Earnings Conference Call · Transcript

H1 FY2027 *earnings call*

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Shellz India Limited · BSE SME

MANAGEMENT



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HOSTED BY

Atlas Capital
CAPITAL MARKETS & STRATEGIC ADVISORY

SHELLZ INDIA LIMITED · TRANSCRIPT

Opening *remarks*

Management · Participants · Moderator

Moderator

Ladies and gentlemen, good day and welcome to the Shellz India Limited H1 FY2027 earnings conference call hosted by Atlas Capital. 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. Please note that this conference is being recorded. We have today from the management Mr. Kapil Garg and Mr. Pavil Garg. I now hand over to Mr. Kapil Garg. Thank you and over to you, sir.

Kapil Garg

Thank you and good afternoon to everyone joining us. Since this is our maiden earnings call, I would like to welcome all our investors. We appreciate your interest in Shellz India. I will now request Pavil Garg to take you through the company's business, strategic priorities, manufacturing expansion and H1 Financial Year 2027 financial performance.

Pavil Garg

Thank you, Mr. Garg, and a very good afternoon to everyone present here.

So, I will begin with a brief overview of Shellz, followed by our operating strategy, our manufacturing expansion, distribution initiatives and H1 FY2027 financial performance overview. So, founded in 2012, Shellz has evolved into a multi-category chocolate and confectionery player, developing, manufacturing, marketing, and distributing products across five key categories being choco delights, baked treats, jellies, sugar candies, and food ingredients. Our business is built around three core capabilities, which are product innovation, in-house manufacturing and our distribution network. We have developed a portfolio spanning more than 300 SKUs with products catering to different consumer preferences, formats and price points.

Our distribution network, comprising over 300 super-stockists, provides access to retail markets across 24 states in India. India is one of the world's largest and fastest evolving consumer markets within confectionery, consumption is characterized by frequent impulse-led purchases, with the majority of the demand concentrated at the price points of Rs.10 and below. We believe this creates an attractive opportunity for companies that combine affordability with product differentiation, innovation, and consistent quality. And that is exactly what has been the underlying philosophy behind Shellz since its very inception. The opportunity that lies ahead of us is supported by the underlying growth in India's confectionery market. We believe that rising disposable incomes, favorable demographics, expanding retail penetration, and the emergence of newer consumption channels will continue to support this growth.

Over the years, we have continuously expanded our portfolio through differentiated formats and products such as Dip Sticks, Ghana Truffles, Whistler candy, Push-Up-The-Cone, Mad Hearts, and so many more other products. More recently, we have introduced a range of cereal bars and have been working on putting out Tosca as our premium brand proposition. Against this backdrop, our focus is on evolving Shellz from a

predominantly super-stockist-led confectionery player into a more diversified FMCG platform supported by stronger manufacturing capabilities, a more productive portfolio, and multiple distribution channels.

Our strategy is centered around four key priorities. First, upgrading and expanding our manufacturing at Sonipat. Sonipat is the next generation of our Delhi operations, a larger, more efficient plant built to global food safety standards. Phase 1 takes installed capacity from 17,000 to over 26,000 metric tons per annum and phase 2 to approximately 35,000 tons, supporting annual revenues of about Rs.350 Crores and Rs.500 Crores, respectively. We are working towards global certifications such as BRCGS and SQF, which open the door to customers in developed markets and to multinational brands looking for private label partners. And with purpose-built process flow, in-house packaging, and progressive automation, Sonipat will run at structurally lower cost than our current Delhi site. Phase 1 is already under activation and is expected to be fully commissioned over the next 6 to 8 months, with Phase 2 over the following 12 to 18 months. Existing lines will move across one at a time, each running at Sonipat before its Delhi counterpart stops, so supply stays uninterrupted.

Second, activating and scaling our alternate channels. The super-stockist channel has been our core channel throughout. Although we have been deliberately building a second engine alongside it, consisting of three key pillars. First, Tosca is a premium brand built for quick commerce, e-commerce, and modern trade. It is available on the quick commerce platform including Swiggy, Instamart, and Blinkit, online platforms and online marketplaces like Amazon, Flipkart, Meesho, and Kirana Club. We also have our products in modern trade stores including Walmart, Metro, and LOTS. The second alternate channel is Private Label. It is already one of our fastest growing businesses. We manufacture for leading FMCG companies with healthy margins and an attractive working capital cycle under this channel. The third one is exports through which we reach customers across the Middle East, South Asia, and Europe with several developed markets and global chain stores being the next step as the Sonipat unit comes through. This has been a strong year for these channels. Alternate channels were at about 4% of our revenue in FY2026. In the first half of FY2027, they are already on track to more than double their contribution to our revenue.

