Harshdeep has been an esteemed brand in terms of planters and garden furniture. We are also expanding into the agro shade net that is that we will be annually producing approximately 350,000 KG of agro shade net, which will be used by the nursery men, by the farmers and the builders. As we have connections with the interior architects, builders, we have good network

with nursery men and the converse that will help us complement this product into their portfolio and which will help us increase the revenue by approximately 5 crore on this year and similarly by seeing the increase in the growth and the increase in the sales of agro shade net we have plans of expanding it to approximately 10 lakh KG a year.

Moderator: Thank you. The next question is from line of Sachit Gupta from Gupta Family Office. Please go ahead.

Sachit Gupta: Sir, my question is, can you give some hint about which are the high revenue contributors and high profit contributor products segment in our Company?

Harshit Shah: Sir one of them will be the fiberglass vertical wherein we provide that material to our interior architects, to the builder lobby to airports. So, that is one of my major cash cow, which I am looking at, even my rotational molding segment gives me an handsome amount of margins along with that we have our decorative series which also contributes on a higher margin when it comes to the portfolio management of our products.

Sachit Gupta: My next question is, we have invested in the modern machineries for making illuminated and rotomoded series. So, for this, what kind of revenues we can expect?

Harshit Shah: So, are you asking me for the top line or the bottom line?

Sachit Gupta: The top line and bottom line both?

Harshit Shah: So, if we are expecting on both of them and I am very positive on 10% to 15% growth on our revenue year-on-year.

Sachit Gupta: And in bottom line?

Harshit Shah: In bottom line, I would say 7% to 8%.

Moderator: Thank you. The next question is from the line of Rajat an Individual Investor. Please go ahead. The line for the current participant in the question queue seems to have disconnected. We will move on to the next question. The next question is from the line of Manoj Kumar, an Individual Investor. Please go ahead.

Manoj Kumar: I have a one more question. This is related with the brand building, doing the brand building because this could be crucial in this business.

Harshit Shah: Thank you for asking me this question, and I would like to come up with an answer, as we are participating in a lot of trade shows like ASEC, like Hortipro India. we are also participating in exhibitions like Spoga + Gafa, IPM that is held in Germany. So, these activities help me to build the brand along with that we have a very, very strong network on social media. We have a very active Instagram and Twitter handle that continuously boasts the brand like Harshdeep and

(Inaudible) 25:52, as they are the two verticals of our Company. And in terms of branding, why we are coming up with these stores in cities like Ahmedabad and Hyderabad is because we want the direct B2C connect wherein which will help us in branding, which is the first and the primary criteria of coming up with these kind of stores.

Manoj Kumar: Okay. And we are also working for our logos like so that we can easily recognize from, that this is from the Harshdeep?

Harshit Shah: Absolutely sir. If you see my product, every each and every product has been branded with our logo and with our name.

Manoj Kumar: Okay, thank you. Next question is that, how much growth or revenue growth we are having, or maybe the revenue mix from the online mode, how much growth we are anticipating through the online?

Harshit Shah: Sir we are not at all selling online because it will directly interfere with the sales of my dealer network, because we don't wish to sell directly to the B2C consumers online. But of course, in cities where we won't have the direct dealer network in place where we are present offline, so we have our offline stores which contribute to the major chunk of our revenue, and we have very small institutional sales on Amazon, which contributes to more than 1% of the revenue growth, because we are not at all focused on online sales, because we have a very good network in the offline sales.

Moderator: Thank you. The next question is from the line of Aditi Roy from Patel Advisor. Please go ahead.

Aditi Roy: My question is, can you please explain your B2B business including airport contracts, what are the contribution from B2B and B2C to revenue?

Harshit Shah: Sure. So, basically we have a current order book of approximately 1 crore which comprises of orders from Adani Airports from Mumbai, Mangalore and Guwahati airports. So, we are listed as the sole planter manufacturers and the sole planter distributors in India in their software which helps us bag these kind of orders. Along with that, we are listed with all the institutional players like Lodha, DLF, Hiranandani, Raheja and Kalpataru, which also helps us in direct B2B sales and back to any segments like roto molding and in segments like fiberglass, which helps us provide higher and healthy margins.

Aditi Roy: Okay, sir. And my next question is, what are your marketing efforts to bag B2B contracts including airport, is it through rendering all our marketing networks?

Harshit Shah: So, it is a recurring business since we are in this industry, since more than two decades and Harshdeep is one of the pioneer brands and when it comes to planters and pots and garden furniture. So, we are the first choice of these institutional buyers, because we can provide them

with high volumes after sales service and high-quality products, which is a bit scarce for them to find with any other competitor of ours.

Aditi Roy: Okay, sir and my last question is, what outlook you would like to provide to investors for H2, FY25 or FY24?

Harshit Shah: Can you please help me repeat the question, I couldn't it was not audible.

Aditi Roy: Yes, sure. What outlook you would like to provide to investors for H2 FY24 or FY25?

Harshit Shah: H2 24, I am aiming at approximately 20% growth a year-on-year on revenue along with that similarly, I am expecting the same margins for the FY25 as well. So, there will be a slight, increase in my revenue when it comes to FY25 because all the funds that we bought from IPO have been allocated into all the pockets of manufacturing capabilities and infrastructure development, in marketing and branding which will yield results in FY25.

