Freshara Agro Export

Vaishnavi Maiti: Good afternoon, everyone. I am Vaishnavi Maiti from Adfactors Strategic Advisors Private Limited. It is my pleasure to welcome you all to the H1 FY27 earnings conference call of Freshara Agro Exports Ltd. Today, we are joined by Mr. Junaid Ahmed, Chairman and Managing Director. Welcome, Junaid sir. With this, I would now like to hand over the session to Junaid sir to tell us more about the company's growth. Over to you, sir.

Junaid Ahmed – Chairman & Managing Director: Thank you, Vaishnavi. Good afternoon, everyone. It gives me great pleasure to welcome all our investors, analysts and participants to Freshara Agro Exports Ltd.'s H1 FY27 earnings conference call. Thank you for taking the time to join us today and for your continued interest in and confidence in Freshara. H1 FY27 has been an important period in our growth journey. We have delivered strong financial performance while making significant progress toward our strategic ambition of transforming Freshara from an established Indian processed vegetable exporter into an integrated global specialty food platform. Our focus has been on combining India's agricultural strengths and manufacturing capabilities with international brands, established distribution networks and access to global consumer markets. Let me take you through our financial performance, key business developments and priorities for the upcoming quarters.

We are pleased to report strong financial performance during H1 FY27, reflecting the scale of growth in our global operations and continued business momentum. On account of consolidation with the Spanish subsidiary, our total income increased by 84% year-on-year to about 260 crores, compared to 140 crores in the corresponding period last year. EBITDA grew by 41% to 34.58 crores, compared to 24 crores in H1 FY26, while Profit After Tax increased by 40.61% to 20.97 crores, against 14.91 crores in the corresponding period. Earnings per share also improved by 40% to 8.92, compared to 6.35 in H1 FY26. Alongside the growth in our consolidated performance, we are particularly encouraged by the improvement in the profitability of our Spanish operations in the very first year of our business. Supported by strong commercial momentum and improved operating leverage, the Spanish business has achieved enhanced EBITDA margins, contributing positively to the company's overall performance. Going forward, our emphasis will remain on sustaining revenue growth while strengthening operational efficiencies, cost management and profitability.

Junaid Ahmed – Chairman & Managing Director: Strengthening our core business and operational capabilities. Before discussing our internal expansion, I would like to highlight the strength of our established Indian operations. Since our establishment in 2015, Freshara has developed an integrated farm-to-export operating model covering crop planning, farmer engagement, procurement, processing, quality control and international distribution. Our manufacturing infrastructure comprises two modern processing facilities in Tamil Nadu, with combined processing capacity of approximately 150 metric tons per day. A key strength of our operating model is our agricultural sourcing network, which now comprises more than 6,000 contract farmers across 22 districts in three states. This network supports consistent raw material availability, traceability and quality control while enabling us to maintain reliable supplies for international customers. Today, we export to more than 40 countries and maintain relationships with over 100 global customers, including international retail chains, private-label brands, distributors and HoReCa customers. Gherkin remains our flagship product category, complemented by baby corn, piri-piri, chillies, jalapeños and other preserved vegetables. Our business also caters to multiple distribution

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channels, including industrial packaging, retail packaging and food service, allowing us to serve both bulk institutional buyers and organized retail customers. We believe this established operating foundation provides the scale and flexibility required to support our next phase of expansion.

Strategic acquisition of Spain's Sarasa business and integration. One of the most significant milestones in our growth journey has been our strategic entry into the Spanish preserved foods and table olives market through our wholly owned Spanish subsidiary, which acquired the business of Aceitunas Sarasa, a heritage olive producer founded in 1968. This acquisition represents a strategic step toward diversifying our product portfolio and establishing a stronger presence in the European food industry. Sarasa brings more than 5 decades of experience in olive processing, an established brand portfolio, production infrastructure and long-standing relationships with European retail and private-label customers. The acquired business recorded revenue of approximately 90-plus crores during the first half of the year, with significant EBITDA margins of 11-12%.

Our focus following the acquisition has been on integrating the 2 businesses and identifying opportunities to leverage their complementary capabilities. An important operational initiative involves manufacturing gherkins under Sarasa's Spanish brand at our Indian facilities. This allows us to utilize our existing manufacturing infrastructure more efficiently while freeing up approximately 30% of Spanish production capacity to focus exclusively on olive production. This arrangement brings together India's manufacturing efficiency and agricultural sourcing strength with Spain's established brand equity and market presence. We are also exploring opportunities to introduce our Indian preserved vegetable portfolio through Sarasa's established European customer network while expanding the distribution of Spanish olive products through our existing international relationships. We are encouraged by the progress achieved on the commercial front. During the period, we executed commercial contracts with major retail chains across Spain. These developments strengthen our access to organized retail markets and provide a platform for expanding our presence across Europe. Our priority is to translate these integration initiatives into tangible benefits through better capacity utilization, operational coordination and improved profitability.

Global market opportunity and growth potential. Our strategic expansion is supported by attractive long-term opportunities across the global preserved food industry. We see particular potential in 2 complementary categories: table olives and pickled gherkins. The global table olives market is estimated at approximately $4.3 billion in 2026 and is projected to exceed $6.2 billion by 2035. With our entry into the Spanish olive business, we now have an established platform to participate in this opportunity through Sarasa's products, brand and distribution network. At the same time, the global pickled gherkins market is estimated at approximately $1.1 billion in 2025 and is growing at 8% annually, with the market expected to exceed $2 billion by 2033. India already holds a significant position in—

Junaid Ahmed - Chairman & Managing Director: —global cucumber and gherkin exports, and our established presence across more than 40 countries provides us with a strong foundation to capture opportunities arising from increased demand across international retail, Quick Service Restaurants and food service channels. Together, these 2 categories represent a combined market opportunity of more than $5.4 billion. We believe the combination of our established B2B export business and Sarasa's B2C retail platform creates an opportunity to participate across different

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product categories, customer segments and international markets.

Our capacity expansion and financial strengthening. Alongside our business expansion initiatives, we continue to strengthen our manufacturing capabilities. We have successfully modernized Unit 1 by adding a faster production line for retail packs. The unit will have 2 production lines for the upcoming crop season and is anticipated to improve productivity compared to previous years. The second unit is also under expansion, with an additional retail production line being added, and the same will be functional in the upcoming crop season. We are happy to say that both the newly installed production lines are already fully booked for new customer orders. For the first time in years, we are outnumbered by customer orders compared to the lines available with us. Subsequently, we look forward to enhancing our production capacity with additional machinery in the coming year. During the period, we received formal government sanction of 4.2 crores from the central government toward the expansion of our processing unit, which will also help us grow our revenue.

We remain focused on disciplined capital allocation, working capital efficiency and ensuring that our infrastructure and financial resources remain aligned with our growth plans.

