Prataap Snacks

Operator: Good afternoon, everyone. I welcome you all to Bharat Connect Conference 2026, September edition. I welcome you to the call of Prataap Snacks Ltd. Today, from the management team, we have Mr. Sumit Sharma, CFO. Before I hand over the call to management, I will outline the flow of the event. We will start with the opening remarks by management and then move on to the Q&A rounds. Participants who would like to ask questions can raise their hands or put their questions in the chat box. First, we will take questions from participants who have raised their hands and then move on to the chat box. If time permits, we will take questions received from clients who are unable to participate. Please note that we will take the last question five minutes before the end of the session. Without any further delay, I would like to hand over the call to management.

Sumit Sharma – CFO: Thank you. Good afternoon, everyone, and a warm welcome to all of you. For those of you who are interacting with us for the first time, let me start with a brief overview of Prataap Snacks Ltd.'s journey. We started our operations back in 2003 by trading cheese balls. In 2005, we stepped into the manufacturing of potato chips under our flagship brand, Yellow Diamond. Over time, we broadened our portfolio by introducing Chulbule, which is a random extrusion product, rings, and traditional Namkeen. Until 2012, all our manufacturing facilities were centralized in Indore. Since then, we have expanded our manufacturing footprint nationwide. As we speak, we reach nearly 2.5 million outlets across more than 27 states and 4 union territories. We serve this market from 14 manufacturing facilities, including 8 contract manufacturing facilities and 6 of our own manufacturing facilities. We sell roughly 1.5 crore packets every day.

To give you a sense of the industry, the organized packaged snacks market in India is approximately 50,000-odd crores, and it may be divided into four major categories—rather, three major categories, I would say. Namkeen is the largest segment, accounting for approximately 45% of the overall market, followed by extruded products, including both shaped extrusion and random extrusion. Extruded products account for approximately 33%, and potato chips account for approximately 22% of the overall packaged snacks market in India. Our strongest presence is in the extruded segment, where we are the market leader. Extruded products contribute approximately 50% of our overall revenue, followed by potato chips and Namkeen, which account for 22% each. The remaining 6% comes from different categories, including cakes, which account for approximately 3%, popcorn, which accounts for another 2-3%, and some other product categories.

We were one of the fastest-growing companies in this space until COVID hit. The pandemic severely impacted impulse purchases, particularly our rings category, which is targeted at children. Before COVID, rings were our largest category and flagship product, generating more than 40% of our revenue, but that contribution dropped to single digits. However, we defended our overall market share by innovating and introducing new products, especially in the pellet segment. Today, pellets have grown into a core category within the extruded portfolio, helping us secure leadership in the overall extruded segment.

To accelerate future growth, we have put a focused strategy in place, both product-wise and market-wise. On the product side, we have structured our product portfolio into three clear buckets. Anchor includes chips, rings, and Chulbule product categories, which are our core volume drivers. Growth includes pellets and Namkeen, and we are scaling these categories. Next includes

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healthier options, popcorn, premium products, and large packs.

On the market side, we have broadly divided our geographies into three regions. Command comprises markets where we have a relatively stronger presence, relatively better margins, and a solid right to win. Expand comprises markets where we have high-potential growth opportunities and are gaining strong early traction. Maintain comprises steady markets where we focus on holding our share while optimizing costs.

To support this, we are leveraging technology such as sales force automation and DMS to track sales productivity, improve outlet effectiveness, and execute micro-level strategies right down to the beat level. We are also expanding our presence across alternative channels. Our products are now available on most major quick-commerce platforms, with a very encouraging response. We have also revitalized our modern trade footprint and started exporting to key overseas markets. These alternative channels will play a crucial role in improving our product mix, especially toward higher-MRP items.

These strategic initiatives are delivering clear results. In the recent quarter, we achieved 20% revenue growth on a year-on-year basis. This performance was broad-based, driven by improving consumption trends, a positive response to new launches, continued momentum in the Namkeen and chips categories, deeper distribution, and strong traction on quick-commerce platforms.