Sonipat will accelerate the growth further. Its new lines are well suited to Tosca's premium formats. Its global standards are the entry requirements for retailers in developed markets and multinational brands seeking private label partners in India, whose steadier year-round demand complements our seasonal domestic business. The third strategic priority is strengthening and extending our core, which is the Hugs and super-stockist model. Hugs is a mass-market brand, priced primarily between Rs.1 and Rs.10 and sold through over 300 super-stockists serving retail outlets across urban, semi-urban, and rural markets in 24 states. This network-built Hugs into a mass-market brand, and it remains the foundation of our business. Growing our alternate channels will never come at its expense. We see significant headroom in Western, Central, and Southern India. Confectionery carries a high value relative to its weight and volume. So, serving distant markets does not require a costly regional manufacturing footprint. We will grow thereby, setting up regional distribution centers, which will bring stock closer to our channel partners and significantly shorten their lead times. With Sonipat's added

capacity, we will also be able to meet Hugs full peak season demand rather than rationing it. Together, Hugs provides the volume foundation while Tosca and our alternate channels expand our premium mix and improve capacity realizations.

Fourthly, the innovation engine behind it all. Every brand, channel, and market that we serve depends on products people want. In confectionery, preferences are shaped by taste, packaging, novelty, affordability, and the overall experience. Our development process, which includes product formulation, ingredient selection, product trials, packaging design, and commercial production, sits entirely in-house, which lets us control quality and respond quickly. We are also becoming more selective. We will introduce new products while discontinuing underperformers, strengthening the contribution of successful products rather than simply adding SKUs. Alongside this, we are already working on and have launched lower sugar and functional formulations across selected categories without compromising quality or commercial viability while building out the better-for-you range of our portfolio.

Bringing it together, these four priorities reinforce each other, and each one shows up in our financials. Number one, scale with efficiency. Sonipat more than doubles our capacity over two phases and resets our cost base, so one investment drives both revenue growth and margin growth.

Number two, a premium shift. Alternate channels move our mix towards higher value products and lift realization on every rupee of growth. Number three, deeper reach. Hugs and our super-stockist network take that capacity into new regions and into our full peak season, growing our core where it is still under penetrated.

Number four, a portfolio that keeps winning. In-house innovation keeps the portfolio fresh and focused, so the new capacity fills with products that sell. Together, these give us more volume, a richer mix, and a lower cost. As revenue outgrows fixed costs, that compounds into stronger margins over the longer term. We see our revenue becoming more evenly spread across our distribution channels. The next phase of Shellz should be larger, more diversified, and more profitable.

Coming to our financial performance, a piece of context helps in reading these numbers. From this period, we net certain customer discounts and schemes off revenue where earlier they were shown as expense. Last year's figures have not been restated for this. The change does not affect EBITDA or profit in absolute terms, but it does reduce reported revenue. With that in mind, revenue from operations for H1 FY2027 was Rs.95.7 Crores. That is reported growth of about 4%, or approximately 9% on a like-for-like basis. And it came in the first half, which is the softer part of our seasonal year. Operating profitability improved over the half, EBITDA increased by 21% to Rs.17.6 Crores from Rs.14.5 Crores in H1 FY2026. And EBITDA margin expanded to 18.4% from 15.8%. The major driver was reduction in GST in confectionery from September 2025, a change that benefited the industry as a whole. We reinvested part of this benefit in our consumers through improved products and the balance contributed significantly to our margin expansion.

Looking ahead, we expect further structural EBITDA improvement as the Sonipat facility is activated through a more efficient plant, a richer product mix, and greater operating leverage. Profit after tax increased to Rs.8.2 Crores compared with Rs.6.3 Crores, representing growth of 31%. PAT margin improved to 8.6% compared with 6.8% in H1

FY2026. We believe this improvement in operating profitability reflects the progress made in managing our product mix and operating costs, although sustaining and improving these margins will remain an important focus as we scale.

Moving to our balance sheet, we have seen an improvement overall in working capital. In trade receivable, we saw a decline from Rs.48.6 Crores on March 31, 2026, to Rs.37.8 Crores on September 30, 2026. Inventory remained broadly stable between this period and FY2026, while trade payables increased from Rs.35.4 Crores to Rs.37.1 Crores. These movements reflect our continued focus on improving working capital efficiency, and cash conversion as the business scales.

