Madhusudan Masala Ltd

Q1FY27

POST EARNINGS CONFERENCE CALL

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Management Team

Mr. Rishit Kotecha - Chairman & Managing Director
Mr. Hiren Kotecha - Whole Time Director
Mr. Kirit Dharaviya - Chief Financial Officer

Call Coordinator

Strategy & Investor Relations Consulting

Presentation

Moderator: Ladies and gentlemen, on behalf of Kaptify Consulting Investor Relations Team, I welcome you all to the Q1 FY27 Post Earnings Conference Call of Madhusudan Masala Limited. Today on the call from the management, we have with us, Mr. Rishit Kotecha, Chairman and Managing Director, Mr. Hiren Kotecha, Whole Time Director and Mr. Kirit Dharaviya, CFO.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements which may involve risk and uncertainties. Also, a reminder that this call is being recorded.

I would now request the management to brief us about the business and performance highlights for the quarter ended June 2026, the growth perspective and vision for the coming year, post which we will open the floor for Q&A. Over to you sir.

Rishit Kotecha: Yes, thank you Mr. Vinay. I would like to thank all the investors, analysts and our stakeholders. Greetings to all. Today's message is very clear for me. Q1 FY27 could be a turning point in the history of Madhusudan Masala. This is not just a strong quarter. This is a confirmation of our brand strategy, distribution expansion and disciplinary execution. In simple words, this quarter is being strengthened to increase the momentum of our business. This is just the beginning.

In this quarter, revenue increased by more than 34%, EBITDA by more than 47%, profit after tax by more than 56%. This means that the size of the business is also increasing, profitability is also improving and profit revenue is also growing very fast. We have achieved this performance not because of a single temporary factor but because of better branded mix, deeper distribution reach and strong operational execution.

Now if we talk about the key financial performance, on a consolidated basis, revenue was around INR98.3 crore, EBITDA was around INR11.1 crore, net profit was around INR6.5 crore. Revenue grew by 34.5%, EBITDA grew by 47% and net profit grew by 56%. This is especially important for us because with strong growth, margin improvement shows that operating leverage in the company is working very well.

Geographically, Gujarat's contribution was 45%, Maharashtra's 11% and the contribution of the North & East region was 44%. This shows that growth is not dependent only on the region.

The strongest indication of our strategy is branded sales mix. In quarter 1, branded sales share were more than 72% whereas non-branded sales were 28% which was 30% in FY26. This is also aligned with our brand focus. In branded revenue, our ground spices sales were more than 50%. Whole Spices sales were 27%, grocery products were 17%, blended spices were 5% and tea was around 1%. Our objective is not only higher sales but also to do quality led sustainable and more branded sales. This is the foundation of future margin and brand value.

In terms of volume, quarter 1 was strong. Total sales volume was 8,134 metric tons. Branded volume was 4,730 metric tons and non-branded volume was 3,404 metric tons. In branded category, grocery products were 1,875 metric tons, ground spices were 1,448 metric tons, whole spices were 1,256 metric tons, blended spices were 122 metric tons and tea was 29 metric tons. In branded Double Hathi volume with 2,791 metric tons was in the lead. In addition to this, 77 green was 804 metric tons, Maharaja brand was 757 metric tons and Mantavya brand was 378 metric tons.

In quarter 1, we sold 7.84 crore packets. This shows our consumer reach and brand presence with our production scale. Our focus is not only on increasing tonnage but also on better value, strong brand portfolio and wider consumer reach.

In terms of income statement, we can see growth quality first. Revenue was INR98.28 crore whereas in quarter 1 FY26, revenue was INR73.09 crore. EBITDA increased from INR7.52 crore to INR11.7 crore and profit after tax increased from INR4.17 crore to INR6.5 crore. The most important thing is EBITDA and PAT both are growing faster than revenue. This is the result of better product mix, post-discipline and increasing operational scale. We will continue to make sure that top line growth is profitable and consistent.

