"Prime Fresh Limited

Q1 FY27 Earnings Conference Call"

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MANAGEMENT: **MR. JINEN GHELANI – CHAIRMAN AND MANAGING DIRECTOR – PRIME FRESH LIMITED**

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Moderator: Ladies and gentlemen, good day, and welcome to the Prime Fresh Limited Q1 FY27 Earnings Conference Call. We have the promoters on the call with us today, Mr. Jinen Ghelani, Chairman and Managing Director; and Mr. Hiren Ghelani, Founder, Promoter and Whole-Time Director. 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 this conference, 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. Jinen Ghelani, Chairman and Managing Director. Thank you and over to you, sir.

Jinen Ghelani: Good afternoon, everyone. Myself, Jinen Ghelani, Managing Director of the Prime Fresh Limited. Prime Fresh, on behalf of the Board and the entire team of Prime Fresh Limited, I warmly welcome all of you to earnings conference call.

Prime Fresh began its journey in 2007. So, the single idea at that point of time is to get into a fruits and vegetable business, and we initially target the B2C. So, we started with the fruits and vegetable van. We had a 6 van, and we had tie up with the few societies. This business we have started initially from Ahmedabad itself.

So, we tied up with almost 90 to 100 societies, and we had 6 vans. So, the van is actually going to one society at say for example, 8:00 A.M. in the morning. And then 1 hour, it will be stand there and customer will come and buy the fruits and vegetables and other some products which are required on a daily basis.

So, we have started in April 2007, and then we slowly, slowly increased and then we introduced 6 van and almost -- we were covering 90 to 100 societies initially. After that, we also started supplying to fruits and vegetable in premium packing and loose to the supermarket companies like Reliance, Star Bazar, Spencer's and 6 to 10 and other companies, we started in 2007 itself.

At the same time, we built -- we started working with a company like Aditya Birla More Retail for as a service provider for fruits and vegetables to deliver basically fresh fruits and vegetable to the stores. They have given an opportunity to work as a service provider for the Ahmedabad, Baroda and Surat.

So that was basically starting period from April 2007, we raised that the B2C concept is a very early kind of a concept where basically we are going to the society and we are pitching to the customer. So, customers get a lot of choice at that time because a lot of supermarkets at that time, chain of supermarkets have introduced their business.

So, lots of offers and other things were going on, and we realized as a small organization, we realized at that point of time that it is getting difficult to run. So, as a B2B company, we continued and then we started supplying to supermarkets, hypermarkets and other companies and then we built the service business.

So, we closed the B2C platform after 9 months and then we focused on B2B. So, initially we were supplying to all these companies for all the items, almost all fruits and vegetables items, which had premium packing and cut vegetables and we used to buy from the APMC market. Some farmers were delivering the goods to our warehouse directly.

So, initially it was quite time to cover almost a lot of things which we thought we would start well but some things we realized that it's not that easy. So, by the time 2008, we got a good order from the supermarkets, hypermarkets and other companies. And simultaneously, in the service business, some of our other clients were added.

So, later on, we started some more experiments like we opened a wholesale market in 2010-2011. We were trying to buy from our HoReCa segment and other street vendors and cart vendors could buy in bulk. We started collection centers initially in 2011-2012 and focused more on bulk supplies. Then, in the service business, some FMCG clients were also added.

In retail, Aditya Birla Retail and Reliance Fresh became our clients and started working with us on a large scale. In FMCG, we got the mother depot for Wagh Bakri Tea in Ahmedabad, where we looked after their all-India supplies. We managed their warehouse and all-India C&F activities, wherever they are, we got the work of seeing the in-house activities.

There is another company called Agility Logistics at that time, we got the work of their payroll, Intas Pharma's promotional products, which doctors get free gifts and free medicines, we got the work of that too. So, in 2011-2012-2013, we added all these clients in the service business and in the fruits and vegetables, we made cold storage, ripening chambers, we got the license for the mandi in Ahmedabad for fruits and vegetables.