Order book and business visibility. Coming to our business outlook, our near-term revenue visibility is encouraging, given the order momentum and customer engagement across our export operations. As per our latest update, our order-in-hand position stands at approximately 170 crores, and we anticipate closing an additional 100 crores of orders in the next quarter. This reflects continued demand for our products and the confidence that our international customers place in our manufacturing and delivery capabilities. Our immediate focus is on converting these orders and business opportunities into timely execution and revenue, while maintaining product quality, delivery commitments and efficient working capital management. We believe that this order momentum, together with our expanding international presence, provides a positive foundation for the upcoming quarters.

Outlook and strategic priorities. As we look ahead, our vision is to build Freshara into a globally integrated specialty food company with a diversified product portfolio, a stronger international presence and sustainable profitability. Our priorities for the coming period are centered around 3 key areas. First, strengthening our core Indian operations through deeper customer relationships, product diversification, efficient manufacturing and improved capacity utilization. Second, accelerating the integration of our Spanish business by expanding Sarasa's market presence, leveraging its established customer relationships and capturing cross-border manufacturing and distribution synergies. Third, maintaining financial discipline and improving operational efficiencies to ensure our business expansion translates into sustainable earnings growth and long-term shareholder value. We recognize that building an integrated international business requires consistent execution, careful integration and a long-term approach. Accordingly, our focus will remain on delivering measurable outcomes while building a resilient and scalable business platform.

To conclude, H1 FY27 has been a meaningful period for Freshara, marked by strong financial growth, strategic international expansion and encouraging progress in our commercial operations. We believe that the combination of our established Indian manufacturing and agriculture ecosystem with Spain's olive processing capabilities, heritage brand and European retail presence

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gives us a strong foundation to pursue the next phase of our growth. On behalf of the entire management team, I would like to thank our shareholders, our employees, our customers and our business partners for their continued support and confidence in the company. With that, I will take you through our investor presentation and some key business developments.

Ma'am, next slide please.

These are the consolidated and standalone numbers. The noticeable point here is that we have grown year-on-year as we promised earlier. We have our first consolidated half-yearly balance sheet, where Spanish revenue of around 95 crores has helped us almost double our total revenue. The Spanish business margins have successfully improved as we had planned. The company is operating at a PAT margin of 7.5%, which is excellent for this industry, and we want to enhance these profit margins as we move ahead. At Freshara standalone, we have grown by 25% from last year. Our EBITDA and PAT margins are stable, and our EPS has improved.

Ma'am, next slide please.

A major difference that you can see from previous years is that our retail packaging contribution has increased. It has not cannibalized industrial packaging, but our sales of retail packs have gone up. Since we started our second unit a year ago, this has led to more white-labeling jobs and white-labeling exports. Compared to previous years, an almost 25% increase in retail packaging can be observed. Prior to 2024, we were an industrial packer. Today, we are evolving as a retail and food service packer, which is helping us reach global supermarket chains and Category A customers. In fact, we have 2 large orders from the top 2 retail chains in Europe, and these will subsequently be serviced in the coming months.

Next, ma'am.

Our product-wise sales and country-wise export analysis. Gherkins happen to be our leading product as usual. There is great demand for the product across the world. India happens to be a leading exporter of gherkins, and we continue to dominate the global gherkin industry. As you can observe from the country-wise sales, Russia happens to be our number-one destination. Europe happens to be number 2, and the Middle East is number 3. Our exports to the US, I think, in the second financial year, will be contributing more. They usually contribute about 10% of our business, and we hope to improve the sales distribution to the USA as well.

Next, ma'am.

This is a comparison of our financial year data, which we have already seen before.

Ma'am, next slide please.

I would like to conclude this small presentation by saying that we have witnessed good growth in the first half, and we anticipate closing our financial year with revenue approximately 30% higher than in previous years. We are anticipating reaching about 570 to 600 crores. The Spanish business is looking good. We are looking forward to reaching at least 170 to 200 crores of business from the Spanish company and close to 400 crores from Freshara. The first half was somewhat competitive from India's point of view, and the second half is our major exporting half, when we do the largest

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volumes of the entire year. Therefore, we are looking forward to better numbers in the coming season.

That's it from me.

Operator: Thank you, Junaid sir. Investors, the floor is now open for the Q&A session. To ask a question, kindly raise your hand and unmute your line when prompted, or drop your questions in the chat box. Thank you. We have our first question from Mr. Bharat Kumar. Mr. Bharat, you can go ahead and ask the question.

Bharat Kumar: Yes, good afternoon, and thank you for the opportunity. Congratulations on the good numbers in this challenging environment. I just wanted to get a sense first around your cost elements. Is there anything you want to highlight as a one-off cost in this quarter, and what measures have we taken in the second half so that these costs, which are recurring in nature, can be passed through to end customers?

Junaid Ahmed – Chairman & Managing Director: [pause] The most significant factor was ocean freight. As you know, since the war started, there has been a subsequent shortage of containers from India, and throughout September and the earlier month, freight rates had multiplied by 2 to 3 times. These changes were very substantial and were happening over a period of 10, 12 or 14 days. Therefore, irrespective of when you booked the contracts, on the day when you carried out the shipment, you always had a different freight rate. Shipping companies did not honor their contracts. We did not have good contracts during that particular quarter. The first quarter was a little better, but the second quarter was a challenging one, especially because of ocean freight. As a company, we tend to enjoy margins on ocean freight when rates are stable. But when you have [trails off]

Management: —unstable ocean freight, we are not able to capitalize because the end customer is already feeling the pinch, and the changes are quite sudden. The good thing is that rates are now stabilizing. They have come down significantly from the last half-year. As you know, the war also appears to be subsiding, and energy costs are coming down, after having spiraled to almost 2 times the cost in the previous half. We use a lot of products and inputs, including sugar and furnace oil. Anything that goes into production has a significant energy-cost contribution. These prices had doubled. We were able to pass some of this on to customers, but it was a knee-jerk reaction, and we cannot revise contracts on a fortnightly basis. Therefore, there were times when we had to share the burden. In this half-year, we have been able to reprice it, and most customer contracts come into play in December and January. Therefore, this half-year looks better, and operating costs should reduce substantially from the previous half-year.

Bharat Kumar: Understood. The second question would be on your growth. You have highlighted a lot about your organic and inorganic growth opportunities over the medium term. Could you throw some light on this? You did mention the 4.2 crores sanctioned for setting up capacity in India toward your expansion. What are your overall capex expectations, and what other opportunities are you looking for from an inorganic standpoint over the medium term, sir?

Management: As Freshara, we have consistently grown at about 25-30% year-on-year, and we have been able to pace it up very well. That is particularly because we anticipate what is coming up and are able to predict customer demand. Today, we are able to convince our customers that

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instead of distributing their purchases among different companies, they can narrow them down to our single point of contact, single point of service and single point of establishment. This has actually helped us multiply our orders. Whatever production capacity we have is already sold out. Anticipating this, as well as the business of our Spanish subsidiary, I had already planned an expansion and an additional production line in both units. The first one has already been implemented. This does not necessarily give us capacity in terms of tonnage or kilos, but it gives us more retail packaging capacity. As we transform into a retail packer, as I mentioned, revenue growth is going to be much faster and EBITDA margins are going to be better in the coming years.