Madhusudan's roots date back to 1977. We have a portfolio of ground spices, blended spices, whole spices and other products based on 5 decades of quality, taste and customer trust. Jamnagar and Rajkot's existing menu facility supports this portfolio with quality and consistency.

The second pillar of our business is distribution. Till June 30, 2026, we had more than 48,000 retail grocery stores, more than 6,750 wholesalers, more than 415 distributors and 21 super stockist. With 11 states, our network is growing very fast. In quarter 1, we had more than 1,500 retailers and more than 50 wholesalers, also including distrbutors and superstockist, we have covered 2 new states. Product is not enough in spices business. Availability, trust and repeat purchases are very important. Our growing network strengthens this competitive edge.

Our mission is simple, high quality food, good product and reaching more consumers at the right price. In Indian spices industry, our aim is to achieve 1% market share. That's why we are working on quality, region-wise taste and pan-India distribution. Our journey started with a local trusted brand. We reached to modern manufacturing. In 2023, our company was listed on NSE Emerge. In 2024, we also became a multi-brand platform with Vitagreen acquisition. We prepared a lot for the next phase. Our aim is to transform regional strength into national-level scalable FMCG capacity.

The trust of our founder generation is also growing in our generation. With 4 decades of experience, the focus of management is on professional system, fast execution and sustainable growth. Our main strategy is divided on two growth engines. Madhusudan's ground and whole spices business gives us volume, cash flow and deep regional loyalty. While Vitagreen's second engine is a branded sales spices portfolio. Because of this, we get diversification, better value addition and acceptance in the new market.

With these two, we get share distribution, cross-selling, wider product portfolio and better operating leverage. This transformation is taking us from regional commodity player to emerging multi-category FMCG brand. Our business model is integrated from sourcing to packaging and distribution. In the right season, raw material procurement, quality testing, scientifically processing, multi-pack packing size and strong channel network. All these make our taste consistency and reliability.

Madhusudan and Vitagreen's combined portfolio gives us many uses and locations from ground spices to blended spices, whole spices, grocery products and instant mixed food products. More categories give us more sales and better wallet share than the distribution network. Manufacturing process is generally simple. Cleaning, drying, grinding, blending, sieving and packaging. In every process, our main focus is hygiene, standardization and taste consistency. Brand's promise is fulfilled not only on packets but also in the process stage.

Our existing facility is Jamnagar. We have utilized full capacity in the last quarter. We are expanding to meet the upcoming demand. In quarter 1, we added a line of whole spices from Madhusudan unit of 1200 metric tons due to which our capacity in Madhusudan increased to 7,200 from 6,000 metric tons from last quarter. After expansion of Sanosara plant, total capacity will be 13,200 metric tons. This is also in line with our growth in incremental capacity.

In Madhusudan unit, we have added 1,200 metric tons of whole spices capacity. Earlier, cleaning and packaging activities were outsourced. Now, it is being done in-house. This process will provide better quality control and faster availability of products. Supply and response will be fast. For scale, 1,200 metric tons may seem small. But strategically, this is an important step for us.

In Rajkot, we have utilized 100% capacity in Vitagreen unit. In expansion unit of Sanosara village on Rajkot-Jamnagar highway, our civil and PEB work is almost 100% completed. Rest, we are working on machine installation, electrification, outer roads and staff quarters. In phase 1, capacity will be added to Madhusudan unit with 6,000 metric tons annual capacity. The completion target of this project is around September 2026. Mostly, we will achieve this target and reach operational level.

Geographically, Gujarat has been a strong presence. In quarterly revenue, its contribution was around 45%. Maharashtra is our second strongest region. We performed well in quarter 1 with 11%. In north regions, we started operations after acquisition of Vitagreen. We are expanding distribution network with good repeat orders and growth. We achieved share of quarter 1 up to 44%. This is a strong point for us that we are growing rapidly in new region. Our consumer acceptance is also scaling well.