Moderator: Thank you. The next question is from the line of Rachana Sharma from HNI Invest. Please go ahead.

Rachana Sharma: So, my question is, what macroeconomic or industry trends do you see as potential opportunities or threats for your business?

Harshit Shah: As you can see, there are a lot of infrastructural development happening right now in India, and India has been declared as the first and the most potential developing countries in terms of global standards. So, this drive will actually help industries like us to move ahead, because with infrastructure comes the landscaping and with landscaping comes the port industry and the planter industry. And along with that, even there are a lot of development which are happening in terms of corporate sector. And as you can understand, the trend that is happening after Corona and after COVID-19 was everyone is going go green. Everyone is wishing to put a plant inside the house. Everyone wishes to have good greenery surrounding them, because now it is net zero is priority to keep them and pots besides them, because it gives a fresh aspect of greenery of, even the climatic issues are helping us improve this trend, because everyone is promoting the plantations, everyone is promoting plant growth right now in this segment.

Rachana Sharma: Okay. Sir my next question is, who are your peer competitors?

Harshit Shah: My peer competitors one of them will be a Greenery, GTC, Gamla by GTC and Gardens Need.

Moderator: Thank you. The next question is from the line of Priya from Prashant Forex. Please go ahead.

Priya: So, I would like to know that, which city are you targeting next, after Ahmedabad?

Harshit Shah: So, after Ahmedabad, I am looking very prominently at Punjab, I am looking at Lucknow, and I am looking at Hyderabad, but it will be at a certain period of time because we do this trial and

error method of putting up a temporary shops or a temporary distributor in that area looking at the sales, and then we move ahead with our own exclusive stores. So, it takes an approximately time period of two to three months after opening our first showroom that was in Ahmedabad we will go ahead with Punjab, we will go ahead with Lucknow and then in Hyderabad.

Priya: So, I have one more question that, what is the size of planter industry, and how have you positioned yourself against unorganized market of planter?

Harshit Shah: So, the market has positioned Harshdeep as a market leader in this segment. So, again I would like to address that and when planters come into action, planter is the last thing that anyone puts inside their houses. So, it is always a very voluminous business, even though I have a lot of unorganized players coming into this market. So, they cannot fulfill the kind of volumes that Harshdeep as a whole entity can provide them. And even the quality is very important when it comes to the planters, because they have direct exposure to sunlight. They are kept in very harsh conditions like rain, in sun and snow. So, that is why, Harshdeep is coming out as a market leader, even in terms of innovation, like we recently introduced the self-watering planters. So, you need not put water inside your plants every day, so the pot will act as a reservoir, wherein you need not worry to water your plant for the next seven days. Along with that, we also came up with a very ecological and a very sustainable product that is called the Eco series, or the good planters, or the coffee planters, as we have introduced organic waste, like coffee husk, bamboo husk, rice husk and wood fibers into our planters in order to eliminate 50% of our carbon footprint that we are consuming with using of virgin material inside our products. So, that is again one potential lead that we got in terms of planters, and that is a very big boom in the Western world for example, USA and Europe is moving towards this ecological trends on a very bullish way and with China taking a hit in these kind of markets, we have a very good chance to come up as a Company which provides, which will export pots and planters and garden furniture to these kind of countries.

Moderator: Thank you. The next question is from the line of Manoj Kumar, an Individual Investor. Please go ahead.

Manoj Kumar: I have few more questions. One question is related with the innovation, as the innovation could be very crucial for our business. How much revenue percentage we are putting in our R&D?

Harshit Shah: So, approximately 25% to 30% of our revenue is being put inside innovation that includes raw material, that includes machinery, that includes manpower, which is being used for the R&D, and even innovation in terms of showrooms and in terms of design and in terms of exhibitions, so, I could do approximately 25% to 30% of my revenue.

Manoj Kumar: And how much is our employee strength, and what is the plan to grow it along with this business?

Harshit Shah: It is more than +100 employees that we have currently in our institution, wherein the major chunk is the unskilled labors, which is being used for the production of our products. And we

are expecting a growth of 5% year-on-year on manpower considering the innovation and considering the infrastructure growth that we see in FY25 and FY26.

Manoj Kumar: Is it recently introduced because what I read is around 34 to 35 employees we had?

Harshit Shah: We had mistaken over here, so we have a bifurcation between employees and labors. So, the major chunk which is there in our Company is with the unskilled labors which are used for the production of our pots and planters and garden furniture, but we are trying to reduce the numbers of labors with the help of automation, as we have already done successful trials with our robotic arms that we have put inside our machine that will help us reduce the labor costs in the following years.

Moderator: Thank you. The next question is from the line of Rajat, an Individual Investor. Please go ahead. As there are no further questions from the participants, I now hand the conference over to Ms. Chandni for closing comment. Please go ahead.

Chandni Chande: Thank you everyone for joining the conference call of Harshdeep Hortico Limited. If you have any queries, you can write to us at research@kirinadvisors.com. Once again, thank you for joining the conference.

Moderator: On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.