Our objective is to establish a sustainable pattern of positive operating cash flow through better working capital management, disciplined inventory planning and improved collections. As we progress through the expansion, our focus will remain on balancing capital expenditure, working capital requirements and operating cash generation. We expect the availability of additional capacity to support a stronger second half of FY 2027 and we are working towards stronger year-on-year growth in H2. Over the longer term, we aspire to scale the business to 2 to 2.5 times its FY 2026 revenues by FY 2029, supported by capacity expansion, portfolio development, and diversification of revenue channels. We recognize that achieving these ambitions will require disciplined execution across manufacturing, distribution, product development, and working capital management. Our focus will remain on building sustainable growth rather than pursuing scale at the expense of profitability.

As we enter the next phase of growth, our focus will remain on disciplined execution, prudent capital allocation, and building a more efficient, diversified, and financially sustainable business. We look forward to keeping our shareholders and investors informed about our progress and remain committed to maintaining transparency in our communication. Thank you once again for your time and interest in Shellz India. We would now be happy to take your questions.

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Question and answer *session*

Moderator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may click on the raise hand icon from the participant tab on your screen. We will wait for a moment until the queue assembles. We take the first question from Rohan Gupta

Rohan Gupta

Congrats on the strong sales. Sir, a couple of questions actually. Firstly, I wanted to understand the CWIP. There is a CWIP of Rs.65 Crores on our books. And like you mentioned, the new plant phase 1 will be coming live around January. I think six to eight months so can we assume that this CWIP is for the phase 1 or does it include something towards phase 2 also?

Pavil Garg

Thank you so much for that question, Mr. Rohan. Firstly, yes, it is correct. The CWIP is entirely for phase 1 of the new plant execution. Also, I would like to make a slight correction. The six to eight months period is for the completion of phase 1. So, the activation is already midway. The new plant is already running to some extent, and phase 1 would be completed in the next 6 to 8 months.

Rohan Gupta

Okay. Understood. And, sir, in the beginning of the call, you mentioned that this is a very automated plant and it is a global standard plant when we look at the presentation. So, can you just throw some more light on that, right? How it will benefit us going forward? And, like you mentioned, it meets the standards of certain private label for exploring a private label sort of business as well. So, what are our plans on that side and a bit more on this new plan, the type of plan like compared to existing infra?

Pavil Garg

Hundred percent. So, the Delhi unit that we currently have is completely compliant to Indian standards. Although what we are aiming to build at the Sonipat unit is to build a plant that is like-for-like with any global food factory across the world. So, to put this in perspective India already is the largest biscuit exporter in the world, and it does not come close when it comes to confectionery export. And a big reason for that is that India has several global standard biscuit plants. There are several players who have such global standard factories when it comes to biscuits, but this has not been the case when it comes to confectionery. What we envision to build with this new Sonipat unit is a plant where any MNC can visit and say that they feel at home. So, once we are able to set that up at Sonipat, that obviously requires all the requisite global food safety principles being followed. And there are specific guidelines that drive it. Some of the golden ones or top tier ones being BRCGS or SQF. And our idea is to build a plant that is compliant to the top tier guidelines and when those are in place then the plant can also be utilizing its capacities. Number one, towards multi-brand global chain stores across the world, which would be to the likes of a Walmart or a Costco in the US or an Aldi or a Lidl in Europe. The likes of such stores could potentially be explored for partnerships. Along with that, the private label end of the business which has already been doing very

well in this current fiscal year could be grown further for the Indian market itself. So, once the plant is upgraded to these levels, the capacity utilization for Shellz India should be ramping up significantly as well.

Rohan Gupta

Okay and sir, this private label currently, what is the contribution, and in the future, where do you see this private label part? Like, and what are the margins also? Because I think private label would be at a slightly lower margin, right? And even on the Walmart, Costco part, I think cracking that is very difficult. So, what exactly are your plans? Have you started discussions on those side?

Pavil Garg

For sure, so, all are great questions. Firstly, let us call these alternate channels, private label and the exports as well, and Tosca as well. So, we are already on track of doubling these alternate channels in this year. Last year in their full fiscal, their contribution was about 4% of the revenue. And in H1 itself, their contribution has ramped up to about 9% of the revenue. And towards the end of the year, we see this ramping up further. So, the idea behind these, let us go one by one. If you were to speak of private label on the contribution margin level, yes, there is a difference of single digit percentage points on the lower end itself in terms of the contribution margin.

