Ganesh Consumer Prod

Operator: Ladies and gentlemen, good day and welcome to Ganesh Consumer Products Limited Q2 FY27 earnings conference call, hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjay Manyal from DAM Capital Advisors Limited. Thank you, and over to you, sir.

Sanjay Manyal – DAM Capital Advisors Limited: Hello and good morning, everyone. We are pleased to host the Q2 FY27 earnings call of Ganesh Consumer Products Limited. From the company, we have with us Mr. Manish Mimani, Managing Director; Mr. Ankit Bagaria, CFO; Mr. Narendra Mishra, Company Secretary and Compliance Officer; and Mr. Sanjeev Sancheti, Investor Relations Advisor. I hand over the call to Mr. Sanjeev Sancheti. Thank you, and over to you, sir.

Sanjeev Sancheti – Investor Relations Advisor: Thank you, Sanjay. Good morning to all the participants. Before I hand over the call to Mr. Manish Mimani for his opening remarks, I would like to draw your attention to the safe-harbor statement in the investor presentation. I hope each one of you would have gone through the presentation and the safe-harbor statement by now. If not, please go through the same before the Q&A begins. Thank you, and over to you, Mr. Mimani.

Manish Mimani – Managing Director: Thank you, Mr. Sanjeev. A very good morning, everyone. On behalf of Ganesh Consumer Products, I welcome you to our Q2 FY27 earnings call and thank you for joining us today.

The second quarter of FY27 saw a sequential recovery in a challenging environment for the category, driven by continued progress in our value-added portfolio.

Revenue from operations was INR 2,267 million, up 20.3% quarter-on-quarter, though it was down 5% year-on-year, while operating EBITDA grew 23.6% and profit after tax grew 68.7% year-on-year.

B2C revenue declined 2.5% year-on-year, with the pressure concentrated in the atta category, where volumes declined following changes in the state government policy. In May, the West Bengal government decided to stop distributing atta through ration shops, and it started to supply wheat grain instead. Local flour millers, who were earlier engaged in job work for the state government, converting ration wheat into atta, lost their business. They have since redirected their capacity towards selling atta in the unorganized segment, which has added to the competition in the open market. This affected the packaged category as a whole. As per NielsenIQ, the packaged atta category in West Bengal declined 6.3% year-on-year during the quarter, and the broader packaged wheat-based category, covering atta and maida-sooji, declined 2.5% quarter-on-quarter. We believe the pressure on atta is temporary and expect the volume to normalize in the medium term.

Excluding atta, B2C revenue grew 4.9% year-on-year and 26% quarter-on-quarter, which is a better reflection of the underlying demand for our brands.

B2B revenue declined 13.8% year-on-year, mainly due to lower service income and softer co-product volumes.

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E-commerce, including quick commerce, remains our fastest-growing channel, with a CAGR of over 53% between FY23 and FY25, and we are now expanding our e-commerce presence in other regional markets such as Bihar and Assam.

Sattu delivered strong growth, supported by our targeted marketing campaigns involving Ravindra Jadeja.

We continue to widen the portfolio with recent launches across whole, blended, and daily-use spices, sabudana, and soya chunks. We now offer 273 SKUs compared with 253 SKUs at the end of FY24.

Spices revenue grew strongly and margins improved significantly on the back of stronger realization. We have now extended the approach that worked for sattu to spices, with new targeted campaigns featuring Parambrata Chattopadhyay and Raima Sen as category ambassadors. Alongside television and print, we are increasing our spend on digital channels and quick commerce.

The board has declared an interim dividend of INR 3.70 per equity share for FY25. This reflects the strength of our balance sheet and our intent to share the benefit of our performance with shareholders.

We are also aligning our manufacturing footprint more closely with our markets. We have sold our Hyderabad plant, a non-core facility engaged in job work for an FMCG player, which contributed about 1.4 [trails off]

Manish – MD: percent only of FY26 revenue. The sale was concluded for INR 325 million, about 2.7 times its net worth, and the capital so released will be redeployed into Eastern India, where our business is concentrated.

Our priorities are unchanged: defending our core categories, scaling our value-added and emerging portfolio, and deepening our presence across Eastern India profitably.

We remain deeply grateful to our shareholders, partners, employees, and the entire Ganesh family for their continued trust and support.

With that, I will hand over to Amit to take you through the financials. Amit, over to you.

Amit: Thank you, Manish sir. Good morning, everyone. As our MD has taken you through the business performance, I will take you through the financials.