Our competitive strength is made up of 4 main pillars. First is Our main experience i.e., long industry experience; then in-house manufacturing capability; quality control and trusted multi-brand portfolio. In addition, deep channel relationship is also our competitive strength. This also gives us capacity to grow on a large scale with local taste.

Our priorities are clear going forward. Deeper penetration in existing market; disciplined expansion in new market; development of new product as per regional preference; continuous growth of branded share in total revenue Expected CAGR is 35% with long term aspiration. Earlier it was 30%. But due to expansion unit, our delivery speed will increase. So, we are expecting 30% to 35% now.

Our transition phase of Madhusudan umbrella is strategic. Our aim is not to become a regional spices company. After strong brand trust in Saurashtra and Gujarat, we have prepared next step of distribution expansion. Now we are moving ahead in terms of brand premiumization and margin expansion. With Vitagreen acquisition, our blended spices and multi-category portfolio has become stronger. Constantly increasing distribution, wider SKU basket, and pan-India reach is our next growth lever. In other words, we are moving from stage 2 to stage 3, where with brand, better sale mix and distribution scale, we are creating long term value.

Along with our objective of increasing volume, we have to strengthen consumer rapport, branded mix and profitability in a disciplined manner. If we talk about spices industry, spices market is moving in a structural shift in India. Customers who used to buy loose are now converting to packaged or branded spices. Unorganized players are now converting to organized sectors or they are losing share. They are developing their own brand. The value chain is shifting from commodity to branded. We are seeing this positively for spices industry. Entire spices industry is growing with 10% CAGR, but shifting from Unorganized to Organized is growing with 26% CAGR. Regional brands like us will benefit from this. Regional brands recognize local taste, how to leverage it, and how to distribute the same taste in different regions. In my opinion, the upcoming period in the spices industry will be similar to what happened in the dairy and oil industries.

The unorganised market, which currently accounts for 65%, will shrink to around 30–35%, while the organised sector will expand to 65%, that is my view for coming years. If we talk about major players like MDH, Everest, Badshah, and many other regional players, the total sales of 10 companies is not even 5% of the industry. This is a good sign for Madhusudan to lead this industry. The key drivers of this industry are household premiumization, organized retail and quick commerce expansion, regional blended masala adoption, HoReCa, QSR, and packet food consumer demand. The competition is fragmented.

National players bring scales but regional brands bring local taste and consumer trust. Digital trust is growing with online sales. The position of Madhusudan is quite different from others. We have regional trust, scalable manufacturing, broadening product portfolio, and expanding distribution. In future, we will focus on blended sales growth, blended mix, distribution productivity, Sanosara plant expansion, and import and execution with margin discipline will be a priority.

Moderator: I think we can skip the annual financials. Can we go to the Q&A, sir?

Rishit Kotecha: Yes, rest I think is not required.

Question-and-Answer

Moderator: Yes, sir. I think the annual financials available in the presentation. Thank you sir for the detailed commentary. We will start with the Q&A session. We will take the first question from the line of Mr. Kunal Dubey. Mr. Kunal, you can unmute and go ahead, please.

Kunal Dubey: Rishit, can you hear me?

Rishit Kotecha: Yes, I can hear you clearly.

Kunal Dubey: Thank you, Rishit. These were very good numbers. I attended your last time concall. I will ask you 3, 4 questions together and you can decide how to answer them. The first question was, you had committed, not committed you had said a revenue of INR400 crores for FY27. If I look at the math, your seasonality H2 is much stronger than H1. So I want to know if the commitment is still of INR400 crores, correct?

Rishit Kotecha: Correct.

Kunal Dubey: Due to the off-line seasonality of the rain, can the raw material pricing have an impact, Rishit? Because you had committed an EBITDA margin of 11.5%. So do you think that 11.5% can be less due to the raw material pricing and the seasonality of the rain?

Rishit Kotecha: Yes. Should I give you the answer together or should I give it now?