What we are now foreseeing is demand from multiple European retail chains, and before they knock on our door, we want to be ready. Every year, we are targeting the addition of another production line. This is inorganic growth. We are also looking at unidentified targets that we want to acquire in the coming year so that we can substantially increase our capacity. Again, the capacity is not about tonnage; the capacity is about servicing customers. In retail packaging, you may not be able to do a lot of tonnage. In industrial packaging, you can value it in kilos, but in retail packaging it is more about the number of containers and the revenue that you are able to categorize for a particular country or an individual retail chain. These lines are going to be customer-specific and taste-specific. Therefore, we are planning capex every year to anticipate demand and match that demand. Next year, we are looking at 30% growth again. We will achieve this 30% organically, and anything that comes inorganically will be additional.

Bharat Kumar: Do you see your target of 1,000 crores by FY30 being achieved earlier, given the rate of growth you have been highlighting?

Management: It is very much possible. One aspect is entirely based on what we are able to service for our existing clientele. Second, as I mentioned, we are looking for possible acquisitions in the near-term future. Even without that, we should be able to reach that target very much in time, and any inorganic acquisitions will help us reach that number a little earlier.

Bharat Kumar: Understood. My last question: in this presentation, you have given industrial pack, retail pack and food service distribution separately. Now, given that you are setting up more capacity, how do you see this mix changing in the next 2 to 3 years, given that more capacity is being added toward retail packing? You have also mentioned that retail is more profitable. How do you see your profitability trajectory going forward?

Management: Capacity expansion is one thing, and achieving efficiency in production is another. The first year for us has been more about adding this new production line, and this year, or the coming year, will be more about achieving efficiency. In retail lines, it is more about how much you can produce in a single day. Once our business generates more volume from the same lines and the same units, we will be able to cut down our cost by at least one-third from what we are currently incurring.

If global macroeconomic conditions are good, I think we should have an improved second half, and the coming year should be really good because both production facilities will have 2 production lines. The manpower cost will be relatively the same. Energy costs will be utilized more efficiently, and fewer man-hours will be able to deliver more productivity. Basically, we can double our output from here with only a marginal increase in cost.

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Having said this, retail expansion is going to be much faster. At the same time, industrial packaging is also growing. The second half will bring a lot of industrial-pack products, which do not really require capacity as such. Retail packs are going to bring in a lot of large retailers. There are about 25 retailers in Europe and about 10-15 retailers in the US. Therefore, the mix is going to shift faster toward retail, and in the long term it will comprise a lot of retail and probably less industrial packaging.

Bharat Kumar: Understood, sir. Thank you. I will get back in the queue.

Management: Thank you.

Operator: Thank you. The next question is from Mr. Darshil Zaveri. I also request participants to limit their questions to 2 each. Thank you. Darshil sir, you can go ahead and ask the question.

Darshil Zaveri: Hello. Am I audible?

Management: Yes, sir. Please go ahead.

Darshil Zaveri: Thank you so much for taking my question, sir. Firstly, congratulations on a really great set of results. I am sorry, I think I did not catch the last comment about FY27. Did we say that we were planning to do 170 crores from the Spanish business and 400 crores from Freshara? Was that correct, or did I hear it correctly?

Management: No. The 170, or close to 170, is the order book, and we are anticipating another 100-plus crores as an order book. Therefore, we are anticipating close to 260 to 270 crores of sales from the Freshara Indian unit. The 400 would be a combined number for both halves [pause] for the Indian unit. For the Spanish unit, we are targeting between 170 and 200 crores, depending on how much your foreign exchange fluctuates.

Darshil Zaveri: Correct. So approximately, overall, 500 to 600 crores?

Management: 575 to 600 crores is our target now.

Darshil Zaveri: Fair. With this, we will also have some significant operating leverage, and you were also saying that ocean freight is stabilizing. Therefore, can we go back to the margins we achieved for the full year FY26 based on the margins we reported in H1? Is that possible for us, sir?

Management: Sir, in the last 45 days, freight has dropped, but it has not returned to your February-March levels. For example, if a container would cost $1,200 or $1,400 to Europe, today it still costs around $3,500. But it had gone up to $5,000. If the war situation diminishes, we anticipate that freight will normalize. Having said this, the pass-through is now somewhat visible to our customers. Last time, it was an ad hoc increase that customers could not absorb. Today, they know that freight rates are higher. Therefore, it is somewhat easier to convince the customer than it was in previous months. We should be able to achieve at least 1 or 2 basis points of improvement in our margins in the second half and, I think, in the overall performance.

Darshil Zaveri: That is really great to know, sir. I also wanted to know, in terms of inorganic acquisitions, what level are we looking at in terms of ballpark cash flow? What kind of purchase cost

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could it involve for us?

Management: The average size of an Indian entity would be anything below 50 crores because the large entities are not available for sale. The smaller ones that may be struggling in business, may not have a succession plan and may have good infrastructure are our primary targets. Therefore, if we do anything, we would have to spend less than 50 crores to acquire a unit that can generate more than 150 crores of revenue.

Management: —The smaller ones that may be struggling in business or may not have a succession plan, but may have good infrastructure, are our primary targets. Therefore, if we do anything, we would have to spend less than 50 crores to acquire a unit that can generate more than 150 crores of revenue.

Darshil Zaveri: That gives me the [inaudible] purpose of asking this question. In the future, what cash flow needs will we have? We will need working capital as we grow, and we also want to pursue acquisitions and some capex. Over the next 2 years, what is the capex plan, and what borrowings do we expect?

Management: I do not have the number for the next 2 years, but for the immediate year, I know that the working capital requirement is not going to be very high. Anything between 30 and 50 crores would be the working capital requirement for the next 1 year, and if I am going to acquire a company, I should require another 50 crores. This is over a period of about 12 months from now. We have still not gone into the details of the source of these funds.

Darshil Zaveri: Will we need to undertake a fundraise if that is something we are considering?

Management: It really depends on the acquisition that comes up. If it comes with a suitable banker or suitable land bank that can be taken over, there are a lot of opportunities in the market. Therefore, it is 50-50 at the moment. We do not have a clear view of how we are going to do it. Probably in a month or 2, we should be able to come out with narrower information.

Darshil Zaveri: That is really good to know. Sir, I also have a small request: if we could conduct quarterly calls, that would be very helpful.

Management: Certainly, sir. I think from the coming quarter, we should conduct quarterly calls because our [inaudible] if our working—sorry, if our paid-up capital is somewhere close to 25 crores, I think from the next quarter we will be reporting quarterly.

Darshil Zaveri: That would really help us, sir. Thank you so much, and all the best.

Management: Thank you.

Operator: The next question is from Mr. Rohan. Mr. Rohan, you can go ahead and ask the question.

Rohan: Congratulations on the strong set of numbers. Firstly, as you mentioned regarding freight, there would have been a shock, and freight costs would have pushed our margins down. The second part is the acquisition. Do you see more efficiencies playing out there? Will these 2 aspects lead to our EBITDA margin reaching at least 12-13% in H2?