Although the cash conversion cycle on this private label play is extremely good. So, what ends up being the case that in certain private labeling plays, you could even be on a negative cash conversion cycle. So that is a big upside. And on top of that there are no corporate level marketing expenses or sales team expenses in these private label plays. So that net-net makes the business pretty lucrative and attractive. Talking about building the big box retail business in the global markets, we are already in touch with several players, distributors, dealers who work with these stores directly and they are interested in setting up visits to the new plant and we are already in talks with them to have those visits happen and discuss potential business that could be done with some of these stores.

Rohan Gupta

Okay understood. And why is the case that not too many people have entered this? Like you said, for biscuits, there are many guys in India, but for confectionery, it is not there. And do you know a specific reason why there are not too many players in this space?

Pavil Garg

That is a very interesting question. And I am trying to ponder more about it. I think one reason could potentially be that biscuit in itself is a very high-capacity project, it is not very difficult to set up a high-capacity biscuit project. And along with that I also feel the Indian biscuit market is more developed than the confectionery market. Although, actually, that might not be a fair thing to say, but biscuit itself can be a higher capacity play, which probably allows these players to set up plants like it. On the other hand, in confectionery, it is probably harder to set up higher capacity plants.

Rohan Gupta

Okay, sir understood. Sir, just last two questions. One is on the margin sustainability. So, I was reading a report on the confectionery industry, right? So, the two types of confectioneries, the GST was reduced last year. And I think even you mentioned

during your commentary that the margins are sustainable because of two, three of these reasons, including probably GST. So, the margins, how do you see the margins going forward? Will we be able to sustain this 8.5% - 9% sort of PAT margins?

Pavil Garg

Hundred and one percent, what we foresee is a further growth in our profitability margins as the Sonipat unit comes up. Sonipat brings in structurally lower costs than Delhi. And this comes across several aspects of our P&L. If I were to go by line items, number one, the cost of material itself would be going down significantly once automation is set up in place because automation will reduce wastage significantly. Along with that, automation would also reduce manpower cost. Again, another line item on the P&L. Power costs in Sonipat would be significantly lower than power costs in Delhi. This would include the cost of electricity. This would include the cost of steam generation another line item on the P&L. So, structurally, as we go further in the new unit, the P&L line items, the cost itself would be coming down further. And then all the added benefit of having a larger revenue base, shrinking down the fixed cost on that larger revenue base, would be separate. So, as we go on further, we do foresee an even stronger margin growth for the company.

Rohan Gupta

Okay, sir and on our quick commerce, right? So, Tosca brand you mentioned is the more premium part and you have already enrolled on Blinkit, etc. So, quick commerce in general, when we look at it, it is a very super hyper growth sort of channel. And in general, when we talk to people in the industry, they say that it is a good margin channel also as compared to Amazon and stuff. So how do you see that part of the business, right? Your premium brand scaling up, do you see that as a big part or it will be broadly in the similar mix till now, like how Hugs and Tosca mix? It will be like this only.

Pavil Garg

So, we see Tosca as a brand, which will take some time, not a lot of time, but quick commerce, what we have been able to identify from talking to other players is a channel in which it takes some time to build a presence. But once you are able to build it, the growth is multifold, the reward is multifold. And that is what we are envisioning for Tosca. Already, some of the products have got a very decent response in the previous festive season in the previous Diwali season. And we have already received very good, very good orders for some of those products. And we are already planning further capacity expansion for those specific products that did extremely well in Diwali gifting. And as we go further within Tosca itself, we are working on several better-for-you range of products, which are in line with the evolving consumer preferences of opting in for better-for-you confectionery and chocolates. So, these are products which are designed with lower sugar, products that are designed with no palm oil, products that are calorie portioned or calorie controlled. So, we are working on a range in which every pack size would be under 50 calories and there would be multiple products. The entire idea would be you can have one pack, and it will be under 50 calories so it can be guilt free for you. So, there are several such products already underway in Tosca. We are extremely bullish on Tosca as a brand to take off. What quick commerce has done for the industry is in the past, if anyone were to build a GT or Tier 1 presence, it would be decades worth of work in general trade with extremely high overheads, either in general trade or in modern trade. And now that has been eliminated with quick commerce. So now, with

quick commerce being out there, we are convinced the amount of time it probably took a brand to be able to establish itself, if it were five to eight years in the past, we are convinced that can come down to one to two years with the help of quick commerce.

Rohan Gupta — Okay, and sir, on the seasonality aspect, you mentioned H1 is generally softer. So, what is the seasonality like 40/60 or how do you...