Kunal Dubey: No, I will ask you. You can give it together. This was my second question. The third question was, you had said that the channel of the distributor, you had given around 400, 500 numbers in the last concall.

I am not able to remember exactly because I have your presentation from the last time. But you had said that your target is 75,000 retailers and 500 plus distributors. This was your target.

Rishit Kotecha: Yes.

Kunal Dubey: What happened to you in Q1? And my last question was that you said on the call that the expansion capacity of September, how much increase did you get from it? You had told me last time that you don't have any problem with the demand. But if you can tell me, of the INR400 crores that you are saying, due to that facility, how much revenue can be built up? These were my questions for you, Rishit.

Rishit Kotecha: Okay, I understood. First of all, thank you for attending the meeting. The first question you asked was about the INR400 crore revenue. You can see that in quarter 1, we achieved almost 25% of our target. In quarter 2, due to the monsoon, it will be a bit weak. But quarter 3 and quarter 4 are the periods of the whole season. We will see a good performance in that. Along with that, after quarter 2, the expansion unit will also start. So, in distribution, our rotation will be very fast.

So, no doubt, we will achieve more than INR400 crores of revenue in FY27. So, there is no doubt in this. We will easily achieve this. And it is not a big deal if it is INR400 crores or more than that. Okay. And in terms of material pricing, Mr. Hiren will guide you more about the pricing structure due to monsoon. Please, Hiren.

Hiren Kotecha: Namaste. What you are saying about monsoon is right. You said that it is late, so there is an effect in pricing. Yes, there is an effect. Right now, the rates are going up in all commodities. But according to monsoon, our commodity, the new crop of Chillies starts from November-December next year Turmeric comes in March-April. Coriander also comes in February-March. So we will get to know about the new crop only then. But according to the late seeding, the market is looking strong.

Kunal Dubey: Okay. So you don't think there will be any impact on the EBITDA margin. We can achieve the 11.5% that Mr. Rishit said, that is manageable?

Rishit Kotecha: Yes, it is right to achieve 11.5%. Our mechanism regarding EBITDA is not up or down with the volatility of raw materials. We balance and maintain our experience and procurement strategy so that if the current price goes up or down, for example, if the raw material price grows by more than 20%, then we let our inventory remain in the stock. We take the commodity from the market and take it in the process. If the price falls by more than 20%, then we let our inventory remain in the stock. We take the commodity from the market and take it in the process. We don't keep our inventory 100% with the revenue target for next year.

So, we maintain our EBITDA margin with this strategy and maintain it with growth. So, we maintain our EBITDA margin with this strategy and maintain it with growth.

Kunal Dubey: Rishit, my third question is about the incremental revenue that you are getting the plant from September. I don't want the exact number, but if I ask you in INR400 crores, how much revenue will you get from there in H2? And how much capacity will you utilize?

Rishit Kotecha: The expansion that we are doing is not part of expansion. If you see, in the last quarter, we did a branded sale of 4,700 metric tons. This was quarter 1. So, if we look at the whole year, last year we had a branded sale of 16,000 metric tons. So, the sale that we have is already more compared to production capacity. So, by increasing this capacity, by increasing this capacity, our margin will improve a little, but our dispatch cycle will improve a little.

Secondly, we will get a lot of space to develop new products in-house. So, we are looking at all these benefits more rather than expanding revenue from the new unit. So after the expansion unit, we are not working directly on revenue growth. Even if there was no expansion, our revenue was still growing. So after this, our second phase will also come. So, in the first phase, our production of INR6,000 crores will be utilized 100% from the second or first month.

Kunal Dubey: The last question was on the retailers and distributors. You said 75,000 retailers and 500 distributors. Can you give us a little light on how far you have reached in Q1?

Rishit Kotecha: Yes, in Q1, we told you that there are 4,800 retailers, more than 6,700 wholesalers, that is, our channel partners are more than 52,000. And this figure will come in line with the guidance I gave till the year-end.