On the margin front, global geopolitical tensions have created cost pressure across key inputs. In particular, palm oil and packaging laminates saw significant year-on-year price increases of approximately 20% and 30%, respectively, alongside elevated freight costs. However, through calibrated price and grammage adjustments, disciplined cost management, and operational efficiency, we successfully managed a significant portion of these cost headwinds and protected our margins to a large extent.

Looking ahead, we are executing a business-wide cost-optimization program across operations, logistics, and sales channels. This initiative is designed to unlock 2%-3% in structural cost savings over the medium term. With demand recovering, strong momentum across our growth drivers, and sharp execution on the ground, we are confident of delivering double-digit growth in FY27. While short-term input cost pressure may temporarily compress operating margins compared to last year, our structural cost savings and disciplined execution will help us navigate these headwinds effectively. Thank you once again. I am now happy to open the floor for your questions.

Operator: Participants who wish to ask questions can raise their hands or put their questions in the chat box. We have a question from our clients. As revenue grew by approximately 20%, how much was volume versus price? How much was due to last year's low base?

Sumit Sharma – CFO: In our case, it was largely volume-driven because we track volume in terms of the number of packets. Approximately 17%-18% growth was driven by volume growth.

Operator: Soham wants to ask a question. Soham, you can unmute yourself and ask.

Soham: Hello? Hello?

Operator: Hello, Soham.

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Soham: Am I audible?

Operator: Yes, Soham, you are audible. You can speak.

Soham: Given the input inflation spike in palm oil and packaging material, how resilient is the Rs.5 price-point strategy against sudden commodity shocks?

Sumit Sharma – CFO: Sure, Soham. At Rs.5, we offer different grammages in different categories. To give you an example, in the case of potato chips, the quantity offered at Rs.5 is approximately {? 13 to 14 grams ?}. In the case of extruded products, the quantity ranges from 18 grams to 22 grams. In the case of Namkeen, the Rs.5 MRP packet contains approximately 18 grams to 25 grams in our case. Therefore, the offering is very different for different product categories, especially in the case of rings, where we offer 10-11 grams of product and, in addition to the product, we also give a free toy.

There are still significant opportunities for rationalization in the event of severe inflation in ingredients or key commodities, allowing us to optimize grammages and pass on inflation to consumers. We do not see the Rs.5 price point going anywhere over time. The quantity may be rationalized to pass on the impact of inflation to the consumer, and sufficient headroom is available in different product categories.

Soham: Am I audible now?

Operator: Yes, continue.

Soham: There are not many peers in the Rs.5 category. Does this affect our operating profit margin? It was around 10%, but now it is 5%. Are we planning to introduce any value-added products in the segment?

Sumit Sharma – CFO: Soham, let me give you some color on the industry. I think it is a misconception that Rs.5 is a very small category and that very few players operate in the Rs.5 segment. In our industry, Rs.5 contributes more than 50% of the industry. As I said, the market is approximately 50,000-odd crores, referring to the organized market. More than 25,000-odd crores is the market for MRP Rs.5. Therefore, Rs.5 is a significant category for our industry, and nobody is leaving that category. From the market leader onward, everybody is present in the Rs.5 segment. You will find every leading brand in our industry at the Rs.5 price point. Rs.5 is an important category, nobody can afford to leave it, and it is a large category for the industry.

It is not that it is difficult to make money at Rs.5. As I said, at Rs.5, you can pass on the impact of inflation by reducing grammages. To give you an example, when we started our business, we offered 30 grams at the Rs.5 price point. As we speak, we offer approximately 14 grams at Rs.5. Over time, grammages have been optimized or rationalized because of the impact of inflation. That is how you pass on inflation to consumers.