Pavil Garg — Correct, so, usually seasonality is in the range of 40/60 or 45 to 55. Although for us, the seasonality is projected to be skewed even more towards H2, given that Sonipat activation is leaning into H2 as well. That is correct. Seasonality would be either 40/45 to 55/60 although for this year it would be skewing even more towards H2.

Rohan Gupta — Okay sir understood. Thank you so much. I will get back in the queue.

Pavil Garg — Perfect. Thank you so much Rohan.

Moderator — Our next question is from Sidhant Lodaya of Sanshi Fund.

Sidhant Lodaya — Just three quick data points. If you could just share the revenue mix product wise, geography wise and channel wise for each one.

Pavil Garg — Sure, sir. If you could give me two minutes, I will pull it out. Is that the only question or do we have any other question as well?

Sidhant Lodaya — That is the only question.

Pavil Garg — That is the only question. So, I can tell you the channel wise split was something along the lines of 91% of the business came in from the super-stockist model and 9% of the business came in from the other channels. Within that 9%, about 5% was private labeling. And the balance would be other channels, which are quick commerce, exports, and food ingredients.

Sidhant Lodaya — Understood. It should also include modern trade?

Pavil Garg — Yes, and modern trade as well. I am sorry. I clubbed all of them into alternate channels.

Sidhant Lodaya — Understood.

Pavil Garg — As for the product mix, within the product mix, I am giving you broad numbers right now. I do not have the exact numbers in front of me, but the product mix for H1 skews more towards baked treats since chocolate season takes off from the festive season onwards or now onwards. So about 40% of the revenues came in from baked treats,

about 35% of the revenues came in from Choco Delights and the balance came in from jellies and panned sugar candies. And I can share the detailed table with you after the call as well.

Moderator We take our next question from Rajesh Joseph.

Rajesh Joseph Sir, what is the current capacity utilization of our existing Delhi facility and what is our expectation about the Sonipat facility about three years down the line?

Pavil Garg Thank you for that question. Our current capacity utilization stands at about 75% or so. And as we are going further with the Sonipat capacity expansion, what we see happening that as the new channels are activated, this capacity utilization should be north of 90%.

Rajesh Joseph We are planning to continue the Delhi facility once this second phase of Sonipat is up and running or we will ship the entire Delhi facility to Sonipat.

Pavil Garg So, the plan is to upgrade the Delhi facility into the Sonipat facility in phase 1 itself.

Rajesh Joseph Okay, my another question. The sector in which we are operating is highly competitive and many deep-pocketed MNCs are dominating there, what is our strategy to capture the market share?

Pavil Garg Sure. The MNCs in this sector have a very specific policy globally. And that policy is to have a core portfolio and to focus on deep penetration of that core portfolio. And that same strategy has allowed for there to be several extremely large domestic players in the same categories that we operate in, in multiple different geographies. For example, Korea has had multiple domestic players who are doing extremely well in this category. Same goes for players in Malaysia, same goes for players in Thailand. And the idea behind all of these players happens to be the same as the idea that Shellz follows is that we want to do unique, innovative products that are designed for price points that work for our country, which is something that the MNCs do not end up usually operating in MNCs, usually stick to their core portfolio which has been in existence for several decades, and they take that portfolio to respective markets and they push that same portfolio. So, that is the exact gap that a company like Shellz is trying to bridge in India, and several other companies have bridged in other respective geographies.

Rajesh Joseph Any private label client added in the last six months?

Pavil Garg Correct. So, sir, we are already working with a large private label player. It is a South Asian player. And that business itself has scaled up a decent amount. Like I was saying, private labeling itself was about 5% of the total revenues. And we see it scaling up further as the Sonipat plant is getting additional capacities being activated there.

Rajesh Joseph Our major income is coming from the products of sub Rs.10 price category. Nowadays, the commodity prices like sugar are skyrocketing. What is your strategy to protect the margins?

Pavil Garg Much like most other players in the FMCG play, shrinkflation is a standard industry wide and the only way to protect margins in the long term. So, the products are structurally reduced in terms of grammage, and packaging is optimized every year, which helps companies, much like ours, protect our margins. Because this is not just a trait in confectionery sir biscuits as well 50% to 60% consumption happens at this sub Rs.10 price point same goes for namkeens, same goes for chips probably a similar trend in personal hygiene so eventually what ends up being the case is structural shrinkflation and along with that as companies are able to scale, economies of scale definitely come in our favor.

Rajesh Joseph Okay, how many super-stockists and wholesalers added in this half year?

Pavil Garg Sir, in this half year itself, the number of super-stockists has been relatively stable.

Rajesh Joseph Okay, thank you so much.