Kunal Dubey: Thank you very much. I wish you the very best. Thank you.

Moderator: Thank you, Mr. Kunal. We will take the next question from the line of Resha Mehta. Resha, you can unmute and go ahead, please.

Resha Mehta: Thank you. Sir, congratulations on such good numbers. I had four questions. Maybe I'll go one by one. So, one was, what was the volume of Q1 FY26 last year?

Rishit Kotecha: Volume in terms of….

Resha Mehta: Metric tons? Yes, it was 24,000 metric tons. And for branded, it was 16,000 metric tons.

Resha Mehta: No, no, sir. Q1 FY26. Like there are 8,134 tons in one quarter. So, similarly, how much was there in the last quarter, in Q1 FY26?

Rishit Kotecha: Q1? Just a minute. Q1 had a total sale of 6,270 metric tons.

Resha Mehta: So, sir, our volume growth is 30%, which means, right? So, the commodity inflation that has happened, and maybe the revenue cut towards our branded products, its impact has only been 5%. I mean, we haven't taken much price hike, or we don't want to take it, or what is it? Because as far as my understanding is, and please correct me if I'm wrong, in chili, I mean, year on year, I think we have seen 20%, 25% commodity inflation. So, why is it reflecting 5%, from a pricing or a product mix growth perspective?

Rishit Kotecha: No, your point is correct. If you look at it from an industry perspective, you will understand. But as a general investor, it's a little difficult to understand. In this, what happens is, we had talked about this in the last concall, that we maintain our inventory structure in such a way that we can pass on some profits to our channel partners, and the rest of the new inventory that we have to purchase, if I'm buying it at the current price, then I have to calculate its costing. So if I process this costing now, what will be sold at the current price? And what is my inventory level in front of that?

After doing all this calculation, we increase the price. And this is our internal process. But the most important thing is that the competitor pricing matters the most. As long as the competitor's price is not increased or decreased, we cannot increase or decrease the price alone. So, this pricing structure depends entirely on the market, especially in ground spices. If the raw material increases today, it cannot be increased in the final product from the next day. After seeing the market, after seeing the competition pricing, only then we correct our pricing.

Resha Mehta: Right, sir. Sir, if I look at my gross margin, then yes, my gross margin has decreased versus Q1 of FY26. And which means that we have not taken the price hike as much as we are feeling the inflation. So, sir, linked to this, there was another question. If I look at the revenue growth, that if we reach INR400 crores of revenue this year, then we should get an operating leverage. But when you are giving the guidance of EBITDA margin, that we will do minimum 11.5%, 11.5% EBITDA margin, which means that you are factoring in this. And maybe the new facility commission, there will be additional fixed costs. Are these the two reasons why your EBITDA margin is 11.5% conservative? Or is there a third reason?

Rishit Kotecha: No, this is not a different reason. Its main reason is that our EBITDA margin is fixed in our strategy every year. But when I give the guidance of EBITDA growth, then the main reason is that the split of branded and non-branded, as the split of non-branded is less, similarly, my margin grows. So, the main reason is that my EBITDA guidance depends on the split of branded and non-branded.

Resha Mehta: Okay. Sir, how much CapEx have we incurred in our greenfield CapEx of 6,000 metric tons? Or are we doing it now? And how have we arranged its funding? And how soon can we ramp up its capacity utilization?

Rishit Kotecha: The total project cost of Sanosara plant will be around INR16 crore. And the capacity of 6,000 metric tons, according to us, will be operational only during the season. So, in the middle of Q3, we will be able to provide 100% utilization.

Resha Mehta: And sir, how have we planned its funding?

Rishit Kotecha: We have taken a 65% long-term fund from the bank, and 35% from own.