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Management: There are very high chances because we now know how it has played out over the last 6 months. We now know our numbers much better after going through a tough 6 months. The first 45 days of this half-year have been really good. For the next 4-5 months, we should be able to convince our customers, and they are also accepting the changes happening globally. If the war goes away from here, it will be a very good situation. I am quite sure that a 1 or 2 basis point correction in margins will surely happen because that is our costing at the moment. We hope that freight stabilizes. We cannot change contracts in response to every knee-jerk reaction. Therefore, that is our only hope.

Rohan: On the acquisition, to elaborate on that, we generally see that larger assets that are struggling take some time to turn around, but you have done a very good job in turning this around to a certain level. Do you see larger efficiencies coming in from there?

Management: The Sarasa brand, as I mentioned, can cross my revenue with one-third of my quantities. It is a high-priced product compared to Indian standards. This year, we should be doing close to 20 million, which is about 200 crores. There is a very good opportunity to double the number because even at 20 million, the entire unit will be operating at only 50% productivity. The unit was historically known to do about 30 million, or 300 crores. In fact, we have started shifting a lot of gherkin production to India, which is helping both us and them. They do not have to store gherkin inventory. At the same time, we can run our lines more efficiently, so they can produce more olives. The programming is taking place. I think they close their financial year by December, and from next year they should be reaching a higher number than in the current year.

Rohan: Is this sales number entirely from Spain?

Management: This is entirely from Spain. I have not disturbed them or pushed them to sell across the world at the moment. However, a lot of my own clientele would want to engage with them. I want the first year to go well for them through their own distribution network because many retail supermarket chains still do not have enough gherkins. Therefore, we are trying to focus more on distribution rather than sales. Once that reaches a certain level of 65% or 75%, I want to take them global.

Rohan: One question on the inorganic strategy in general. From this acquisition, we can see that you have a very strong capability. You identified this asset at a very good value and turned it around quickly. Are you thinking about becoming more aggressive on inorganic growth? Do you feel you should identify more such assets in Spain or other geographies where you see potential? Especially when macroeconomic conditions are not so good, you might get another asset at a very good value. What is your view on that?

Management: In Europe, bankruptcies are quite common. We may come across an opportunity at any time. However, I assess them based on the kind of strength they will provide me. I do not want to do olives alone; I would want a strong brand. If there is no brand, there is no point in acquiring somebody. At the same time, if the business is in a geography where manufacturing is very important and where I cannot reach—for example, a landlocked country where freight is very high and is in multiples—I would rather have a manufacturing base there.

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Therefore, I would not say that I am going to be aggressive. However, since we travel globally and meet more than 100 customers, we do come across opportunities where customers themselves do not want to continue the business because they are aging out or do not have the next succession coming in. At the same time, in Europe it is quite common to find assets at today's levels, especially after COVID. You may find a good company with a good distribution channel and a good brand coming at a very good price. For example, in the case of Sarasa, I think we will recover the investment in 1.5 years at most. With 1 year's profitability, I am already there. In the next year, it should become a net asset, meaning that the asset will already have paid for itself. We are looking for opportunities like that—not aggressively, but opportunities that I can control and run as a brand.

Rohan: My final question is on the B2B-B2C mix. What is the B2B-B2C mix right now, and for the full year, if we are able to achieve approximately 600 crores in topline, what mix do you see for the full year? Will it still be primarily B2B, or has it changed somewhat with Sarasa?

Management: It will be 60-40. Whatever revenue comes from Freshara will be B2B, and whatever comes from Sarasa will be B2C.

Rohan: What was this number last year, before the acquisition, just for clarity?

Management: Last year it was 90-10, or somewhere close to that. No, Sarasa was 100% B2B. Last year, it was 100% B2B; this year [inaudible].

Rohan: So there is a significant shift toward B2C for us?

Management: Especially because of Sarasa.

Rohan: It seems that you are building a gourmet food platform. Do you look at it that way, and do you feel you can add new products of this nature? Or are you satisfied with how things are progressing with gherkins and olives? How are you thinking about the positioning of the business, the overall strategy and the vision?

Management: Basically, in India we have a 10% market share. In Spain, we may have less than 5% market share. In the food industry, the first priority is to dominate the existing industry. In India, I would want to take our market share to about 30%. In Spain, I would want to take our market share to 15-20%. This will help us achieve economies of scale, which are very much required to build a long-term business. After that, the goal will be to explore other opportunities.

However, during this journey, we will intrinsically add a lot of products that go hand in hand. Only then will we be able to reach the target. In Spain, we are trying to reach every retail outlet. That is my aim. I would want to distribute the product so well that any customer going to a supermarket would be able to pick Sarasa as their first preference, or at least as their second preference.

Management: Today, we are not there. Reaching that position itself would be a very strong statement in the market and would help us become known as a global brand. That will be our target.

Rohan: Alright, sir. Thank you so much, and all the best. Congratulations on such a strong set of numbers.

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Management: Thank you.

Operator: Thank you. The next question is from Mr. Vinayak Gupta. Mr. Vinayak, you can go ahead and ask the question.

Vinayak Gupta: Hi, am I audible?

Management: Yes, Mr. Vinayak.

Vinayak Gupta: Perfect. Thank you so much for this opportunity, and congratulations on a great set of numbers. I have 2 questions. First, I want to understand, based on the current capacities across the existing Freshara operations and the acquisition in Spain, what is the peak revenue that the company can achieve without considering the small brownfield expansions that you are undertaking?

Management: The immediate number would be 1,000 crores. We should be able to achieve it without setting up another industrial facility. Intrinsic expansion through the addition of another production line every 6 months would easily take us to that level over the next probably 24 months. After that, we will surely require an acquisition, which would be another full-fledged setup where we could do another {? 300 or 400 crores ?}. From here, our nearest target would be 1,000 crores at a standalone level based on the existing unit capacity. At a consolidated level, we should be able to do at least 50 million from the Spanish entity with a little addition to machinery and production lines. Therefore, combined, you can consider us somewhere around 1,000–1,500 crores.

Vinayak Gupta: Understood. As you said, you should be able to reach 1,000 crores in the next 2 to 3 years. Broadly, by FY30, can we expect 1,500 crores to fully play out without any acquisitions or further additions?

Management: [pause] I really do not have the number on my paper. However, I am targeting it.

Vinayak Gupta: Can you help me understand the peak margin? You have achieved 15–16% margins, but I understand that Spain comes at a relatively lower margin. Given that it is a B2C business and you are bringing in further efficiencies through the products, what is the peak margin for the branded business that you can expect at a normalized level when everything stabilizes?

Management: Once we fully utilize our capacities, both of us together should have net-to-net stable EBITDA margins of 14–15%, and probably 10–11% combined consolidated margins. I would not be able to say what the peak would be, but consistently achieving a number would matter more to me than trying to achieve a peak margin. Globally, as you have seen in the last few years, there are too many counteractions to handle. When you are globally exposed, I would not describe it as a 17–18% or 19% margin business. I would restrict myself to 15%.

Vinayak Gupta: So 15% for the blended business at the consolidated level would be the steady state?

Management: It is very much possible, yes.

