“Ganesh Consumer Products Limited

Q2 FY27 Earnings Conference Call”

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MODERATOR: **MR. SANJAY MANYAL – DAM CAPITAL ADVISORS LIMITED**

Moderator: 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 the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star 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: Hello and good morning everyone. We are pleased to host Q2 FY27 Earnings call of Ganesh Consumer Products Limited. From the company, we have with us Mr. Manish Mimani Managing Director, Mr. Amit Tapadia, 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. Thanks, and over to you, sir.

Sanjeev Sancheti: Thank you, Sanjay. Good morning to all the participants. Before I hand over the call to Mr. 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: Thank you, Mr. Sanjeev. A very good morning, everyone. On behalf of Ganesh Consumer Products, I welcome you to our Q2 Financial year '27 Earnings call and thank you for joining us today. The second quarter of financial year 2027 saw a sequential recovery in a challenging environment for the category, driven by continued progress in our value-added portfolio.

Revenue from operations was INR2,267 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 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 suji declined 2.5% quarter from quarter. We believe the pressure on atta is temporary and expect the volumes 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 our underlying demand for our brands. B2B revenue declined 13.8% year-on-year, mainly due to lower service income and softer core product volumes.

E-commerce, including Quick Commerce, remains our fastest growing channel with a CAGR of over 53% between financial year '23 and financial year '26, and we are now expanding our e-

commerce presence in the other regional markets like 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 CTC spices, sabudana, and soya chunks. We now offer 273 SKUs compared with 253 SKUs at the end of financial year '26.

Spices revenue grew strongly and margins improved significantly on the back of stronger realizations. 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 INR3.70 per equity share for financial year 2027.

This reflects the strength of our balance sheet and our intent to share the benefits 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 based in Johannesburg for an FMCG player, which contributed about 1.4% only of financial year '26 revenue. The sale was concluded for INR325 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, strengthening 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 Tapadia: 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 INR295 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 spends.

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. Profit after tax for the quarter was INR188 million, up 68.7% year-on-year and 49.9% quarter-on-quarter. PAT margin was 8.2%, an improvement of 358 basis points year-on-year. This reflects the EBITDA margin expansion and lower finance costs, which fell to INR6 million only from INR43 million a year ago following our deleveraging. Diluted EPS for the quarter was INR4.70 only.

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 deposit stood at INR1,082 million, of which INR425 million represents unutilized IPO proceeds. Annualized ROCE was

21.9% and ROE was 16.4%. As of 30th September, the Hyderabad plant has been classified as an asset held for sale at its carrying value of INR126 million.

And the advance of INR32.2 million received from the buyer has been recognized under current liability. With the sale deed executed on 1st October for a consideration of INR325 million, we expect to recognize a one-time gain of approximately INR199 million in Q3.

Looking at the full year, given the pressure in 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 to 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.

Moderator: Thank you very much. The first question comes from the line of Nikhil from Ranga Investments. Please go ahead.

Nikhil: Yes, thanks for the opportunity. My first question is on the Atta performance. So we have mentioned because of the change in government policies, our volumes have declined. And what is our outlook on the coming quarter and the next quarter? Because you mentioned around 5% degrowth in the full year level. Is it because of the softening in volumes of Atta category?

Amit Tapadia: Hey, hi Nikhil, thank you for participating. The decline in the B2C revenue. The overall revenue decreased by 5%, but the B2C revenue decreased by 2.5%. And the main reason for the decrease in the B2C revenue was the atta category only. Except atta, the overall category has grown during 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 district-level market. And we are having a close watch on the overall market, and we expect the volumes to improve in the coming quarters.

Nikhil: Okay, got it. Just one more thing. Currently we see a bullish trend in wheat prices. So are we expecting any price hikes in this quarter or coming quarter to sustain our margins?

Manish Mimani: Yes, hi Nikhil. It will depend on the competitors' step also. We cannot comment as of now. We will look forward for the competitors to take the step. We would like to safeguard our market share. As of now, we have got enough stock to not go for the price hike, but, as the market plays, we will take a call.

Nikhil: Got it. Thank you. That's all from my side.

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

Sanjay Manyal: Hi sir, just want to understand your sort of strategy for non-West Bengal regions. How has been the growth over there and what is the strategy now for the growth over in next few quarters?