At the same time, we are working on increasing the share of higher price points, and that is a different area. The Rs.5 contribution is different for different categories. In the case of potato chips, our Rs.5 contribution is approximately 70%. The industry contribution for Rs.5 in the case of chips would be approximately 50%. In the case of Chulbule, which is part of the extruded category and is

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a random extrusion product, the Rs.5 contribution in our case is approximately 70%–72%. The remaining 28%–30% is Rs.10 and above.

Namkeen is the category where the higher-price-point market is large enough. However, our major source of revenue is still Rs.5. Rs.5 Namkeen contributes approximately 85% of our overall Namkeen sales. Therefore, we are trying to increase sales of higher price points or family packs. We have adopted a strategy through alternative channels, especially quick commerce, modern trade, and exports, where we are pushing Namkeen on these platforms at higher price points. General trade will follow this.

In the case of other extruded items, including rings, pellets, curls, and puffs, the market is predominantly Rs.5. We believe that for these items or this category, almost 90% of the market is at Rs.5.

Soham: All right, sir. Thank you. Thank you very much for explaining that. Are we looking for any margin improvements from last year?

Management: Yes, definitely. We are working on multiple levers to expand margins. Unfortunately, because of these geopolitical tensions, there was a sudden spike in some of the key raw materials. As I mentioned in my opening remarks, we have seen approximately 20% inflation in palm oil over the last year. Similarly, packaging laminate has seen inflation of approximately 30%–35% over the last year. These two are key and common items for all our product categories.

Although we immediately took appropriate action and were able to mitigate the negative impact to a large extent, there is still some pressure on the bottom line. However, we believe these are short-term issues. For the long term, we are working on multiple levers, ranging from operations to distribution. We are trying to unlock approximately 2%–3% of margin through these multiple functions.

On the operations side, we are planning to shift to a new location. We have already initiated the project in Indore and are developing a new facility there. This will be a fully automated plant, and our overall operating cost for Indore will come down significantly.

Similarly, we are working on logistics costs because we currently have 14 manufacturing facilities and do not manufacture every product at every plant. Therefore, there is a lot of inter-plant or inter-unit transfer, which leads to relatively higher freight costs. We are working on the entire logistics footprint to optimize costs because this is the largest cost below material costs.

We have identified certain areas within logistics costs to optimize overall transportation costs. Similarly, we are working on the distribution channel. Initially, we followed a three-tier distribution model under which we provided approximately 14% in margins to the channel, including both the super stockist and the distributor. The 14% consisted of a 3% margin offered to the super stockist and 3% freight reimbursement provided to the super stockist. Therefore, the total amount given to the super stockist was 6%, and we provided an 8% margin to distributors.

When we eliminated the super stockist, we started supplying directly to distributors and increased the distributor's margin by 2% because the distributor was required to invest more money in the

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business, needed more working capital, needed a slightly larger space, and had to place full-truckload orders with the company. Therefore, we increased the distributor's margin from 8% to 10%.

Our overall channel margin, which was approximately 14%, came down to 10.25% and is currently 9.5% as we speak. There is headroom to reduce distributor margins, which we are doing gradually. We are selectively reducing distributor margins in a calibrated manner so that there is no disruption to sales. Over the next 1.5-2 years, we believe that we will be able to obtain approximately 3% of margin from these different functions. This will increase or improve our margins structurally and sustainably.

Soham: Thank you. Thank you very much, sir. One more thing: what caused the underperformance in the South Indian industry that prompted us to close the Bangalore and Hyderabad units?

Management: The South is a relatively weaker market for us, and even for India, the South is the smallest market for the organized industry. The South contributes approximately 12%-13% to the industry because it is a market for national players, especially for western salty snacks. However, regional Namkeen products are very different in the South. Many strong regional players dominate the South Indian market, especially in traditional South Indian Namkeen products such as murukku.