Vinayak Gupta: And by 10–11%, you meant PAT margins?

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Management: Yes, 11% PAT. We should be able to achieve that.

Vinayak Gupta: Understood. My last question is on cash availability, even excluding acquisitions, given that our working capital days are significantly higher. For example, every incremental rupee would require us to generate working capital. Are the number of days going to reduce, and do you have a target in mind? Over the next 2 years, as the B2C-to-B2B mix shifts, what working capital days should we consider for the business to operate at?

Management: [pause] I will start with the Spanish business. In the Spanish business, we do not have too many exports at the moment. The credit period in the market is roughly 60-90 days. Therefore, not a lot of cash is required to run the Spanish business. A period of between 60 and 90 days would be sufficient. At a consolidated level, this would actually bring down our overall working capital requirements.

If you have seen my previous conference call, or heard it, freight plays a major role. We have experienced delayed deliveries for at least 7-9 months now because the war keeps expanding and many routes are blocked. This leads to a tight working capital cycle. Two years ago, it was only 120 days; today it is about 150-160 days. I anticipate that going forward, it should be reduced by another 30 days. Therefore, we should not require too much working capital, provided that we do not face external problems with ocean freight. I think this one component determines how an exporter can manage the working capital cycle.

We generally do not factor or discount our receivables because we feel that the product comes at an expensive cost of interest. However, we are exploring it. Going forward, working capital days should come down considerably, especially now that we have started looking at it in greater depth. In previous years, we did not have to worry because there were no external factors that would come in and control these things. Today, we are looking at it very closely.

The challenge is that, as a retailer or white-labeler, we are trying to expand and grow fast. In this case, we will have more customers than any other exporter of this particular product from India. The kind of SKUs that you maintain, stock, produce and export is actually our strength. It helps us maintain a never-say-no attitude toward our customers and convince them that even on a bad day, we will have the product when the rest of the industry does not. We are trying to fine-tune this.

Vinayak Gupta: Understood. So you do not see any cash crunch coming in the near term from the working capital and acquisition side?

Management: [hesitates] Not really, not really. Every acquisition would be planned separately; it would not interfere with the existing framework.

Operator: Thank you. The next question is from Mr. Ashish. Mr. Ashish, you can go ahead and ask the question. I also request all participants again to limit their questions to 2 each. Thank you. [pause] Ashish sir, if you are speaking, we cannot hear you.

Management: Hello?

Ashish: Yes, Ashish here. Am I audible?

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Management: Yes, yes. Please go ahead.

Ashish: Congratulations, sir, on the great set of numbers in this environment. My question is on the last point you mentioned regarding Spain. You said that Spain can achieve margins of around 15% over the long term or in 1-2 years if everything remains steady. Can we expect an additional 1-2% increase if the EU FTA comes into force? What would be the impact, and when do you expect it?

Management: The EU FTA is still not on the floor. It will come next year. It has a quota system, and there are many fine-tunings to be completed. It will eventually help our Spanish business, first of all, because we will manufacture Freshara- or Sarasa-branded products in India that will go to Europe duty-free or at very low duties. This will help us become more competitive compared to Turkey and Egypt, which currently enjoy subsidized duties. India has not been able to benefit from this with the European continent for a long time.

The Euro FTA would benefit not only us, but I think almost all food exporters from India. We will become more competitive, especially against Turkey, which is a gherkin-growing country and our head-to-head competitor. We would then be at zero or below 5%; currently, Turkey has, I think, 5% duty. Whenever you approach a customer, they compare our prices with Turkish prices. Therefore, going forward, first, more customers will start buying from us, and second, we should have better margins.

Ashish: Thank you, sir, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from Mr. Naveen. Mr. Naveen, you can go ahead and ask the question.

Naveen: Thank you for the opportunity. Congratulations on the good set of numbers, sir.

Management: Thank you, Naveen.

Naveen: My first question is regarding the cost inflation on the freight side, which impacted margins. Is it possible to quantify this?

Management: The volume of freight is roughly 3 times higher than in the previous half-year. Therefore, roughly 10 or 15 crores of [trails off]

Junaid Ahmed - Chairman & Managing Director: —freight would have been incurred additionally. The disadvantage would not be the freight itself, but the margin on freight that we have not enjoyed because freight rates increased. For example, if the freight component was 25 crores, we should have enjoyed 2.5 crores as profit on freight, which is how we normally bill our customers. Unfortunately, since freight increased drastically, we were not able to pass on the profit because the customer was already feeling the pinch and trying to delay the purchase. We did not want that to happen, so we had to compromise on the margins on freight.

As a product, when we bill, a large portion of our sales combines the freight expenses. Therefore, when you calculate EBITDA and PAT, you also calculate them on the topline. A large portion of our

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sales has therefore been without margins on freight.

Naveen: Employee costs have also seen a significant increase. Is that related to the Indian or the Spanish operation?

Junaid Ahmed – Chairman & Managing Director: At the consolidated level, yes, employee costs are highest in Spain because, compared to Indian costs, average labor wages are approximately 1 lakh rupees higher than the Indian minimum wage. We will not be comparable because we do not have a full consolidated year. Otherwise, on a standalone basis, there is not much of an impact. I see a small difference in the numbers, but once we enter retail packaging and slow-moving products such as banderillas, the cost of people is higher because we use more manual labor. I do not think that is significantly higher.

Naveen: We were planning to explore Spain as an export base to enter other European countries. Can you provide an update on that?

Junaid Ahmed – Chairman & Managing Director: We already have many customers who are interested in our Spanish-branded products. We are trying to identify and establish distributors for the brand rather than turning the Spanish company into a white-labeler. I would want the Spanish company to export as a brand. We want to register the brand in different countries and do so. That is in process. We are making a significant effort and entering different markets to identify which price point suits us. Probably by next year, we should be present in at least a few countries.

Naveen: Has the retail-pack contribution, which increased during the first half, been driven by the Spanish operation, or is another geography also contributing?

Junaid Ahmed – Chairman & Managing Director: No, we have won good contracts in the last 6 months. Two large European retail chains have become our customers. We now have year-long contracts, which were unlikely in the previous industrial-packaging segment. From FY25-FY26, we have had a separate or new unit that started with a retail packaging line. In the years prior to that, we did not have an additional unit. Today, we have a unit focused on retail packaging, and we have acquired new customers over the last 12 months. Going forward, I think we are able to foresee a lot of retail demand, and our retail and industrial mix will shift, with retail catching up much faster than industrial.

Naveen: My last question is on sourcing. Due to lower rainfall in the southern belt, are we seeing any impact on our sourcing?

Junaid Ahmed – Chairman & Managing Director: Compared to the previous half-year, we have already handled a larger quantity. We have already done, I think, {? 600, 700 tons ?} more than in the previous half-year. Therefore, we do not have a reduced crop. In fact, our inventory levels are quite healthy. The challenge is that there is no surplus crop. However, that usually helps the business because the right people survive in the business. When there is a surplus crop, too much competition enters.