Pavil Garg Thank you so much.

Moderator The next question is a follow-up question from Rohan Gupta.

Rohan Gupta Sir, one thing I want to ask is on the like we have a strong hold in North India, right? Delhi side, like majority revenue is coming from there. So, what are our plans on say a pan India side? Which markets, which cities are we targeting for both brands? Like Hugs will be more tier 2 focused, Tosca will be more tier 1. So how are we planning on that, right? Because now with the infra in place, I am guessing you must be planning for a pan-India expansion, right?

Pavil Garg Correct. So, firstly, I can take the question on Tosca. Within Tosca, what we see happening is as we scale the businesses with the respective quick commerce players, each quick commerce player has a strong foothold in their home markets. For example, Blinkit has an extremely strong foothold in Delhi NCR or Northern market. 50% to 60% of the revenues come in from this market, if not more. Same goes for Swiggy and the southern market, being Bangalore, Hyderabad, Chennai, and other southern markets. And same goes for Zepto and Western India market. So, what we see happening is that for Tosca itself, as the Blinkit business goes up, the North India/Delhi NCR business should go up, and as the Swiggy business goes up, the South India business should be ramping up. For Tosca, the plan is to ramp up the Blinkit and Swiggy businesses first, and as that is happening, get onboarded on Zepto thereafter and then move into the Western markets. As for the Hugs play, what we see happening is that there is a lot of scope of growth for us in Western, Central, and Southern India. The key to capturing these points would be to have regional distribution centers in these areas and reduce lead times for a network that we already have in these regions. So, the idea with Shellz

is that it is not that we do not have a network in these existing markets. We already have the required number of super-stockists required in each of these markets, although we have been unable to service them because of capacity constraints. So, we have our sales team in these markets. We have super-stockists in these markets; we just need to be able to service them and having these distribution centers and additional capacities would help us service this part of the network even further.

Rohan Gupta — **Okay, so I understood. And on the private label part, you mentioned which increased to 9% in H1, right? So, is this coming from a single customer? Is it domestic? Is it international? And are you in conversation with bigger guys for future business or it is more of the smaller guys only right now?**

Pavil Garg — Hundred percent. Firstly, 9% is all the alternate channels combined. So, all the alternate channels would include private label, Tosca being quick commerce, online, modern trade and thirdly, exports. So, all these three combined earlier were about 4%, and these three combined now are at about 9%. Now, for private labeling itself, what we see happening is that we are already working with one player, and they have put in significant quantity commitments. Along with that, we are already in talks with several MNCs and Indian companies, which are billion dollars plus businesses in India in terms of revenue, who are interested in this space. So, we are already talking with them, already visits are scheduled. In fact, one of them would be visiting us in the first week of December. So, we are already in talks with these other players as well that are extremely interested in getting these products made at our site. So, usually, what ends up happening is most economies, as they develop further in terms of per capita income, the discretionary purchase in terms of packaged food changes. So, for the longest time, India was at a place where the highest discretionary purchase would either be going towards basic biscuits or sugar boiled candies or toffees. And now, as the per capita income of India is going up, that discretionary purchase is also moving significantly towards chocolates, unique confectionery products or unique biscuits. So, a lot of these big players are getting increasingly interested in chocolates as a category. So, that is definitely something that these players are reaching out to us for with an interest to buifurther in this space.

Rohan Gupta — **Okay. Sir, and out of this IPO funds, we have repaid this Rs.22 Crores of debt?**

Kapil Garg — Yes, already that is in process. We are expecting some foreclosure letters from the lenders, and the money is already in the reserve. And this process should be completed in the next two to four weeks.

Rohan Gupta — **Okay. So, final one question is within Delhi, like within your core markets, how much more can you grow? Like from your historical financials, it seems like, okay, maybe infrastructure was the constraint. So, going forward, now since your infrastructure is in place, so within Delhi, within North India, how much you think you can grow from here? See, you can take this from a 200 to a 300 Crores business, or how do you look at that?**

Pavil Garg For sure. So, with the new infrastructure coming up, what we see happening is that there is still strong potential for double digit growth in North India itself. North India is a massive market and the amount of business in terms of the total quantum of business that we are doing in North India is definitely nowhere close to the potential of this market. So, as we grow further, we definitely see strong double digit growth numbers coming in from North India. And yes, the growth percentages might be higher from South, Central and Western given that the base is smaller as well but we do see North India having still a lot of scope of growth as we go further.

Rohan Gupta Okay sir. Thank you so much. I will get back in the queue.

Pavil Garg Thanks a lot.