So, in the mandi also, we started allowing the market. Later, in 2014-2012-2013, after starting cold storage and ripening chambers, we got more big clients. Then we started more collection centers. We increased the portfolio. So, we established in Maharashtra from 2014-2015 onwards. Then in that, we started material treatment from many places in Maharashtra.

From Rajasthan, we started pomegranate etcetera. From Jamnagar Reliance, we bought mangoes for 2 years. We used to take the whole garden from them. So, this way we started in the bulk. So, later we realized that instead of doing many products, it is better to make some products in the portfolio in a better way. So, then we focused on potatoes, onions, tomatoes, then banana, pomegranate, grapes, orange.

We slowly-slowly built a farmer base. Maharashtra, Gujarat, Rajasthan and then in Apples, Himachal and Kashmir. So, we started increasing our farmer base from 2013-2014. Then slowly-slowly, we got into more just over. So, this is how we increased the farmer base and then currently, we are operating in 19 states with having more than 1,30,000 farmers in our overall network.

We have 2400 plus suppliers. We have 90 plus HCE relationships, 100 plus FPOs and we are currently supplying to basically modern retail, e-commerce, general trade, HoReCa, food processors, experts and institutional buyers. So, this is how we built the organization in the last 19 years. We have done lots of experiments. We got success in some ideas. So, now, I would like to basically sum up my overall journey and I would like to hand over to Hiren Ghelani. He will brief us about the next business journey and all. Thank you very much.

Hiren Ghelani: Good evening, everyone. I am Hiren Ghelani. Thank you very much for your participation. I would like to just summarize the business in, you know, a couple of minutes. As we stand today, Prime Fresh Limited is a fully integrated value chain company with a core focus on the fruit and vegetable segment.

Currently, we have a business model where we procure from collection centers, we procure from farmers, we procure, you know, from large suppliers. We have some sort of trial-and-error based joint venture and contract farming models. We have also been developing a lot of local area aggregators where we invest in their land, we invest, you know, in our working capital, and we bring in our ecosystem of sourcing and operations.

Post-procurement, what we do is processing. So, essentially, it is about sorting, grading, packing as per the customer's requirement. And in many deals, the material is sorted and graded at the farm level, and some of the material flows to the collection centers as well. And lastly, the model is placement. So, basically, we are an omnichannel strategy sales model.

We have a large part of our sales comes from modern trade and e-commerce partners. We have around 20 large companies as our customers. Then, we have mandi partners, around 90 APMC partners across the country. We have about 10 to 15 food processing companies and about 20 to 30 exporters.

We have been trying our own efforts on the export side, but the recent environment has been pretty volatile as the freight rates have gone up. So, we felt that the domestic market is a far better opportunity. We have remained essentially a domestic-focused company.

As we speak, our last year's INR275 crores sales for FY ‘23 came from around INR245 crores plus from the F&V business and the balance came from the service business. Currently, in terms of our growth strategy, we have been pursuing a couple of projects. We have been working on the Nashik Cluster Development Programme, which is under the National Horticulture Board of India.

That project is likely to be awarded in the current month. This project is a further backward integration and forward integration of our existing business model. During the Q&A session, we will further discuss this model if any, you know, questions are there. We have been trying to elaborate on this in various forums.

Other than that, our growth catalysts are, you know, geographical expansion in UP and the Northeast. We have been also expanding a lot in southern markets. So, that is a brief summary. We are currently focused on about 9 to 12 F&V products. As we speak, the product portfolio will rise by three to four more categories in the coming 1 year.

With regard to a brief comment on the financial performance for Q1, our sales were up by 15.7% for Q1 at INR81.71 crores versus last year's INR53.34 crores. Our EBITDA is at INR6 crores, which is a jump of 51% versus last year's INR4.02 crores. Our EBITDA margins have been higher at 9.83% versus last year's 7.53%. Our PAT has been at INR4.35 crores versus last year's INR2.89 crores, a jump of 51%.

Going forward, these margins may not be sustainable because of a couple of reasons for this substantial jump has come during quarter one. One is, of course, we had old recoveries pending on account of certain pending billings in the service business. Second, we had overall good volume growth in the service business and the margins were pretty strong.