In our Tamil Nadu circle, there have been very good rains. Our major harvesting months are from December to Pongal and up to April. Therefore, I do not foresee a crop shortage. We are also

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extending our agricultural capacity and trying to engage more farmers. We look forward to the same kind of growth that we have achieved in previous years.

Naveen: Will it impact next year's operations because of the lower inventory we are carrying?

Junaid Ahmed – Chairman & Managing Director: Not really. We are geographically spread. If there is less rain in one state, there is not always less rain in another state. I think El Niño may have affected one particular state but not the other, and the other state has received reasonably good rainfall. Therefore, I do not think that is going to be a problem in the future.

Naveen: Thank you, Junaid sir, for answering all my questions. Thank you.

Operator: Thank you. The next question is from Mr. Dheeraj Thakur. Mr. Dheeraj, you can go ahead and ask the question.

Dheeraj Thakur: Hello. Am I audible?

Junaid Ahmed – Chairman & Managing Director: Yes, {? Dheeraj ?}. Dheeraj, sorry.

Dheeraj Thakur: My question is on cash flow. I wanted to understand this: our cash flow is currently negative, and we had said that once we reached annual revenue of 400 to 500 crores, cash flow should turn positive. Based on the current annualized run rate, the revenue run rate is 400 to 500 crores. Why is cash flow still negative, and when is it expected to turn positive?

Junaid Ahmed – Chairman & Managing Director: On a standalone basis, on the standalone balance sheet, we are actually cash-positive. We do not have a negative issue here. At the consolidated level, we have a very small difference. I think that is because we have a cyclical business, both in India and, to a lesser extent, in Spain, where you receive the entire crop within a few months. Our particular harvesting months are September and October, when you receive a lot of olives. Otherwise, there is not much of an issue. I think we have done much better than in previous years, and by the end of the financial year, we should be cash-positive.

Dheeraj Thakur: Understood. My second question is on the Sarasa side. Have we started shifting the sourcing of olives to Egypt, as you had mentioned, to save costs?

Junaid Ahmed – Chairman & Managing Director: We are already doing it. That was my first step. I think the entire Europe market now buys from cheaper destinations. They do not necessarily wait for a particular variety. Even Spanish varieties are now grown in Egypt. That has brought down our cost, and this is directly visible in our numbers. Olives that used to cost 250 rupees now cost only 150 rupees. This gives us good flexibility, and we have multiple sourcing destinations, not only Egypt. We can also buy from Greece, Morocco and wherever there is a surplus crop. We have to be open-minded and not say that we will buy only from Spain. Today, Spanish and European consumers consume different varieties of olives. Only olive oil requires specific varieties; otherwise, it is acceptable.

Dheeraj Thakur: Understood. My last question is on operating margins in the standalone business. They fell to 10.3% in the first half. Is this entirely related to freight costs, or are there other costs that have contracted margins?

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Junaid Ahmed – Chairman & Managing Director: It is primarily freight cost. The second factor would be energy costs, which have impacted the cost of some of our furnace oil, sugar, ingredients and packing material. These are the 2 major components. There has also been some foreign exchange volatility, with the euro and US dollar being very volatile, and this has not provided us with positive revenue. Usually, foreign exchange gives us significant additional revenue, almost like a bonus. Sometimes it is notional; when you calculate your numbers, it has to be reflected. Otherwise, we are fine. The 2 major components that have had a significant impact are freight and energy costs.

Dheeraj Thakur: Do you see these costs returning to FY26 levels?

Junaid Ahmed – Chairman & Managing Director: Freight and energy costs have come down, as you know, because crude prices are falling. At the same level, there is a very high chance that they will improve. We hope that the decline continues because costs are at artificial levels today. Anything that was costing 30 cannot cost 80. Today, it is at 60 and is declining. Every 15 days, we see a good reduction in the cost of certain raw materials and products. We should therefore be 2 to 2.5 basis points better than in the first half. I am not sure whether we will return to FY26 levels, but we will be quite close.

Dheeraj Thakur: Understood. Thank you, sir. Thank you very much for answering all the questions.

Operator: Thank you. The next question is from Mr. Sanjay Kumar. Mr. Sanjay, you can go ahead and ask the question.

Sanjay Kumar: Congratulations on turning around Sarasa. We have already achieved an 8% PAT margin. Is there further scope to increase this PAT margin, or do you feel this is the mature level for Sarasa? Ideally, it should be higher, given that it is a retail-heavy, B2C-heavy brand.

Junaid Ahmed – Chairman & Managing Director: Sanjay, I take it step by step. It is more of a turnaround for us over the 6 months. I am very pleased that it has progressed according to our plan and understanding. [trails off]

Management: There are high chances that it can reach Indian margin levels, provided we continue with the same discipline and purchasing practices that we are following. Maybe in 1 or 2 years, Spain will be comparable to India. As we mentioned, it is a B2C product, and we are still not listed in some of the top retail chains in Spain. Once we are listed there, volumes should increase 2 times. In Spain, the fixed cost is primarily employee cost, with only a small amount of energy cost. There is no farming or contract farming as we have in India. Therefore, the cost exposure is limited to only 2 or 3 major components, and I think we have these under control. As you mentioned, we have a lot of opportunities to improve in the coming months.

Sanjay Kumar: Understood. We are at a 90-crore run rate, so full-year revenue would probably be 180 to 200 crores. What will take you to 300 crores first and eventually to 500 crores of revenue at Sarasa?

Management: We are being very selective about what we sell. In Europe, people are not really focused on PAT; they are always focused on EBITDA. I am trying to put it in their minds that PAT is

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what we want. To maintain healthy profit and EBITDA margins, it is important and wise to choose products with higher margins. The entire first year is about eliminating the slow-moving SKUs that historically have not generated money and were being sold only for appearance.

Sarasa was previously doing 300 crores, so that is an immediately achievable target. Since I have moved gherkins out of there and am trying to supply as much as possible from India, we are now assessing the acceptability of this approach. Reaching 500 crores is a landmark that we should achieve in a couple of years, or perhaps in 3 years.

Sanjay Kumar: On the base business, given that Turkey is our competition, how is the crop in Turkey this year? Will we have any advantage because of that?

Management: Globally, El Niño is a known factor in Turkey. Nobody has done anything extraordinary; everyone has had a normal or average crop. Therefore, it is not having a major impact. We have not heard much about Turkey. They have had a normal crop. The next 6 months are when India actually sells. Around 60-65% of the Indian business comes in the next 6 months. We are preparing for that, and I think we do not need to worry about Turkey because we already have our contracts in place. We should focus more on servicing the contracts rather than worrying about a competing country.

Sanjay Kumar: You have spoken about 2 European retail chains. Can we win more such customers, not only in Europe but elsewhere as well?

Management: That will be part of the process plan. Since we were listed and after acquiring the Spanish brand, we have probably had at least 5 or 6 good customers trying to contact us every week. The customer approach and mindset have changed because we have a European presence. There are many contracts that we can bid for from Europe that we could not bid for from India. Sarasa is already serving brands of which Freshara has not been a part. We are trying to pursue that reverse integration as well as the indirect marketing opportunities.