Amit Tapadia: Hi, thank you, Sanjay. So we are very much focused in expanding our distribution network in the nearby states including Jharkhand, Odisha, Assam and Bihar. So in a very short term, the strategy is to onboard new distributors, C&F agents. And in a very recent activity, we have entered into an alignment with multiple e-commerce players in Bihar and Assam region. So we are present on the e-commerce and Q-commerce channel also there.

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

And if you ask the overall growth, the Bihar market on a quarter-on-quarter basis has almost doubled. Again, the base is small for the previous year, but Yes, if you ask the numbers, it has doubled over year-on-year, Bihar and Assam.

Sanjay Manyal: Okay. And, if you can also give some color on how has been the -- if there is any sort of change in our strategy on the spices side. How has been things working on the spice category growth rate, and again, what probably lies ahead as far as that category is concerned?

Amit Tapadia: So firstly, firstly, we are very much focused to improve the realization on these spices category. It's been around 2, 2.5 years we launched the CTC segment, and around 1 year when we launched the blended masala, and we are continuously working in product development and process improvement in the spices category.

So everything is going parallelly, but the one focus is that we should increase the realization. As we had discussed in our previous call, the prices which we had set for the spices category over the previous years were very aggressive compared to the local players here.

So, the first focus is to improve realization, and which has resulted in better margins for the spices category in the quarter. And, apart from that, the spices category on a YTD basis has grown at around 17%. Yes, on a YTD basis. Again, on a quarterly basis, it has grown more than 20%. So these 2-3 strategies are there in mind to improve the product quality, to improve the product offering, and to improve the realization through price increase.

Sanjay Manyal: Right. Also, just, probably lastly, just want to ask about the Sattu as a product, given the fact that last year we had faced an issue from a, you know, extended monsoon and, sort of smaller summer days. But this year this situation is not there. And, so how things are as far as that product is concerned, what kind of a run rate we can achieve, say, on an annualized basis?

Amit Tapadia: So on the Sattu front, as you correctly highlighted, that this year the summer was a bit extended and this is an El Niño year also, summer El Niño year rather. And we did a marketing campaign involving Ravindra Jadeja, right? So which resulted in the growth in the Sattu categories. If you see, on a volume basis, the category has grown at more than 10% on a volume basis only, because -- and the campaign started from April, right, when the monsoon had already started from March.

That way we feel the campaign plus the distribution has paid off for the Sattu category, and we look forward to a similar and a better growth in the coming seasons also.

Sanjay Manyal: Okay, thanks very much.

Moderator: Thank you. The next question comes from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Good morning, sir. Yes. Sir, you did mention about the pressure you are facing on the top line in FY27, but, what's the outlook on FY28, on the base of FY27? What kind of growth we are looking at and which categories you believe would lead the growth?

Amit Tapadia: Now, as I -- thank you for asking the question. So, for Sattu, as we said, since we have onboarded Ravindra Jadeja for the campaign, and spices, we have onboarded 2 Bollywood actors. We are hopeful that those categories will do well the coming quarters and in the following year. But again, on an overall basis, it will be a bit early to comment because things are shaping up.

As I told you, the Atta category, we are -- we have introduced couple of strategies I mean, I don't think we have to explain the strategies. It will be a better forum to explain these strategies now, but we have introduced couple of strategies starting 1st of November, and we are very much confident that things should move in a better direction.

So, our priorities obviously remain unchanged to strengthen our core category in our core market and to expand our distribution in the nearby geography. Maybe, in Q3 -- by end of Q3, we'll be able to comment on the better pictures for the coming year.

Ankit Babel: Okay. And you also mentioned that the margins in FY27 will improve by some 50 basis points to 70 basis points. So again, 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 Tapadia: So, on a conservative basis, it should sustain at this level. But as I told you, we have increased the realization of these spices categories, and as the value-added and the spices category grow, there will be a natural expansion in the product margin. Reserve is, as we had discussed over previous calls, that we are rather working and introducing new product ranges, right, including snacks, packaged sweets.

It is work in progress, so we will have to redeploy some of that additional margin to those categories also. So, on an average, if you ask me, we feel that we will be able to deliver similar margins in the coming year also, FY28.

Ankit Babel: Okay. And in the spices category, what kind of revenue you are expecting this year, and will it be a breakeven or will continue to make losses here?

Amit Tapadia: No, firstly, the spices category will be better than breakeven in this financial year because we are very much committed to not lose money in the spices category. And secondly, we feel that on an overall year basis, the growth should be in a good, double-digit.