Operating EBITDA for the quarter was INR 295 million, up 23.6% year-on-year, with EBITDA margin at 13%, up 302 basis points year-on-year and 188 basis points quarter-on-quarter. A better product mix contributed, but the larger part of the margin expansion came from lower other expenses at 11.8% of revenue against 14.5% a year ago, mainly due to the phasing of advertising spend.

For the first half, advertising spend was 1.9% of revenue, in line with FY26, and we expect it to step up over the rest of the year.

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Profit after tax for the quarter was INR 188 million, up 38.7% year-on-year and 49.9% quarter-on-quarter. PAT margin was 8.2%, an improvement of 258 basis points year-on-year. This reflects the EBITDA margin expansion and lower finance cost, which fell to only INR 6 million from INR 43 million a year ago following our deleveraging.

Diluted EPS for the quarter was Rs.4.70.

Our cash conversion cycle was 32 days on an annualized basis compared to 43 days in Q1, and receivable days remained at 6 as a result of our cash-and-carry model in general trade.

Our balance sheet remains strong. Cash and bank balances, including fixed deposits, stood at INR 1,082 million, of which INR 425 million represents unutilized IPO proceeds. Annualized ROCE was 21.9% and ROE was 16.4%.

As of September 30, the Hyderabad plant has been classified as an asset held for sale at its carrying value of INR 126 million, and the advance of INR 32.2 million received from the buyer has been recognized under current liabilities. With the sale deed executed on October 1 for a consideration of INR 325 million, we expect to recognize a one-time gain of approximately INR 199 million in Q3.

Looking at this full year, given the pressure in the atta category, we expect revenue from operations for FY27 to decline by around 5%. At the same time, with an improving product mix, we expect operating EBITDA to grow by 50-70 basis points during the year, even as we step up our advertising investment in the second half.

We remain focused on translating operating performance into consistent cash-backed profitability while maintaining the balance sheet discipline we have been following. With that, we are happy to open the call for questions. Moderator, over to you. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Nikhil from Rungta Investments. Please go ahead.

Nikhil – Rungta Investments: Thanks for the opportunity. My first question is on the atta performance. We have mentioned that, because of the change in government policies, our volumes have declined. What is our outlook for the coming quarter and the next quarter, because you mentioned around 5% degrowth for the full year? Is it because of the softening in volumes of the atta category?

Amit: Hi, Nikhil. Thank you for participating. The decline in B2C revenue—overall revenue decreased by 5%, but B2C revenue decreased by 2.5%—was mainly due to the atta category. Except for atta, the overall category has grown in the quarter.

Now, in the coming quarter, we are working with our sales team and coming up with multiple strategies to combat these small flour millers who have started distributing unbranded atta in the

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district-level market. We are keeping a close watch on the overall market, and we expect the volumes to improve in the coming quarters.

Nikhil – Rungta Investments: Okay, understood. Just one more thing. Currently, we see a bullish trend in wheat prices, so are we expecting any price hikes in this quarter or the coming quarter to sustain our margins?

Manish – MD: Hi, Nikhil. It will also depend on the competitors' actions. We cannot comment as of now. We will look forward to the competitors taking the step. We would like to safeguard our market share. As of now, we have enough stock and do not need to go for a price hike, but as the market develops, we will take a call.

Nikhil – Rungta Investments: Understood. Thank you. That is all from my side.

Operator: Thank you. A reminder for all the participants: in order to ask a question, you may press star and one. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The next question comes from the line of Sanjay Manyal from DAM Capital Advisors Limited. Please go ahead.

Sanjay Manyal – DAM Capital Advisors Limited: Hi, sir. I just want to understand your strategy for non-West Bengal regions. How has the growth been there, and what is the strategy now for growth over the next few quarters?

Amit: Hi, Sanjay. Thank you. We are very much focused on expanding our distribution network in the nearby states, including Jharkhand, Odisha, Assam, and Bihar. In the very short term, the strategy is to onboard new distributors and gain a presence. In a very recent activity, we have entered into an alignment with multiple Q-commerce players in the Bihar and Assam regions. So, we are present on the e-commerce and Q-commerce channels there as well.

Apart from that, on a long-term basis, you asked me about the strategy to set up a manufacturing plant in Bihar. Considering Bihar as a wheat-growing state, it becomes logical to set up a plant locally, cater to the local market with better supply-chain efficiency, and source wheat from the same market.