In our case, the South contributes approximately 8%-9%, and we were operating through two different facilities. One facility was in Hyderabad and the second facility was in Bangalore. These two facilities were for different products. In Hyderabad, potato chips were being manufactured through a third-party arrangement. In Bengaluru, we had our own setup, where we manufactured extruded products and pellets.

As I mentioned earlier, there was a lot of movement of goods between the plants. We manufactured chips in Hyderabad and transferred them to the Bangalore plant. From Bangalore, we sent a full truck containing all the products to different distributors and super stockists. This led to a lot of inefficiency in the system.

We then decided to consolidate the operation in South India. Instead of having two different plants for different product categories, we shifted to one consolidated manufacturing facility in Tumkur. This is a third-party manufacturing arrangement under which all the products are manufactured. At Tumkur, we manufacture potato chips as well as extruded products. As a result, we were able to save on logistics costs, and our turnaround time has also reduced significantly. We are now able to serve the market much faster.

This was a strategic decision, and we consolidated the operation. It has nothing to do with our performance in the South. The South is already a relatively smaller market, and we are now trying to build our presence there more aggressively.

Soham: All right, sir. That answered my question. Thank you.

Management: Thank you, Soham.

Operator: Thank you, Soham. The next person in the queue is Nilesh Sharma. Nilesh, please unmute yourself and speak.

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Nilesh Sharma: Hello, sir.

Management: Hello, Nilesh.

Nilesh Sharma: We hope the company is doing well. I have 2-3 simple questions. What margin are we targeting after implementing all these plans relating to logistics and other areas? Is it expected to be in the double-digit range or the high-single-digit range? That is my first question. Also, how will our product mix change over the next 2-3 years?

Management: To answer your first question, our aspiration is to reach an operating profit range of approximately 9%-10% on a sustainable basis. Unfortunately, there has been severe inflation in raw material prices over the last 3-4 years. There was also a COVID impact, which severely affected the overall performance of the company, especially in the rings category. Rings used to be our flagship product category and contributed more than 40%, but that contribution is now in the single digits.

We have managed all these factors over time, and we now believe that we are in a position to deliver a strong margin of approximately 9%-10% over the next 2-3 years. We have identified the levers to improve margins on a structural and sustainable basis, as I mentioned in my previous answer. All those initiatives are in place, and we have already started working on those levers.

Nilesh Sharma: My second question is about the product mix. At present, we are not targeting or conducting the Namkeen business on a significant scale. Are we planning to increase Namkeen substantially?

Management: We are actually a late entrant in Namkeen. We started Namkeen around 2012-13, and that was also from Indore. As we speak, we have only one manufacturing facility in Indore for Namkeen and for all the national variants. We also have our Rajkot facility, where we manufacture Namkeen, but that is primarily for regional Gujarati variants of Namkeen.

Namkeen was not a focus area, I would say. There were also logistical issues, and we were unable to expand that category. However, Namkeen is the largest category. Namkeen accounts for approximately 45% of the overall snacks market, and we are under-indexed. In our case, Namkeen accounts for approximately 22%. It was 18%-19% three years ago. Over the last 2-3 years, we have been focusing on Namkeen, especially on developing new products to suit consumer requirements. We launched various products over the last couple of years, and some of them are performing very well.

Namkeen is a focus area. We are trying to expand Namkeen, and even over the last 2-3 quarters, the overall contribution of Namkeen to our sales has increased meaningfully. Namkeen will continue to be a focus area. Over time, I think Namkeen should grow faster than the company's overall sales growth.

Namkeen will also give us an advantage or room to move toward higher price points because, as I mentioned in my previous answer, extruded products are primarily a Rs.5 market for the industry. However, Namkeen has a large share of family packs and higher price points. Therefore, the strategy is to drive Namkeen revenue through the Rs.5 pack, which is more of a trial pack. Consumers try the product, and once they like it, we can eventually sell the product at a higher

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price point.

Nilesh Sharma: Family packs.