Moderator We take the next question from Dhruv Patel of Vertex Capital.

Dhruv Patel Sir, my question is with significant expansion coming up with Sonipat facility. So, can you just give us some color on our debt and how we are going to leverage it and by when we can start deleveraging it as well?

Pavil Garg For sure. The Sonipat expansion has happened with a blend of debt and internal accruals. And what we see happening is that this debt should be going up slightly towards the end of the fiscal and right after that we see it starting to come down. So that is the plan that we have set out in place.

Dhruv Patel Okay and can we also throw some color on the working capital cycle as well how sustainable is it as we are expanding it?

Pavil Garg For sure. So, we have already been able to bring down the working capital cycle in this current period by about 20 plus days. Like I mentioned earlier, the debtors are down by Rs.10 Crores plus, the inventory is relatively stable and the creditors have gone up slightly, which has led to an even better cash conversion cycle in this period itself. As we grow further, what we see happening is that the working capital requirement would not be growing at the same speed as the revenue growth that we envision for the company. And that has also been the case for us in the past. Given the new plant expansion, the inventory rise is more temporary. And once the new plant is fully active, that too should ease out a bit. So as we grow further, like I said earlier, the working capital requirement would be growing at a lot slower pace than the revenue growth for the company.

Dhruv Patel That is great. And also, can I ask what is the current construction and machinery installation progress on the Sonipat facility? When is Phase one expected to become commercially operable, and there are any risk of delays?

Pavil Garg For sure. So, in terms of the progress on phase one itself, the majority of the equipment that was required for phase one has already arrived at our site. On-site readiness work is ongoing and currently we do not foresee any significant delays given that the equipment is already here. There were no problems with the equipment. We are planning for the foreign engineers to start visiting us soon for the installation and commissioning of that equipment. As I say that, the new plant is already partially operational with some of the machines there already running.

Dhruv Patel Okay. And what level of utilization is currently being achieved there, and what utilization level should an investor expect during, let us say, next one or two years after phase two or commissioning?

Pavil Garg For sure. Those are our current utilization stands at about 75% or so. And as the Sonipat plant is fully activated and our plans come to fruition, the target is to hit 90% plus utilization. And that would be primarily enabled with the new channels that I mentioned earlier. Key ones being private labeling, exports and Tosca.

Dhruv Patel Any guidance for next year?

Pavil Garg We are expecting strong double-digit growth in next year as well as this as this plant is activated further.

Dhruv Patel Okay. Thank you very much.

Pavil Garg Thank you. In the next two-and-a-half years or so, the target is to 2 to 2.5x the business, and the growth should be in line with that.

Moderator Next question is the follow up question from Mr. Rajesh Joseph.

Rajesh Joseph Last year, we have generated around 1 Crore from export market. Was it a white label?

Pavil Garg No, sir. So, up until now, most of the exports that has been undertaken is in our own brand. And sir, in exports, we see two very distinct markets. One is the developing market and other is developed-market export. In the developing market export you would be fighting on every cent per kilo to get the order, and the buyer would be willing to shift sellers for every cent on the kilo as well. On the other end, there is a developed-market exports where the buyer wants the right product made at the best of the plants. And as Sonipat is getting activated, we want to move our exports business more towards this developed exports market.

Rajesh Joseph We are setting our own brands in these countries. Am I right?

Pavil Garg That is correct.

Rajesh Joseph Okay, thank you, sir.

Pavil Garg Thank you.

Moderator Our next question is also a follow up question from Rohan Gupta.

Rohan Gupta Sir, on this developed market export, like you mentioned, how much time generally it would take for a customer audit to be done? Like they will suppose a plant first phase is completed, say, six months say by March. So, how much time will it take to onboard a new customer? And secondly, on B2B, right? When we look at B2C, B2B businesses, generally, like, it is a complete different ballgame, till now, we have been a B2C focused player. So, how do we look at that angle as well, right? The strategies on the B2B part to focus on the B2B, some more light on that ?

Pavil Garg For sure. So, sir, the entire conversion funnel can be anywhere from one month to six months, and this would depend if the particular customer is okay with the product in your brand, if the customer wants it to be private label, if a customer has a product ready and they want you to make it, or if the customer wants to develop an entirely new product that cycle could be even longer. With the new plant itself, there is no need to wait for six to eight months to start the conversations. The pitching and plant visits can commence in the next month or 45 days. As the plant is in a state where some of the products that they are interested in are already being made there, the visits can start happening then. So, we do not need to wait for six to eight months on that. Along with the change in mindset or the change in being able to give products to these players, what we have been able to see is that these players put in place the best practices in confectionery or food manufacturers as well, because they expect best manufacturing practices. So, what we have seen with a lot of Indian players that are operating at scale and are doing private labeling at scale, they have been able to adopt best practices from such players. So, we were already in touch with some of the buyers from these countries who are interested in our products from these developed market retailers. And they too are waiting on the plant visit, which can be scheduled once the plant has the products that they are interested in ready for production there.