Resha Mehta: Okay. And sir, last question. If I look at my inventory days, I know you have mentioned this many times, your inventory policy or the policy of inventory stocking. But then I just want to understand, there is another listed company, Orkla, which runs with MTR and Eastern brands. So, if we look at their inventory days, they are around at 40, 50 days. And we have around 140 days. So, is there a possibility that we can operate at lower inventory levels? If yes, then by when? If no, then why not? If a big branded company is able to do it, then why not us? Because, obviously, if we look at our working capital to net sales, it's a very high number driven by inventory. So, how can we reduce it, if we can?

Rishit Kotecha: Look, we can reduce it. It's not a big deal. But our strategic view is not to reduce it. The reason is that we are having a growth by maintaining a taste region-wise. So for that, I have to keep a lot of varieties of raw material. If that raw material is not available with us, then I will either have to buy it at the current price or I will be able to get that procurement with a quality compromise after the season. So, our main objective is to move Madhusudan Brand forward as a leader of ground spices with a region-wise taste. So for that, inventory is the biggest tool for us. Through this, we can focus on penetrating the ground spices region-wise. So, in this, we are working on getting it not to 40, 45 days but to 90 or two-digit numbers.

Resha Mehta: Sir, how long can it come to two-digit numbers?

Rishit Kotecha: Look, we haven't done any serious planning on it yet. Because right now, our main focus is on distribution and expansion. We are working on the inventory as it is. So, we haven't set a fixed deadline yet.

Resha Mehta: And sir, just lastly, if these people are on an inventory of 40 days, then what do they do differently? They don't seem to be compromising on the quality or the regional palette, right? So, how can they manage 40 days? I understand that we have to keep more inventory because as you said, we are multistate.

Rishit Kotecha: No, no. Multistate is not because all companies are multistate. But they are focusing only on blended spices which is not required to maintain a big inventory in front of raw material. So, our focus product is ground spices. This is a big difference. Why is the other company's inventory less that Hiren bhai will explain it better to you?

Hiren Kotecha: What happens in that, madam, is that they have different firms. If we talk about a big company, then does it have a Gujarat firm? Does it have a stock in Maharashtra? So does its stock get divided? Many times we come to know that Phila 90C has just come out a tender for the sale of chillies. So, does its stock remain divided? As far as I know, its stock remains in Ahmedabad. Its firm remains different there. So, its stock is not shown in the main firm.

Rishit Kotecha: So, they have a lot of third-party inventory. And when they take it in the main company at the time of processing, we have seen this. What is left is that many companies procure more and sell it in raw material.

So, that raw material should not be seen in its main company. For this, it is done in other companies. We have seen this. There is no such proof. But when our procurement and the procurement of other companies take place at the same time, then our staff or the traders who procure from there give such guidance.

Resesha Mehta: Sir, how fast is the revenue of 5% to 6% blended spices? Are we aiming for 20% or 25% in the next 3, 4 years? Is this our target? As you said, reducing inventory can also be a way to increase the revenue salience of blended spices.

Rishit Kotecha: What will happen by reducing inventory? By reducing inventory, my ratio will be a little more. There will be no difference. But our core focus is ground spices. That is the most important for us. So, for that, we have not focused on moving blended spices forward. But yes, due to the response we are getting from blended spices, we are expanding the whole 6,000 tons of blended spices. But this market is very organized. The market of blended spices. If you look anywhere, you will see blended spices of any brand. So, there is a lot of competition in it. It is also a little tough to take entry. But in ground spices, the whole unorganized sector is spreaded. So with that leverage, we like to promote our brand more as a CTC brand.

So, for this, how to take inventory and blended spices from 5% to 20%. There is not much work left on it. Our focus is to maintain region-wise taste and dispatch accordingly.

Resha Mehta: Right, sir. Thank you so much and all the best.

Moderator: Thank you, Resha. Sir, we will take our question from the Q&A chat section. Sunil Kumar has asked. Hello, sir. Do you have any plans to make a mobile for selling products for Madhusudan?