Ankit Babel: If I'm not wrong, your category was around INR40 crores or somewhere around that last year. I forgot the number. What was the revenue last year and what revenue you're targeting this year in spices?

Amit Tapadia: So, last year the revenue was close to INR38 crores to INR40 crores, as you correctly highlighted.

Amit Tapadia: And this year, again, as I told you, till YTD.

Amit Tapadia: Till YTD six months, we have delivered a growth of close to 20%, and in the coming quarters also, we feel that we'll be able to deliver a similar growth.

Ankit Babel: Okay, okay. And last question is, within your product categories excluding spices, which product category has the highest margin?

Amit Tapadia: Come to discuss the product level margin. But Yes, value-added category enjoys the better margin as compared to a wheat flour category, whole wheat flour category, and emerging product. The virtue of better margins in the spices and the industry average margins in emerging products enjoys better margins compared to the value-added category. This is the industry.

Ankit Babel: Okay, then can you let me know what is the share of value-added products in your total revenue?

Amit Tapadia: The share of total revenue this year, it will be more than, close to 62% to 65%.

Ankit Babel: Okay, that's helpful. Thank you so much.

Amit Tapadia: Thank you.

Moderator: Thank you. The next question comes from the line of Praveen Sharma, an Individual Investor. Please go ahead.

Praveen Sharma: Yes, hi, good morning. I have a couple of questions. First is, you know, just a comment. We need to, you know, on this diversification from the geography, it seems, it has to be expedited because sometimes this Emami competition is more, sometimes West Bengal policy, you know, stopping wheat flour and the millers dumping in the market. So, it becomes very geographically centric business operations.

So immediate need is to diversify. I know that you guys are doing it already. But need to accelerate it. This is just a comment. The first, the question is how much was the advertisement spend in last year and how much was it in the first half and how much do we expect in the second half? If you can just throw light on that.

Amit Tapadia: Last year, again based on the revenue, it was close to 1.9%, around INR16 crores. And this first half overall spend was close to INR67 crores, and for the entire year we feel that the advertisement spend will be in line with the previous year.

Praveen Sharma: Previous year, so INR60 crores?

Amit Tapadia: Not 60, INR16.

Praveen Sharma: 16.

Amit Tapadia: Was the number previous year. Yes,

Praveen Sharma: And how much is the H1? I missed it.

Amit Tapadia: Close to INR7 crores.

Praveen Sharma: 7 crores. Okay. The second question…

Amit Tapadia: Answering and taking your comment which, you correctly suggested, we are very much focused to expand our geographical network with onboarding new distributors and C&F agents. And as I told you that considering the supply chain scenario in the overall 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 product available in those geographies and improve our sales there.

And hence we decided that we should have an Atta plant wherein the capex amount is also not that large as compared to a flour mill. That will help us to make available a fresh product in the local geographies of Bihar and Assam. That is work in progress, and we are working towards completing that project in a best possible timeline.

And again, the first mindset of the management, the board, and the company is to earn profit on a cash and carry basis in the geographies we are dealing in. So, with that focus, we are working towards the growth in those geographies.

Praveen Sharma: Yes, I must congratulate you guys on keeping the balance sheet exceptionally well. Working capital cycle, debt, everything is just phenomenal. And, I hope it goes -- you will continue going it forward in the future also. The second question is on the land purchase plan in Assam. Is it done and dusted, sealed, that land has been acquired, or it's still work in progress? And Bihar land, the floor mill thing which we are thinking about, so we have a land for that, or we don't require much land and we will lease it out.

Amit Tapadia: So firstly, answering we have leased a plot in Bihar Muzaffarpur from Bihar Industrial Development Authority. So, it is a long-term leased land, and, again, the land is in our possession. We have got the possession, we have paid the entire amount, and we have onboarded an architect for designing the entire plant, and we have onboarded a consultant who will help us in setting up the mill. So, it is work in progress, and we are targeting to start the civil work anytime by end of Q3 or early Q1 or Q4. So, this is on Bihar.

Now coming to Assam, we have paid a token amount to the seller, right? And the due diligence, we have onboarded legal personnel who is based out of Guwahati who has done the due diligence as well. So, all the necessary formalities which is required at the local, state level wherein we have to submit some applications and requests to the local government, so that is work in progress and we are hopeful that the transaction will get concluded post Diwali.