We had some inventories and F&V prices have been going up, so there was some gain on account of inventory as well. Over and above, of course, we have been improving our efficiency. And if you look at the tonnage business, it has also been growing pretty well year-on-year as well.

Other than that, I think, you know, I would like to touch upon a couple of other growth drivers which will, you know, be there in the coming quarters. One is we have been adding a lot of new channels. We have been trying to focus more on the general trade and the new APMC partners.

We have added four to five good food processing customers during the quarter. Our onion business will also get a benefit because prices have been shooting up. And when the, you know, product prices go up very high, the local area aggregator's ability to give credit and compete, you know, it becomes very difficult.

We are one of the only pan-India national players who, you know, have been able to supply to these modern trade and e-commerce partners across 10 cities with regard to onion, pomegranate, orange, and a couple of these products. Other than that, we have invested a lot over the last 10 years in the pomegranate supply chain.

We have almost 13,000 plus farmer base for pomegranate. We have 40 plus local area aggregator partners. And, you know, we believe that pomegranate production has been on the rise in the coming years. This year also the production is very strong. Though the prices may fall, the value growth may not be in line with the volume growth because there is a substantial drop in pomegranate prices.

So, broadly speaking, onion and pomegranate will continue to drive our growth. We have been putting our efforts through one of the companies where we have acquired a 51% stake, which is into value-added products and the ready-to-eat segment. So, we gain an advantage on both the value addition, so the -- you know, it will also slightly support the margins.

But overall, our margin guidance for the EBITDA will remain between 7% to 7.5% range. And the net profit guidance also remains 5.5% to 5% because we are putting more investments in the current year and we will have a little higher corporate overheads. So, we will keep growing our volume between 15% to 20% minimum in spite of the current, you know, climate challenges, and our value growth could be between 25% to 30%. So, I would like to end here with regard to my commentary. I suggest that we move on to Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Prateek Giri with Subhlabh Research. Please go ahead.

Prateek Giri: Hi, sir. I hope I am audible. Sir, my first question is on, you know, the working capital involved in the business. I understand probably the customers we have -- the quick commerce and the bigger modern retail formats, but it seems that, you know, we have to pay a cost to do business with them. Probably our receivables are already around one-third of our top line, give or take. So, I was just wondering, you know, if there is any way with which this receivable can be brought down? Can we negotiate better payment terms from our customers? Because if, you know, capital keeps going into receivables, probably for growth every time we will be needing to, you know, dilute the equity. So, from that perspective, I am asking this question, sir. That is the question number one.

Hiren Ghelani: All right. So, thank you very much. Yes, I completely agree with you, and we have been pretty conscious on this working capital cycle and receivables. In the last couple of, you know, interactions, we have mentioned that we are very conscious about it and we have taken, you know, some of the initiatives like taking legal action, building a client credit exposure system, and having more stringent norms when onboarding a customer in terms of having agreements in place, having PDCs in place, having security deposit checks in place.

Initially, because we wanted to grow fast and we were, you know, kind of very aspiring to grow, we have made some errors between 2022 and 2025. And we have about INR7 crores to INR8 crores as either slow-moving or non-moving debtors, which we have been improving and we intend to collect better.

Overall, long-term also, we understand that to grow the business and, you know, to increase our market share in organized channels, we have given credit to a couple of customers and we have kind of burnt our fingers. So, our internal target is definitely to go to 88 days to 94 days, you know, as a percentage of sales, and we should be able to have at least 4x, you know, sales of, you know, our outstanding debtors and not have debtors beyond 25% of sales.

And I think Q1, though we were not required to publish the balance sheet, so -- but we have reduced standalone debtors by around INR12 crores. There is an improvement and we are pretty much working on that. We have added a couple of senior people in the organization to make sure that we monitor this data on a monthly and a fortnightly basis.

So -- and yes, I think our dilution should not be for working capital now. We have, you know, been able to get a good cash credit facility limit from Bank of Baroda. Our limit has been hiked from INR7.8 crores to INR20 crores and the cost is -- that is just 8.5%. Over and above, for our Nashik CDP also, BOB has additionally sanctioned INR20 crores.