This is the long-term strategy. If you ask about the overall growth, the Bihar market on a quarter-on-quarter basis has almost doubled. Again, the base is small compared with the previous year, but if you ask for the number, it has doubled year-on-year in Bihar and Assam.

Sanjay Manyal – DAM Capital Advisors Limited: Okay. If you can also give some color on whether there has been any change in our strategy on the spices side, how things have been working in the spice category, the growth rate, and what probably lies ahead as far as that category is concerned?

Amit: Firstly, we are very much focused on improving realization in the spices category. It has been around 2-2.5 years since we launched the CTC segment and around 1-1.5 years since we launched blended masala, and we are continuously working on product development and process improvement in the spices category. Everything is progressing in parallel, but the one focus is that we should increase realization.

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As we had discussed in our previous calls, the prices that we had set for the spices category over the previous years were very aggressive compared to the local players there. So, the first focus is to improve realization, which has resulted in better margins in the spices category in the quarter.

Apart from that, the spices category on a YTD basis has grown by around 17%. On a quarterly basis, it has grown by more than 20%. These are the two or three strategies we have in mind: to improve product quality, to improve the product offering, and to improve realization through price increases.

Sanjay Manyal – DAM Capital Advisors Limited: Right. Also, lastly, I want to ask about sattu as a product, given the fact that last year we had faced an issue from an extended monsoon and shorter summer days. This year, that situation is not there. How are things as far as that product is concerned, and what kind of run rate can we achieve on an annualized basis?

Amit: On the sattu front, as you correctly highlighted, this year the summer was a bit extended and there was also an early winter, as far as we know. We conducted a marketing campaign involving Ravindra Jadeja, which resulted in growth in the sattu category. On a volume basis, our category has grown by more than 10%, on a volume basis only. The campaign started in April, when the monsoon had already started in March. In that way, we feel the campaign plus the distribution has paid off for the sattu category, and we look forward to similar and better growth in the coming seasons as well.

Sanjay Manyal – DAM Capital Advisors Limited: Okay. Thank you very much.

Operator: Thank you. Participants may press star and one in order to ask a question. The next question comes from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel – Subhkam Ventures: Good morning, sir.

Manish – MD: Good morning, Ankit.

Ankit Babel – Subhkam Ventures: Sir, you did mention the pressure you are facing on the top line in FY27, but what is the outlook for FY28 on the base of FY27? What kind of growth are we looking at, and which categories do you believe would lead the growth?

Amit: Thank you for asking that question. For sattu, as we said, since we have onboarded Ravindra Jadeja for the campaign, and for spices we have onboarded 2 Tollywood actors, we are hopeful that those categories will do well in the coming quarters and in the following year. But, again, on an overall basis, it would be a bit early to comment because things are taking shape.

As I told you, for the atta category, we have introduced a couple of strategies. I do not think we have to explain the strategies now; it would be a better forum to explain them, but we have introduced a couple of strategies starting November 1, and we are very much confident that things should move in a better direction.

Our priorities obviously remain unchanged: to strengthen our core categories in our core market and to expand our distribution in the nearby geography. Maybe by the end of Q3, we will be able to comment on the better picture for the coming year.

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Ankit Babel – Subhkam Ventures: You also mentioned that the margins in FY27 will improve by 50–70 basis points. Is there a chance of any further improvement in margins in the coming years, or do you believe they will sustain at these levels?

Amit: On a conservative basis, margins should sustain at this level. However, as I told you, we have increased the realization of the spices category, and as the value-added and spices categories grow, there will be a natural expansion in the product margin. As we had discussed in previous calls, we are introducing, or rather working on and introducing, new product ranges, including snacks and packaged sweets, so it is a work in progress. We will have to redeploy some of that additional margin to those categories as well. On average, if you ask me, we feel that we will be able to deliver similar margins.

Management: And in the coming year also, FY25.

Ankit Babel – Subhkam Ventures: Okay. In the spices category, what kind of revenue are you expecting this year, and will it break even or continue to make losses?

Management: The spices category will be better than break-even in this financial year because we are very much committed to not losing money in the spices category. Secondly, we feel that, on an overall year basis, growth should be in good double digits.

Ankit Babel – Subhkam Ventures: If I am not wrong, your category was around 40 crores or somewhere around that last year. I forgot the number. What was the revenue last year, and what revenue are you targeting this year in spices?