Management: Yes. The second strategy we are following is to drive Namkeen through quick-commerce platforms, which are primarily meant for higher price points. We are selling Namkeen and potato chips on these platforms, and we are getting good traction. Consumers start buying higher-price-point products from these platforms and may eventually also start looking for our products in general trade.

The third advantage or strategy is that, as I mentioned, our overall reach is approximately 2.5 million outlets. However, if I split our reach at the product-category level, extruded products are our most highly penetrated category. Our extruded products are available at approximately 17-18 lakh outlets, followed by potato chips. Potato chips would be available at approximately 7.5-8 lakh outlets. Namkeen would be available at approximately 6.5-7 lakh outlets.

There is a significant opportunity even within the existing network. We simply need to push our range at existing retail outlets where our salesman is already visiting and taking orders for extruded products. We are trying to expand the reach of Namkeen within our own existing network, where extruded products are already being sold. We are using technology to track and drive all these initiatives.

Namkeen will increase in the coming years, and its overall contribution will increase in the coming years. That is how the mix will change.

Nilesh Sharma: Sir, my last question: Is Namkeen a high-EBITDA-margin product? If we look at Bikaji and other Namkeen players, they are earning good margins. Is this because of the premium product, or does the product itself generate a higher EBITDA margin?

Management: Structurally, I think Namkeen is almost similar. I would even say that it has a slightly lower gross margin compared to extruded products. However, the logistics cost in the case of Namkeen is very low because the pack size of Namkeen is very small compared to—

Nilesh Sharma: One kilogram gets sold at once.

Management: Yes. If you compare a Rs.5 pack of potato chips with a Rs.5 pack of Namkeen—

Nilesh Sharma: That is why, as investors, we are interested in knowing when you will change this strategy. On a topline basis, we are doing well. We are generating a topline of 1,800 crores. Still, we are not able to generate that value for the company or for investors.

Management: There are a variety of reasons. We are the youngest national player in the country, where there are very few national players. We have been building our distribution network. As I said earlier, we are available at approximately 2.5 million outlets. Almost 40%-45% is covered by our direct network, or direct reach, where a salesman or a distributor is visiting the outlet, taking the order, and delivering the goods.

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The infrastructure that we have built over time required significant investment. Therefore, over time—

Ashish: We have invested in building the distribution network. Of course, this investment was made through the P&L and not through the balance sheet. That is one of the reasons our margins have been under pressure.

The second factor is that we have relatively higher logistics costs, again because of our product mix and our national reach. These are some of the reasons that have put pressure on margins.

Now we are addressing everything. As we grow, we are not investing any additional money in building infrastructure or the distribution network because we already have the distribution network. We are simply leveraging our reach. As I said, Namkeen is currently available at 6 lakh to 6.5 lakh outlets, and we are trying to take it to 15 lakh outlets without incurring any additional cost to expand the reach. Therefore, we will benefit from operating leverage because we have already invested in building the infrastructure and distribution network.

Secondly, we are working on the logistics footprint. As I said, there are many internal transfers and hub transfers in our case. We are now using technology and trying to map the right source of supply to the right market. We are also consolidating manufacturing operations so that all products are available at the same location.

For example, we recently started manufacturing Namkeen in Calcutta because, before that, we were transporting everything from Indore. Last month, we installed the Namkeen line in Calcutta. We are also trying to expand our manufacturing footprint to consolidate operations and minimize freight costs, because freight is a significant cost in our case.

We are taking these kinds of initiatives to drive and improve the overall margin profile. Certainly, that will help us, and perhaps over the next 1-2 years, you will be able to see the results.

Nilesh Sharma: Okay, sir. Thank you.

Ashish: Thank you.

Operator: Thank you, Nilesh. The next question is from Harsh.

Harsh: Am I audible?

Operator: Yes, Harsh.

Harsh: Thank you for the opportunity, Sumit sir. You have discussed costs and margins extensively on this call and how you are trying to bring in more efficiency. I have a simple question. In a Rs.5 packet, could you split the costs into raw material, processing, power, forward logistics, distribution to your stockists and retailers, and then tell us how much remains for us?