Rohan Gupta Okay, understood. And, sir, on the like now we will be breaking out of that Rs.200 Crores sort of top line right now. We are aiming for Rs.500 Crores, you mentioned 2.5 times. So, for that, are we looking at any leadership ramp up? Because right now it seems more like you guys are running the show, right? So, are we looking to hire anyone, or that will come at a later phase only?

Pavil Garg So, currently, yes, it is me and my father looking after the business, and we do foresee ourselves being in very active management roles within the organization. We already have a strong set of N-1s, be it the GM of plant operations, be it the GM of sales and several other people like that, who are extremely capable and good at what they do. Along with that, we are always doing active recruitment across the organization, and

despite that, we do not foresee any reduction in our involvement in the business. We want to actively be able to get the best of the talent that we can find and have them be a part of our organization as we keep growing.

Rohan Gupta Okay. Sir, final question next year, you mentioned double digit growth. Can you throw some light, like a very broad range, 40% to 50%, 50% to 60%, some sort of numbers on that?

Kapil Garg We are confident of doing 30% - 40%

Rohan Gupta Okay, sir. Thank you so much for answering patiently and all the best to you.

Pavil Garg I will just add more light to it. With additional capacity coming on stream in the second half, we expect revenue to grow about 40% year-on-year in H2 FY2027, taking full-year growth to over 20%. Over the following two years, we expect revenue growth of over 40% a year, with profits growing at an even faster pace. We can move to the next question.

Moderator We have a next question from Het Pradhan of Damani Family Office.

Het Pradhan Congratulations on your great set of numbers. Regarding the Sonipat capex that we are doing. Can you just give me your total cost including land, buildings, and machinery that we have got and what type of asset turnover and return profile we are expecting once we will have normal utilization level.

Pavil Garg Sir, let me repeat the question if I got it correctly. You are asking us what is the capex that we see happening at Sonipat and what kind of return can we expect on that capex? Is that the question?

Het Pradhan Yes, and turnover profile also.

Pavil Garg Perfect. So, sir, in this year, in the first phase itself, we see a capex happening of about Rs.60 Crores or so for the Sonipat plant. Within the Sonipat plant, whatever capex that we are doing at the Sonipat plant, the target asset to turnover ratio on that should be 4 plus and we are undertaking capital expenditure in line with this objective. So revenues, as I mentioned in the commentary earlier, by phase 1, the revenue capacity should be at about Rs.350 Crores or so and by phase 2, it should be at about Rs.500 Crores.

Het Pradhan Okay, great, helpful. My second question is that we have earlier indicated automation and backward integration which should improve our operating efficiencies. So, can you just quantify this, like how much EBITDA margin improvement that we are seeing right now?

Pavil Garg When we compare ourselves with other players, most players in this industry operate at 10% to 12% net margins. We see that as achievable for Shellz over time.

Het Pradhan Okay, my last question would be especially for our strategy to establish the Tosca brand. How much investment we are making towards the marketing, sampling, and promotion, also for brand visibility, and what type of action has management right now seen in terms of repeat purchases and product acceptance?

Pavil Garg Correct, sir, the traction for the brand has been decent to begin with. The Blinkit and Swiggy Instamart ratings for all products have been north of four stars out of five. And along with it, what we see happening is the marketing budget for all of these brands, they have already kept a cushion of about 15% to 20% dependent on the SKU for marketing of each SKU. And we foresee that being the marketing spend for the brand as we grow it further.

Het Pradhan Okay, Great. Thank you. That is all from my side. All the best for the future.

Pavil Garg Thank you, sir. Thanks a lot.

Moderator As there are no further questions, I now hand over to the management for closing remarks.

Pavil Garg Sure. Thank you so much, Bhumika, and thanks to all the investors for joining this call. As always, it is a pleasure answering everyone's questions, and as management, such calls help us get even more clarity on the vision that we have set for our organization. We have got big plans for the company, and we are more than happy to have had you join us. Thank you so much.

Kapil Garg Thank you. Thank you, everyone.

Moderator Thank you. On behalf of Atlas Capital, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

NOTE

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Thank *you*

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