Management: Last year, the revenue was close to 38–40 crores, as you correctly highlighted. This year, as I told you, up to YTD six months, we have delivered growth of close to 20%, and in the coming quarters also, we feel that we will be able to deliver similar growth.

Ankit Babel – Subhkam Ventures: Okay. My last question is: within your product categories, excluding spices, which product category has the highest margin?

Management: I will not be able to discuss the product-level margin. However, the value-added category enjoys a better margin compared with the wheat flour category and whole wheat flour category, and emerging products, by virtue of better margins in spices and the industry-average margin in emerging products, enjoy better margins compared with the value-added category. This is the industry {? view on it ?}.

Ankit Babel – Subhkam Ventures: Can you let me know what the share of value-added products in total revenue is, at least?

Management: The share of total revenue this year will be more than, or close to, 62–65%.

Ankit Babel – Subhkam Ventures: That is helpful. Thank you so much.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Praveen Sharma, an individual investor. Please go ahead.

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Praveen Sharma – Individual Investor: Hi. Good morning. I have a couple of questions. First, just a comment: this diversification from the geography seems to need to be expedited because sometimes competition from a company like Emami is greater, sometimes there is the West Bengal policy stopping wheat flour distribution, and the millers are dumping products in the market. So, the business operation has become very geographically concentrated. The immediate need is to diversify. I know that you are already doing it, but it needs to be accelerated. This is just a comment.

My first question is: how much was the advertising spend last year, how much was it in the first half, and how much do we expect in the second half? If you can just provide some insight into that.

Management: Last year, based on revenue, it was close to 1.9%, around 15 crores. In the first half, the overall spend was close to 6–7 crores. For the entire year, we feel that the advertising spend will be in line with the previous year.

Praveen Sharma – Individual Investor: The previous year. So, 60 crores?

Management: Not 60. It was 16. 16 was the number for the previous year.

Praveen Sharma – Individual Investor: How much was it in H1? I missed it.

Management: Close to 7 crores.

Praveen Sharma – Individual Investor: 7 crores. Okay. The second question—

Management: In response to and taking your comment, which you correctly made, we are very much focused on expanding our geographical network by onboarding new distributors and C&F agents. As I told you, considering the supply-chain scenario across the country, the wheat prices prevailing in UP, Bihar, MP, and Bengal, plus the transportation cost, which I think everyone is aware of, we are working every hour to make our products available in those geographies and improve our sales there. Hence, we decided that we should have an atta plant. The capex amount is also not that large compared with a flour mill, and this will help us make a fresh product available in the local geographies of Bihar and Assam. That is a work in progress, and we are working towards completing that project within the best possible timeline.

The first mindset of management, the board, and the company is to earn profit on a cash-and-carry basis in the geographies in which we operate. With that focus, we are working towards growth in those geographies.

Praveen Sharma – Individual Investor: I must congratulate you on keeping the balance sheet exceptionally strong. The working capital cycle, debt, and everything else are phenomenal, and I hope you continue going forward in the future as well.

My second question is about the land purchase plan in Assam. Is it done and dusted and sealed, with the land acquired, or is it still a work in progress? Regarding the Bihar land and the flour mill we are considering, do we have land for that, or do we not require much land and will lease it?

Management: Firstly, we have leased a plot in Bihar, Muzaffarpur, from the Bihar Industrial Area Development Authority. So, it is long-term leased land. The land is in our possession, we have paid

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the entire amount, and we have onboarded an architect to design the entire plant. We have also onboarded a consultant who will help us set up the mill. So, it is a work in progress, and we are targeting to start the civil work by the end of Q3 or early Q4. This is regarding Bihar.

Coming to Assam, we have paid a token amount to the seller and onboarded a legal professional based out of Guwahati, who has also completed the due diligence. All the necessary formalities required at the local state level, including submitting applications and requests to the local government, are a work in progress, and we are hopeful that the transaction will be concluded after Diwali.

Praveen Sharma – Individual Investor: Okay, great. The capital work in progress for September was 16 crores. Just to understand, is this for the sweets and snacks machinery, or is it for the land and civil structure we are planning in Bihar and Assam?

Management: It is mainly divided into two parts. One is the sweets and snacks plant, which is being commissioned near Calcutta. The second part is the new corporate office, where we plan to move next month. The current corporate office, where we moved around 7-8 years ago, is smaller, and we are operating from 2 offices now. For better synergies, we took up an office around 2 years ago in Salt Lake, and we will move there. The entire team will sit under one roof. These are the 2 major components of capital work in progress.