Sumit Sharma – CFO: I can give you a high-level breakdown of Rs.5, which will give you a fair idea about the buildup of the entire Rs.5. A Rs.5 MRP product is generally sold to the retailer at approximately Rs.4.10. It varies across markets and products, but let us take a ballpark blended average. The retailer retains a margin of approximately 80-90 paise.

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As I said, our overall channel margin is currently approximately 9.5%, and GST is 5%. Therefore, our net realization would be somewhere in the range of Rs.3.40–Rs.3.50. That is the net sales recorded by the company.

Gross margin is approximately 27%–28%, so the remaining 72%–73% is material cost. The key materials within this overall 73% are packaging film, palm oil, corrugated boxes, and potatoes. These are the major items.

The next-largest cost below material cost is transportation. In our case, transportation cost is approximately 7%–7.5%. Overall manpower cost, including direct, indirect, off-role, and on-role employees, is approximately 8.5%–9%.

Then there is conversion cost, which largely includes power and fuel. Power and fuel account for approximately 2.5%–3%, followed by other administrative costs, and this finally results in an operating margin of approximately 4%.

The major costs are the 72%–73% material cost and another 7.5% logistics cost, meaning that 80% goes toward these two costs. The third-largest cost is manpower. Direct manpower, which is on-role employee cost, is approximately 4.5%. Indirect employees, including contract labor in the factory and sales representatives who go to the market, account for another 3%, or approximately 2% to 2.5%–3%. These are the major cost components.

Harsh: Understood, sir. Thank you for explaining that. In FMCG, people generally say, and conventional wisdom suggests, that distribution is really the muscle and the moat. In that sense, could you discuss how you think about forward logistics—whether it involves your own fleet or contracted third-party logistics—how you view warehouses, and how things work between your 14 plants in terms of which product serves which zone or area?

How do you think about these matters going forward, particularly on the logistics side? I think the idea is that you are fighting for every rupee in the overall rupee to increase margins. I understand that this does not happen overnight, so what is the long-term trajectory or viewpoint on distribution and logistics?

I am just thinking aloud here, but could there be electric trucks or anything else to reduce fuel consumption and generate more savings? Could you open more warehouses closer to your most densely populated selling zones? These are just the first thoughts that come to mind. How are you thinking about these areas, and what is in the works for distribution and logistics?

Sumit Sharma – CFO: It is a valid question, and we are also working in that direction. As I mentioned, logistics is a crucial cost line item, both in terms of cost and vehicle availability, because we need a large number of vehicles every day to dispatch products. We also need to ensure availability, so we use a combination of our own fleet and vehicles available in the market.

The more goods you transfer from one location to another, the more cost you incur. That is why we are trying to optimize our overall manufacturing footprint so that we can manufacture all products at all locations. In that regard, we recently started operations in Calcutta for manufacturing Namkeen in the same plant. This is how we are trying to manage logistics costs.

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Over time, we are trying to minimize inter-unit transfers so that we can save at least 75 basis points to 100 basis points on logistics costs. That is what we are targeting.

As you rightly said, distribution is difficult to build. It does not happen overnight and takes a lot of time. We have been investing in building the distribution network for a long time, and it has now started yielding results. We have a strong distribution network, and we do not want to invest even a single rupee in expanding distribution because the entire idea is to leverage the existing distribution first.

There is a significant gap in the availability of product categories at the same retail outlet. Therefore, we are leveraging the existing distribution network. Our near-term focus is to leverage the existing distribution network. We will expand in terms of product-category reach, but we do not want to expand significantly at the overall level. There will be some additions in new markets, new districts, and new subdistricts, but the primary focus will remain on expanding all product categories at existing retail outlets where we are already present.

Harsh: Done, sir. Thank you very much for your time. You explained it very clearly. Thank you.