Rishit Kotecha: Yes, exactly. We are already working on that. We are making an integrated app, which mot just sales, but from production to finance and investor relations, everything will come under the same app. Because Madhusudan, Vitagreen and some of our other subsidiaries will all come under the same platform. So, we have connected the sales team of Vitagreen with the pilot project and started the application from July.

Moderator: Thank you, sir. We will take the next question from the line of Vivek Rakholiya. Vivek, you can unmute and go ahead please.

Vivek Rakholiya: Very good afternoon. Am I audible?

Rishit Kotecha: Yes, yes. Good afternoon. You are audible.

Vivek Rakholiya: Thanks a lot for the opportunity. A lot of my questions have already been answered. Congratulations on a great set of numbers. I had a small confusion in terms of capacity. On the slide no. 22 of your presentation, where the manufacturing capacity overview is written, the current consolidated capacity is 7,800 metric tons. And the upcoming is 6,000 in the new plant.

Rishit Kotecha: Yes.

Vivek Rakholiya: So, the total will be 13,800.

Rishit Kotecha: Yes, 13,800. The reason for this is that 600 metric tons of Vitagreen will shift to Sanosara. We will not keep Vitagreen continuously. The entire processing unit will shift to 6,000 metric tons. So, 6,000 and 7,200 will make 13,200.

Vivek Rakholiya: Thanks a lot for the clarification, sir. Sir, you were talking about EBITDA margins of 11.5% in the coming years. As in when the revenue target of branded sales is 72% in this quarter and you expect 100% by FY30. Because of that, what do you expect the margin trajectory to look like over the next 3 years? From 11.5% in FY27 to FY'29 and FY'30, what do you expect the margins to look like after that?

Rishit Kotecha: See, as of now, the projection for the next 3 years will not be correct. But we are going with the EBITDA growth cycle for the next 2 years, we can expect more than that. The EBITDA margin can improve after the EBITDA margin of branded sales increases. But the track of EBITDA growth cycle for the next 2-3 years will continue.

Vivek Rakholiya: Understood, sir. And I think your expansion strategy as mentioned on previous calls, was of giving a higher distribution margin to distributors as compared to other brands.

Rishit Kotecha: Yes.

Vivek Rakholiya: Because of this, do you expect a little pressure on the working capital strain and margin? How do you see that dynamic?

Rishit Kotecha: See, in all the new regions where we are developing channels, we are no doubt offering better margins compared to the national players and local players. So there is a little compression pressure on the margins. But in all the new regions where we are connecting, we are providing the supply on an advance payment. So there is no need to invest more working capital. The working capital that will be utilized in the future will be mostly on inventory. And in the existing market of Gujarat, my credit cycle is long.

So wholesalers who are from decades, we cannot take our wholesalers over the night on an advance payment or a 30, 40 day cycle. So Gujarat's volume and inventory, our working capital will be more dependent on these two. Rest, we do not lend much in the new regions. So our working capital will not be so much of a requirement from there.

Vivek Rakholiya: Understood, sir. Thanks a lot and all the very best. Thank you.

Moderator: Thank you, Vivek. We will take the next question from the line of Mr. Yash. Mr. Yash, you can unmute and go ahead, please.

Yash: Hello. Jai Shri Krishna to Rishit Bhai and Hiren Bhai.

Rishit Kotecha: Jai Shri Krishna.

Yash: So I had only one question. Your numbers are very good. We are taking a vision of INR3,000 crores of revenue, and we are taking a vision of 1% market share.

Rishit Kotecha: Yes, exactly.

Yash: How will we do this?

Rishit Kotecha: See, now we will reach INR400 crores this year. Last year we achieved almost INR300 crores. So from today, before COVID, if I talk about 5 years ago, we were at a volume of INR30 crores. So at that time, it did not seem that how to reach from INR30 crores to INR300 crores. To reach from INR30 crores to INR300 crores was fixed. That we have to take the company to INR300 crores, i.e. we want to take the company to a three digit number. So at that time, the vision was that we have to somehow increase this growth. So we found a lot of ways. Distributors started coming from the front. And when we left Saurashtra and went to Gujarat, Maharashtra, we realized that our brand is also acceptable. We can also stand with a big player in terms of quality and pricing, and the trust of our channel partners.