Praveen Sharma – Individual Investor: Is this our own bought-out office space, or is this—

Management: It is a bought-out office space, correct.

Praveen Sharma – Individual Investor: And the current—

Management: Currently, it is a rental office. So, that expense is currently being incurred, and there will be savings from that.

Praveen Sharma – Individual Investor: Okay. My last question is on sweets and savories. Will this be limited to West Bengal only, or do we plan to launch it on e-commerce and in other geographies? These products have a longer shelf life, and with the growing interest in traditional sweets and snacks, there should be enough demand for our products in other geographies as well. What is the strategy on that? This seems very promising. The kind of multiples on which these types of businesses operate in the markets are very different. If the sweets and savories business becomes successful, I think it will be a major growth accelerator for the company.

Management: On an immediate basis, the plan is to introduce the category in the West Bengal market across all channels, including general trade and modern trade, and manufacture here. Our understanding of snacks is that we cannot manufacture a snack in Kolkata and ship it to Bihar; it will not make sense as of now. So, once we enter this category with a focus on expanding in the West Bengal market, we will analyze the category and plan how to expand the product into the nearby geographies.

Praveen Sharma – Individual Investor: Okay. Are these only savories such as namkeens, apart from sweets, or are they ready-to-eat, ready-to-cook, and similar products?

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Management: The snacks are ethnic snacks such as chanachur, namkeen, bhujia, and so on, not Western snacks such as chips. They are only ethnic snacks. We are introducing 3-4 sweets, including soan papdi and besan laddu, which are not readily available in local shops. If you look at the West Bengal market, every 100 meters you will find a sweet shop selling milk-based sweets. That is why, in the initial phase, we are introducing kaju barfi, besan laddu, and soan papdi.

Ready-to-cook and instant mixes are a work in progress. We are working with a renowned consultant to develop that category, and I do not think we should comment on it now. However, it is a work in progress. We control the raw material for all the snacks, sweets, and the proposed ready-to-cook and instant mixes. That will create synergy and add value.

Praveen Sharma – Individual Investor: Great. Good luck, and keep up the good work. Thank you very much for giving me the opportunity.

Management: Thank you. Thank you. Thank you.

Operator: Thank you. A reminder for all participants who wish to ask a question: you may press star and one on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question.

The next question comes from the line of Divik Goyal from Subhkam Ventures. Please go ahead.

Divik Goyal – Subhkam Ventures: Hi, sir. Thank you for this opportunity. In the first half of FY25, our EBITDA margin was 200 basis points higher than last year, and we are guiding for a 50-75 basis-point margin improvement for the full year. Do you think there will be pressure in H2 in terms of margin?

Management: [off-mic discussion] {? 50-70 basis points ?} That 50-70 basis-point improvement is from last year, right? The EBITDA margin will be in the range of 10.5-11%. This is what we are targeting. I understand your question: since the six-month margin is at this level, obviously your cue to the second-half margin is that it will be lower.

Again, it is not a pressure situation or an aggressive scenario. If you look at the overall landscape of this category, wheat raw material, gram raw material, and spices raw material are rabi crops. The season starts at the end of March or in early April. Therefore, the prices of these materials remain softer during the first 2 quarters, and hence we enjoy better margins in these 2 quarters. Structurally, the second-half margin in a financial year remains lower compared with the first-half margin.

It is structural, and obviously we will not go ahead and bleed money by conducting random advertising. Everything will be planned. However, the margins will be lower compared with H1.

Divik Goyal – Subhkam Ventures: Understood. Thank you so much.

Management: Thank you, Divik.

Operator: Thank you. Participants may press star and one in order to ask a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

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Ladies and gentlemen, we will take this as the last question for today. I now hand over to the management for closing comments. Over to you, sir.

Management: Thank you, everyone, for joining us today and for your questions. This [cut off]

Management: [inaudible] price pressure in the atta category, we saw sequential recovery in revenue, continued growth in our value-added portfolio, and a meaningful improvement in profitability this quarter. Our focus over the coming quarters is on executing the launches and expansion plans we discussed today. If you have any further questions, please feel free to reach out to us or to our Investor Relations advisors. We look forward to speaking with you again on our Q3 FY27 earnings call. Thank you.

Management: Thank you.

Operator: Thank you. On behalf of Ganesh Consumer Products Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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