So, I don't think we will ever come to the market for, you know, this working capital funding. But yes, we are putting up a very good project in Nashik, Sinnar. We are coming out with Prime Fresh Agro Park, which is a fully integrated, you know, project where we have a pack house, farmer training rooms.

We have our own prototype nursery, prototype farm, and we have machinery renting division. We are setting up a laboratory. We are focusing on, you know, residue-free farming. And that could probably, you know, require some sort of equity capital. Does that answer your query?

Prateek Giri: No. Certainly. I am – no. This answers my question, sir. The second thing I wanted to understand, sir, since we are -- there are very few organized players probably in my limited understanding in this space, and when farmers are doing business with us or the intermediaries are doing business with us, they also should have some level of confidence that, you know, we will be paying them, you know, in some time for sure.

So, basically, my question is coming from trade payables. Is it a way, you know, where we can increase this number, you know, getting more credit from whomsoever we are procuring our vegetables and fruit from, sir?

Hiren Ghelani: Yes. Once again, a very valid question. I have been again, whenever I meet people, I explain to them that when we were in a race to build a scale aside, a minimum sustainable size, we had to, you know, be different in the marketplace and we were paying too fast. Like, we were paying sometimes on the same day within 2 hours of the dispatch, sometimes same day late night.

Now, as we speak, because we have built that credibility and the goodwill, you know, and we have made huge payments over the last 4 years-5 years, if you look at the numbers to farmers, there is a confidence in the system and there is a slow and steady improvement in our payment cycle.

Even with some of the suppliers, they are trusting more, particularly at a time like this when the prices go up and the value of the vehicle goes up very high. They want to deal with a corporate; they want to deal with someone who is well-established for so many years.

So, our internal aspiration is that by FY'28, we should be enjoying -- and internally we are targeting that we should have on an average a rolling INR10 crores to INR15 crores supply available to us on a credit basis throughout the year. And that, even if we rotate 4.5 times, somewhere in FY'29, we should be able to do an incremental sale of about INR60 crores without any single rupee investment from either working capital or equity capital. So, I think now is the time that our credibility and our track record will start paying off and, you know, we will be able to enjoy a better credit limit.

Prateek Giri: Understood, sir. No. In fact, that will free up some capital for us. Either we can fund our receivables through it also or we can shore up our inventory levels with that money. That answers again. Sir, my third question is on…

Hiren Ghelani: I also want to just touch upon one point that why we were so fast and why we have remained till date. It is that a lot of startups came in, okay? And a lot of B2B startups raised INR100 crores -- INR200 crores -- INR500 crores -- INR1,000 crores. And then they did not have to be profitable because they had to build the market share; they had to build the business model.

Prateek Giri: Correct, sir. Correct.

Hiren Ghelani: For us, we were listed and, you know, we have to make sure that we make more profit or more margin. And, you know, if I pay faster and if I buy cheaper 2% to 3%, that is what my margins are actually, right?

Prateek Giri: Yes.

Hiren Ghelani: And most of these, you know, local area aggregators don't pay GST or income tax and they don't have a compliance cost. So, again, you know, how do you cover your cost? And you try to be either giving a little long credit and earn more margin or you pay fast and you buy cheap. So, something like that we have followed so far pure, you know, tactical strategy of trying to increase market share and trying to maintain profitability.

But in the last 1 years -- 2 years, we have seen that most of the startups, B2B startups, have slowly vacated the place. And we are one of the fastest-growing and the only, you know, company which is sustainably supplying pan-India to all our customers. So, I think the time will start that, you know, we will get the advantage of what hard efforts we have put in.

Prateek Giri: I get that, sir. No, Mr. Ghelani, in fact, you know, it is easy to ask questions on receivables and payables, but doing a -- creating a business in this kind of a value chain is actually very difficult. So, in fact, kudos to your team for, you know, building even this INR250 crores top line business to around INR300 crores top line business.