There are plenty of brands that are still not in our portfolio. Since retail has gained momentum, we need additional production lines to cater to each customer because every customer is a large customer. You cannot share the infrastructure of an existing line with another flavor or product variant. I am forecasting this to happen within a year, and I am adding production lines and people who can directly interact with these customers, understand the technicalities and, ultimately, keep them satisfied with the products.

Sanjay Kumar: Great, sir. Thank you, and all the best.

Management: Thank you, Sanjay.

Operator: Thank you. Our next question is from Mr. Vishal. Mr. Vishal, you can go ahead and ask the question.

Vishal: Sorry, am I audible?

Management: Yes, Vishal.

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Vishal: Thank you for having me, and congratulations on the great set of numbers. My question is again about currency fluctuations. The euro has appreciated from 1.11 to 1.01, and the dollar from approximately 98 to 93. What impact will this have on operating margins?

Management: Vishal, we usually borrow in foreign currency. Therefore, whatever we have borrowed over the last 6 months and in the coming months will always be in foreign currency. On a realizable-value basis, we do not really have to worry about how the currency fluctuates. We are reasonably hedged until the first quarter of next year. I strongly feel that over 3 to 4 months, it may come back; the 3- to 4-month period is usually a cooling-off period. When it declines, it usually jumps back. Borrowing in foreign currency automatically hedges us against these seasonal problems. We are therefore quite comfortable.

Vishal: Along the same lines, will the revenue target of 600 crores hold?

Management: Very much. It should.

Vishal: Can we expect revenue of 750 crores next year?

Management: It is part of our target, yes.

Vishal: Understood. Thank you very much for your time, and once again, congratulations on the great set of numbers.

Management: Thank you.

Operator: Thank you. The next question is from Mr. Gnanakaran. Mr. Gnanakaran, you can go ahead and ask the question.

Gnanakaran: Congratulations on the good revenue numbers for H1. I would like to ask whether you have plans to expand into the UK market, or whether you want to remain focused on the European market through the Sarasa brand. I also want to understand whether you are catering only to B2C through Sarasa, or whether you are also using Sarasa for B2B business, such as the retail-chain business in Europe that you mentioned.

Management: As a brand, we want to take Sarasa to every country possible because olives are consumed in more than 120 countries. The UK is very much a possible market, and I am already exploring it. Through Freshara, we are already supplying UK-based customers through a B2B solution. Sarasa can travel worldwide. We have no restrictions and would be more than happy to introduce our brand. However, since it is a brand, it needs brand building and a proper distribution channel to justify its presence. Otherwise, it would fail easily.

Without a concrete setup or a clear vision, there is no point in doing it. I am carefully selecting where to place the brand first, and there is still a lot to do in Spain. Sarasa will also be categorized and will also supply on a B2B basis, depending on customer requirements. It is a step-by-step process, and hopefully by this time next year we will be in a much more mature state. We will probably be doing both of the things you mentioned.

Gnanakaran: When you say B2B, do you mean you would be doing white-labeling for retail chains?

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Management: It is possible. It depends entirely on the type of demand and whether it is a sizeable demand.

Gnanakaran: Thank you, sir. That is all from my side.

Operator: Thank you. Mr. Balakumar, you can continue with your question.

Balakumar: Hello, sir.

Management: Hi.

Balakumar: My question is regarding working capital, not specifically the negative working capital cash flows. If you look at the inventory we hold at the standalone level, it is 120 crores, and trade receivables are 120 crores. I understand that in H2 we flush out the majority of the inventory because sales are higher due to seasonality. However, trade receivables are roughly equivalent to 4 months of credit. What is the typical credit period in this industry, and are our receivables covered by any net-off credit, SBLC or any other arrangement that assures us of receiving payment on time?

Management: Let me give you an example. In March 2023, I think our receivables were somewhere around 124 crores. In the last 6 months, we have collected—

Management: —more than 160 crores. It has been a record collection. What has happened over the last year or so is that goods do not reach on time, or reach at least 45 or 60 days later than the existing timeline, due to obvious reasons involving the Red Sea and the Strait of Hormuz being closed. Containers keep being rerouted through longer transit periods, and we also do a lot of shipments to Russia. There was bombing in Novorossiysk, and for all these reasons there is always a delay in containers reaching our customers.

At least 75% of our payment terms are on CAD terms, which means that we receive payment before the goods reach the customer or upon their arrival. The 121 crores is entirely, I think, from the last 3 or 4 months of sales, with perhaps 1 or 2 delayed payments. We offer at least 60 days to our European customers, and we offer 90-plus days, close to 100 days, to our American customers. The change in the period, or the longer period for the US, is entirely because of the tariffs that came in. Our US customers have requested or extended the credit period. Since this is an acceptable term in the industry, this is how the industry works, and probably 3 or 4 months of sales would be our receivables. At least 90% would depend on the transit times of our cargo.

A year or 2 ago, when transit times were faster, Spain used to take 21 days. Today, it takes 45 to 60 days. At 30, 45 or 60 days, I would have received the payments, but today it is only on the 45th or 60th day that my customer learns that the cargo is arriving. This has made a significant difference in how customers pay. They do not want to pay without seeing their cargo or having visibility on when it is arriving.

I think this should improve in the coming year. Having seen the worst of times in the export markets, hopefully, if the Strait of Hormuz opens, we can reduce our delivery time by at least 50%. Our receivables should also come down by at least 30-40% over time. It is influenced by external factors that are not under our control. However, we have not had any bad customers in the last 11

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years. Most of our receivables are under control. Most customers buying from us have been in the industry longer than we have, and our receivables are backed by bank credit and the insurance that we obtain.

Balakumar: When you say sailing time is close to 2 months and we also hold inventory for about 4 months, making 6 months in total, is that not a long period, considering that we deal with a perishable commodity?

Management: We are, on the headline, a preserved vegetable exporter. The only advantage, or God-given gift, is the longevity of the product. My product can last for 3 years, can undergo sub-zero temperatures and come back to life. We preserve it with natural vinegar and high salt, and it is heat-treated. It is essentially a wartime product. If you go to a World War bunker, you may find a tin can of pickled gherkins or pickled olives that is still good. That is because it has been heat-treated and canned.

The shelf life is therefore quite long. My customer keeps my product for a year because the customer does not want to stop the production line and also has their own crop. For industrial products, the customer uses our inventory almost throughout the year. Therefore, we do not have to worry about the cargo's shelf life. In fact, the older it becomes, the better it becomes.

Balakumar: Understood. Thank you for that. I have a follow-up on the previous participant's question regarding future acquisitions. I have been tracking the company since we listed and have also participated in previous conference calls. When you acquired Sarasa, we all had doubts about how a bankrupt company would be turned around, and congratulations to the management and your team for doing it so quickly. As you said, Sarasa has a lot of potential to grow. We are currently seeing one-third of what it can do, so there is a lot more room to grow in Sarasa as well as in the Indian business. However, when we look at acquisitions in India, Sarasa provided us with a brand, but in India it is essentially the business. To put it simply, you are located in Tirupattur, with a catchment area covering 4 bordering states.