Praveen Sharma: Okay, great. This capital work in progress for September is INR16 crores, which was -- so just to understand, this is about the sweet and snack machinery, or this is about the lands and the civil structure we are planning in Bihar and Assam?

Amit Tapadia: So it is -- majorly, it has 2 pieces to it. One is the sweets and snacks plant which is getting commissioned near Calcutta. And the second piece is the new corporate office where we plan to move in the next month because the current corporate office, where we moved in around 7-8 years back is smaller and we are operating 2 offices now. So it is for better synergies. We have taken up an office around 2 years back in Salt Lake, and we will move there. The entire team will sit out under one roof. So these 2 are the major chunks in the capital work in progress.

Praveen Sharma: Okay, and this is our own bought-out office space, or this is…?

Amit Tapadia: Yes, it is a bought-out office space, and currently it is a rental office. So again, that expense will be there from…

Praveen Sharma: Okay, okay. And my last question on the sweets and savories, will it be limited to West Bengal only, or do we plan to launch it on e-commerce and in other geographies? Because these have higher shelf life, and I think with the growing interest in the traditional sweets and snacks, you know, there would be enough demand for our products in other geographies also? So what is the strategy on that?

Because that seems to be very promising. The kind of multiples which these kinds of business, you know, they actually work on in the markets are very different. So if it's become successful, the sweets and savory, I think it will be a major growth accelerator for the company.

Amit Tapadia: Correct. So, on an immediate basis, the plan is to introduce the category in the West Bengal market on all channels, including general trade and modern trade and do manufacture here. And somehow the knowledge which we have on these snacks is that we cannot manufacture a snack in Kolkata and ship it to Bihar. It will not make sense as of now. So again, once we enter into this category with a focus to expand in the West Bengal market, then we will analyze the category and we'll plan how to expand the product in the nearby geography.

Praveen Sharma: Okay, okay. These are just the savories like namkeens, etc, apart from sweets, or they are like ready-to-eat products like, you know, ready to eat and ready to cook?

Amit Tapadia: So snacks is ethnic snacks, which is chanachur, namkeen, bhujiya, etc, not Western snacks, which is chips and all, only ethnic snacks. And sweets, we are introducing 3-4 sweets, right, which is your soan papdi, then besan ladoo, which is not readily available in the local shop. So if you see the West Bengal dynamic, every 100 meters you will get a sweet shop which is milk-based, right? So that's why we are introducing this kaju barfi, besan ladoo, and soan papdi in the Indian region.

And, you're ready to cook and instant mixes is work in progress. We are working with a renowned consultant, right, to develop that category. And I don't think we should comment on this now. But Yes, it is work in progress. So we control the raw material of all these snacks,

sweets, and the proposed ready to cook and instant mixes. So that will be a synergy, a value addition.

Praveen Sharma: Great, great. Good luck and keep the good work going. Thank you very much for giving me the opportunity.

Manish Mimani: Thank you, Praveen ji.

Moderator: Thank you. The next question comes from the line of Divhy Gosar from Subhkam Ventures. Please go ahead.

Divhy Gosar: Hi sir, thank you for this opportunity. So in the first half FY27, our EBITDA margin has been 200 bps more than the last year, and we are guiding for a 50 to 75 bps margin improvement for the full year. So, do you think there will be pressure in H2 in terms of margin?

Amit Tapadia: So that 50 to 70 basis point improvement is from the last year, right? So the EBITDA margin will be in the range of 10.5% to 11%. This is what we are targeting. Now, I understand your question since the 6-month margin is this, so obviously your Q2, the second half margin, will be lower. Again, it is not a pressure or an aggressive scenario, just that if you see the overall landscape of this category, so the wheat raw material, the gram raw material, all these spices raw material are Rabi crops, right?

And the season starts from March, end of March, early April. So the prices of these materials remain softer during the first 2 quarters and hence we enjoy better margins in these 2 quarters. And structurally, the second half margin in a financial year remains lower as compared to the first half margin. So it is structural, and obviously we'll not go ahead and bleed money by doing random advertisements. Everything will be planned. But Yes, the margins will be lower as compared to H1.

Divhy Gosar: Got it. Thank you so much.

Amit Tapadia: Thank you, Divhy.

Moderator: Thank you. 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.

Manish Mimani: Thank you, everyone, for joining us today and for your questions. Despite 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 Advisor. We look forward to speaking with you again on our Q3 FY27 earnings call. Thank you.

Amit Tapadia: Thank you.

Moderator: 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.