Sumit Sharma – CFO: Thank you, Harsh.

Operator: There is a question from Soham in the chat box. He asks whether the Avadh brand has successfully expanded beyond its core base in Gujarat into broader national markets, or whether it is facing regional growth ceilings.

Sumit Sharma – CFO: When we acquired Avadh, there were two objectives. First, we wanted to take Avadh's products outside Gujarat. Second, we wanted to gain entry into Gujarat for our Yellow Diamond products.

We successfully took Avadh outside Gujarat. The pellet category, which I mentioned earlier, helped us manage the setback in rings, and pellets are primarily a learning from Avadh. Fifty percent of Avadh's revenue comes from pellets and 50% comes from traditional Gujarati Namkeen. We took Avadh's pellets outside Gujarat and made those products available across India. As we speak, pellets are a significant contributor to the overall extruded category.

In that sense, I would say it has been very successful. Avadh has gained national presence, perhaps not in terms of the brand but in terms of the product. In certain geographies outside Gujarat, we are also using the Avadh brand to market some of our pellet SKUs as part of our distribution strategy.

Second, we were also trying to gain entry into Gujarat, and we achieved that. Our products are now available in Gujarat. Yellow Diamond chips, Yellow Diamond Chulbule, and even cakes are available in the Gujarat market. We are leveraging Avadh's distribution network to push our products in Gujarat.

Operator: Are there any participants who would like to ask a question? Yes, Sagar, you can continue.

Sagar: Hello. Am I audible?

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Operator: Yes, Sagar.

Sagar: Hello, sir. Ashish sir, I joined a little late, so please forgive me if some questions are repetitive. When I look at your topline growth, I have not seen much growth over the last 3 years. When I look at your IPO, you stated that you were targeting long-term revenue growth of 15%, with peak EBITDA margins of approximately 10%.

I wanted to understand whether you have given any indication of the growth you expect next year, how that growth will come, and what margins you are targeting for next year.

Ashish: Sagar, you must have seen our Q1 numbers. We delivered 20% growth in Q1, and we believe the momentum will continue because we have been working on many initiatives to drive revenue. Those efforts and initiatives have now started yielding results. We developed a product-category-wise strategy and a market-wise strategy, and everything has started yielding results.

Therefore, we are confident of achieving double-digit topline growth. On the margin side, unfortunately, the current scenario is highly volatile, especially because of rising key raw material prices. Even as we speak, crude oil is above $100 per barrel. This is impacting overall packaging material and logistics costs.

Packaging is a key item for us—not a raw material, but a key item for our products—and palm oil is the second key item. Both these items are common to every product in our case, and both have seen a significant rise or inflation over the last year. This is impacting the business.

However, we took immediate action and were able to manage or protect margins. We do not know how long this situation will continue. If it continues for a somewhat longer period, it may start affecting other line items as well. If logistics costs increase, the price of every commodity will increase.

In the short term, we may see some pressure, but in the medium and long term, we are very confident because we are working on multiple levers to enhance margins structurally. These levers will not be related to raw material pricing. They will be more sustainable. As I mentioned in my earlier remarks, we have front-loaded our investment in building the distribution network, and that started—

Management: It has been impacting the bottom line, but now, with scale, we will benefit from operating leverage because we do not need to invest anything further in fixed costs. We will obtain those benefits, and the idea is to unlock at least 2%-3% from multiple functions, as I mentioned earlier.

From the new plant on the operations side, there will be significant savings in our overall operating cost in Indore. On logistics, I explained in my previous answer how we are trying to optimize the overall logistics and manufacturing footprint to optimize logistics costs. On the channel side, the current channel margin is approximately 9.5%, compared with 14% earlier, and it can come down to 8% because earlier we were giving an 8% margin to distributors. Currently, we sell almost 90% to distributors, with no super stockist in between.