Management: {? Bala ?} I cannot hear you?

Management: Analyst, we cannot hear you.

Balakumar: Sorry, I lost the connection due to network issues. I was asking about doing an acquisition in India. Unlike Sarasa, I cannot understand what brand or specific intrinsic value we would obtain from a food processor. Could you provide some insight on that?

Management: It is a very good question. The gherkin-growing area is quite large and has about 900-1,000 farmers. Although we are in the center of the sourcing areas, we are more of a Tamil Nadu-based company, and most of our sourcing takes place in Tamil Nadu. A significant amount also comes from Karnataka, from both distant and nearby places and different geographies.

When we try to acquire somebody, we look at how strong they are in agriculture, what team they have, what policies they follow and what historical presence they have within the customer base. There are some customers where customer stickiness is quite high in this industry. If I choose a company, its customer base may include 5-10 special customers that I have not been able to

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acquire over the last 11 years. The company may have a very good production facility close to the growing areas, good agricultural capabilities, early crop arrivals, very little crop wastage, a strong management team and a very good quality-control team, which cannot be developed overnight.

The third factor is the potential to grow from there because a lot of units are underutilized and may be located in very good places. The ownership may have been very good, but somebody may be phasing out. If I do not try to acquire the company, a competitor will acquire it and run the business, creating some competition in sourcing as well.

Another factor is that we may soon run out of space because we are growing at a very good pace. We acquired a Spanish brand, and to service that brand we will require a separate unit. If the Spanish brand does really well and starts buying a lot of gherkins from India, and as we experiment with other products, we will need a dedicated line. When you start operating a brand, you come face to face with the customer, so you have to be very clear about what you are manufacturing. If it is a Spanish product, it will not be the same as a product from any other country. If it is a brand, it will have its unique taste.

All these aspects of localization and uniqueness require attention, which you cannot provide when you are crowded. If you have about 50 customers at the same unit, you may not be able to give preference to this customer. It is about longevity and providing a certain level of exclusivity to the brand and the customer, so that the customer feels looked after. The customer cannot come in and see that we are producing 10 different brands, taking on an 11th brand and then question how likely we are to provide preferential treatment.

We therefore need infrastructure. Our existing infrastructure has its own limitations. We will run out of space. As you know, this is a food product. We cannot multiply warehouses or keep constructing warehouses for storage. It would be better to have another unit with a geographical advantage that can exclusively produce products for a few handpicked customers.

That is how growth can happen. We are not very large units at the moment. If we had a 50-acre or 100-acre plant, I could say that we should expand in the same vicinity. However, we are still an MSME with a 10-acre plant, and we need another 10-acre plant. Therefore, this growth is obvious; I cannot stop it.

Balakumar: Understood, sir. Thank you, and I wish you all the best.

Management: Thank you.

Operator: We will take the next question from Mr. Geeta Tandon. Mr. Geeta, you can go ahead and ask the question.

Geeta Tandon: Thank you for the opportunity. I have one technical question. Since we are in the export business, particularly vegetables and gherkins, why do we have such low gross margins of 20-25%, when export margins are usually higher?

Geeta Tandon: I wanted to understand the industry dynamics. Why are you selling at lower prices when export prices could be much higher compared to other vegetables sold globally?

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Junaid Ahmed – Chairman & Managing Director: Someone is not on mute. Can you put them on mute?

Operator: Yes, sir.

Junaid Ahmed – Chairman & Managing Director: [pause] Not necessarily. We do not deal in premium vegetables such as bell peppers or olives, where the selling price can be 200, 300 or 400 rupees. The product sells at an average price of 70, 80 or 100 rupees. It is also sold in preserved form, and we do a lot of industrial packs. Industrial packs do not have high margins; they have limited margins.

Historically, I think many businesses in the export industry operate at gross margins of 20–30%. It is not necessarily the case that margins are higher, and I have not come across a vegetable business achieving gross margins of more than 35–40% or 45%.

Geeta Tandon: What is the difference in gross margins between retail packaging and industrial packaging?

Junaid Ahmed – Chairman & Managing Director: There will be a 3–4% {? bip ?}. This will be a 30–35% business, while the other will be a 25–30% business.

Geeta Tandon: How competitive are we compared to other countries that sell gherkins globally in terms of pricing?

Junaid Ahmed – Chairman & Managing Director: We happen to be the largest exporter, and there are certain variants that are available only in India. Many countries are shifting their gherkin sourcing to India. You could probably say that without Indian gherkins, half the world would run out of gherkins. We therefore have a very good advantage. Competition comes from Turkey, although it has a limited number and limited quantity. Sometimes, however, it competes on price. Every country also has its own gherkins. They produce a small crop, unlike us, as we produce 2 to 3 crops, and our volumes are at least 5–6 times higher than those of any other country.

Geeta Tandon: You also mentioned during your opening remarks that manufacturing an Indian brand through Sarasa would be the next stage of focus and would start soon. What exactly are we bringing? What type of products and what type of customers are we catering to?

Junaid Ahmed – Chairman & Managing Director: We are going to manufacture the European brand in India. That is going to be a priority. It was previously manufactured in Europe. We may also substitute another variant of our brand, Freshara, for the European market. Both of these are in the pipeline, and we have already started manufacturing the European brand in India.

Geeta Tandon: In the previous call, you mentioned that you were identifying a company with a decent topline of around 500 crores and were trying to partner with it to bring an Indian brand as well. I am specifically asking about that.

Junaid Ahmed – Chairman & Managing Director: You are talking about distribution in India. Yes, we have not yet come across numbers that support or incentivize us to sell in India, especially because the EU FTA is still not on the floor. Current duties are 25% or 30%, which would not make the

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business viable. We would not be competitive enough in the Indian market if we imported European products into India. Those products are already available in the grey market. To be competitive in this market and establish a stable pricing market, we need this FTA, which I think will mature next year. By then, we should have some results.

Geeta Tandon: Understood, sir. Thank you, and all the best.

Junaid Ahmed – Chairman & Managing Director: Thank you.

Operator: Thank you. Junaid sir, we will take one last question from the chat box. It is from Mr. Johnny. He says, “I loved the bottling and packaging of Sarasa and would love to see it in India soon.” His question is: are we seeing a slowdown in demand from Europe, the US and other markets due to the current inflationary scenario?

Junaid Ahmed – Chairman & Managing Director: [pause] Demand remains good. In fact, over the last 2 years, Indian exports have increased by 40%, while global consumption has increased by 8%. Therefore, there is no question of slowing demand. As a company, we are actually sold out for the next 6–7 months. Demand from these countries is increasing. Inflation has remained, but it is not something new. Even with higher freight, the products are being consumed. With the correction in freight rates and a better geopolitical situation, I think consumption should increase.

Operator: Participants, if you have any more queries, please feel free to reach out to us at info@akmlladvisors.com. Junaid sir, I think we can conclude the session. Thank you to all the participants for your time, and thank you, Junaid sir.

Junaid Ahmed – Chairman & Managing Director: Thank you, ma'am. Thank you, everyone.

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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