All this came forward to teach us a lot. And because of this, we have reached INR30 crores to INR300 crores. So now it does not seem like a big deal to reach INR300 crores to INR3,000 crores. Like we did 10x in 7 years. So now in less than 5 years, we have to take this to 10x. So we are working on a simple strategy. We are working on a simple strategy. We are working well, giving good products, working with good partners. So we are getting the way of forwarding on our own.

Yash: Great, great. It felt right to hear. And we are happy with you. And all the best.

Rishit Kotecha: Yes, thank you.

Moderator: Thank you, Yash. We will take the next question from the line of Mr. Jatin. Jatin, you can unmute and go ahead, please.

Jatin: Hello, am I audible?

Rishit Kotecha: Yes, yes, you are audible.

Jatin: I have a basic question. Like we are writing in PPT that we have a capacity of 7,800 MTPA. So is this on a per annum basis or how is it? Because this quarter we have shown 8,100 plus metric ton volume. So please explain to me a little bit. Is it coming from trading, which is the unbranded part? How will it be?

Rishit Kotecha: No, this capacity is annual capacity. And when we compare quarterly with production, then it is a post-time comparison. So 7,800 is the capacity for the whole year. And the new 6,000 will also be the capacity for the whole year.

Jatin: So what we said 8,134 MTPA will be divided by 4, this quarter. How is it?

Rishit Kotecha: No, the volume you are telling is including the branded and non-branded.

Jatin: So the non-branded is trading or how?

Rishit Kotecha: Yes, that is our trading. There is no processing in it. There is procurement. Then by repacking it, we supply it to the supplier in a fixed size pack.

Jatin: Okay, so out of the 7,800 total, 4,700 which is branded, we have used this quarter, is the right way to think like this?

Rishit Kotecha: Yes, yes.

Jatin: Okay, thank you. And my second question is like we are trying to expand to all India. So every place has a different taste of spices. So we would like to expand further in different, different states, whether it is Southern or Maharashtra, so what are we doing for its R&D?

Rishit Kotecha: We have a whole team in-house, from a modern lab to raw material testing, we do it with the in-house team. So the product development and regular testing from raw material to finished goods and semi-finished goods, it is all in-house.

Jatin: And like after the capacity addition, it will be 13,200-something. And like we are doing 4,700 in this quarter. So according to this, we should go to 100% capacity utilization immediately.

Rishit Kotecha: Yes, yes, exactly. Because even now our production is getting outsourced a lot. So after the expansion, this outsource will be a little less, but the whole in-house will not be done even after phase 1.

Jatin: Okay, so the 4,700 metric ton volume is not made in-house, there is some outsource in it.

Rishit Kotecha: Yes, yes.

Jatin: Thank you.

Moderator: Thank you. Thank you, Jatin. Sir that was the last question for the day. Would you like to give any closing comment before we end this conference call?

Rishit Kotecha: Yes. Thank you very much for all your valuable questions and thoughtful participation. Today's discussion on quarter 1 FY27, strong performance, increasing branded mix, expanding distribution network, and we have expressed the direction of our upcoming capacity very well. And our confidence is very strong. But our approach will be disciplinary. Our entire focus will be on execution, profitable growth, timely commissioning of the Sanosara project, and long-term valuation creation. And I would like to thank on behalf Rishit Kotecha, Hiren Bhai, and our CFO, Kirit Bhai, all of you investors, analysts, shareholders, and the Kaptify team. We will be grateful for your trust and support.

And let's conclude today's conference call here.

Moderator: Thank you. Thank you to the management team for giving us your valuable time. Thank you to all the participants for joining us on the call. This brings us to the end of today's conference call. You may all disconnect now. Thank you.

Rishit Kotecha: Thank you.