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These levers are available, but we do not want to disrupt the business. Without disrupting topline growth or revenue, we are trying to unlock these benefits, which may take 1-2 years. This will help us enhance margins overall and on a sustainable basis.

Operator: The next question is from Siddharth. Siddharth, before you speak, could you restrict your question to one question because we are about to end this session?

Siddharth - Arihant Capital: Thank you very much, sir. I wanted to ask about our distribution. How are we looking at leveraging the existing distribution network for both our Namkeen and higher-priced packs, as well as our premium products? I am trying to understand whether there is a convergence of the distribution ecosystem that we can leverage. Could you elaborate on that?

Management: As I mentioned earlier, we are currently available at approximately 2.5 million outlets. If we split this, our extruded products are available at approximately 17 lakh outlets, chips are available at approximately 8 lakh outlets, and Namkeen is available at approximately 6-7 lakh outlets.

Our salesman visits the retail outlet. In most cases, he is able to sell, or is selling, extruded products, but he is not selling Namkeen at the same outlet. However, the same retailer keeps Namkeen from other brands as well.

Therefore, the idea is to expand the reach of Namkeen to all existing retail outlets where our employee is already visiting. We already have a relationship with the retailer. Consumers are coming to that retail outlet and asking for Yellow Diamond products. The consumer coming to the outlet knows about Yellow Diamond, the retailer already has a relationship with the company, and our representative is already visiting the retail outlet.

This makes it easier for us to expand the reach of the Namkeen category, and that is what we are doing now. We have been focusing on this for the last 2 years. In the traditional scenario, it is very difficult because you do not have visibility. You do not know at which outlet your Namkeen is being sold or is not being sold.

With the help of technology, we are now able to drive this. We are using Sales Force Automation, an app used by the salesman whenever he takes an order from a retail outlet.

Through this app, we are getting data and visibility up to the last-mile retail outlet. We are now able to develop strategies at a micro level. We can identify which particular beat does not have Namkeen or another product that needs to be pushed. We can then create a specific incentive plan or scheme for a particular salesman in a particular beat to push a particular product category at the retail outlet.

Earlier, the gap was visible, but there was no mechanism to drive these types of {? beat areas ?}. Now, with the information we have, we are able to drive all these initiatives.

Siddharth - Arihant Capital: Correct. Is this also true for premium packs and the premium segment that we are targeting?

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Management: Premium products are slightly different because, again, we sell most of our SKUs at Rs.5. Overall, Rs.5 contributes 80%-85% of our total sales. These Rs.5 packets are sold at SEC C- and D-class outlets. These shops may not be on the main road; they may be in the lanes and by-lanes of the city. These shopkeepers do not keep family packs.

General trade is slightly different for family packs or premium packs. Therefore, for premium products, we have developed a different strategy. We are now expanding our presence on quick-commerce platforms because these platforms are essentially where high-price-point packets, premium packets, and family packs are sold. That is the right channel.

Quick commerce, modern trade, and exports are the alternative channels we are using to drive the growth of higher-price-point and family packs in the first stage.

In the second stage, we will drive sales of family packs through general trade. The Rs.5 Namkeen pack is more of a test pack or trial pack for the consumer. Once consumers like the product, they can also buy it from an online platform. Once they start buying it from an online platform, they may also start buying it from general trade because they know that Yellow Diamond has products available in 400 grams, half a kilogram, or 1 kilogram. They may then start looking for those products in general trade as well, which will help us drive higher-price-point sales even in general trade.

Operator: I am sorry to interrupt, but due to time constraints, we will have to close this call. I would like to thank the management and the participants on behalf of Arihant Capital for sparing their time and sharing insights about the company. If participants have any further questions, they can get in touch with the Arihant Capital team. They will connect with you if required.

Management: Thank you very much to all of you.

Operator: I am sorry, sir, but we have to end the call because we have to arrange another call as well.

Management: Okay. Thank you very much.

Operator: Thank you so much, everyone. Goodbye.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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