Mr. Ghelani, my third question is on, you know, the recent quick commerce boom in India. Somewhere people have realized the value of quality vegetables, quality fruits when these are reaching their homes, vis-à-vis the poor-quality fruits and vegetables which are usually sold in markets, you know?

So, I am just trying to understand that when there is a value proposition for everybody, in fact, even quick commerce would ideally want, you know, A+ category fruits and vegetables in their inventory because that is also a customer attraction point for them, that whatever they are sending is A+ quality.

So, I am just trying to understand that we are probably solving the most difficult part of the problem in this entire value chain. Yet, probably our margins -- I understand this is a very initial phase of the business, but I am trying to bring the perspective that since we are solving probably the most difficult part of the problem, in future even, is there a probability that we can command, you know, some good margins because of this?

Hiren Ghelani: Sure. Okay. First, let me explain why our margins are not that great, okay?

Prateek Giri: Mr. Ghelani, I'm attending the call for the first time. So, please, pardon, you know, for the repetitive or basic questions.

Hiren Ghelani: No. It's okay.

Prateek Giri: Yes, please. Over to you. Fine.

Hiren Ghelani: Yes, it's okay. So, okay. So, first, let's understand why our margins are lower currently, correct? So, in a business, you know, which is totally unorganized and fragmented, right? So, you have farms which are fragmented, customers are fragmented, and your end consumers are fragmented. So, you put in a lot of efforts initially to build that scale.

Now, what that effort takes away is a lot of cost. Whether I am acquiring farmers, whether I am training aggregators, whether I am training my field teams, which is not easily available, whether we are spending so much on traveling, food, and stay cost of the field team and the sales team, right?

Then again, you tend to kind of take risks with new suppliers, new partners who may not always give at the best price or may not always give the best quality, and you end up losing some part of your margins in the entire value chain by, you know, additional efforts on the sorting, grading, and the packing expenses, then the packing material expenses. Then, you also have in-transit weight losses.

And then at the end of the day, a customer, when he receives a 25-ton vehicle of an onion for example, he will always want to do a further grading and there will be some returns, right? And these returns are sold at a, you know, lower price, right, than the selling price which was quoted earlier.

So, these are a couple of reasons why the margins have been lower. And as I said, when we have built this business model, the cost of building the business model has been built into this, you know, margin structure. However, as we scale up from here, our cost of, you know, acquisition of farmers will fall substantially because you have word of mouth and you have the same team in the same area and you don't have to travel so much.

Prateek Giri: Right.

Hiren Ghelani: Then again, we have already built a huge capacity. If you look at our capacity today in terms of the F&V segment, our sourcing capacity is close to 2.5 lakh tons. Our last year's sale was around 65,000 tons. Now, if I focus now on technology and the processes, and if we try to kind of have a market intelligence model which we are working.

We are also working on an internal field app. These things will try to monetize this network efforts and data. And over the time, we will not have to spend so much on, you know, sourcing and the operation cost. And maybe, you know, we are hopeful that, you know, we should see a slow and steady rise in operating margin from mid-FY28. Our internal aspiration is to have at least 9.5% to 11% EBITDA margin in the next 2, 2.5 years. So, I'm talking of 2029 type of a scenario. And then eventually, we have a vision for our company to reach INR2,000 crores by 2031.

And that includes both the backward integration, the farming part and the value addition, the forward integration basically in the processed food, the value-added food and exports and the branded packed fruit vegetables. So, this backward and forward integration strategy should all help us to raise 2%, 3% margin at both like further. So eventually, I believe this is a business model where easy to reach 14% to 16% EBITDA margin in the next 4 to 5 years. So that's quite possible scenario.

Prateek Giri: Amazing. That's quite encouraging, Mr. Hiren. Got it. Now, this again answers my questions very clearly. Thanks a lot. I'll join back the queue.

Hiren Ghelani: Thank you.

Moderator: Our next question comes from the line of Tanmay Jhaveri with Finterest Capital. Please go ahead.

Tanmay Jhaveri: Hi, sir. Thank you for the opportunity. Sir, my first question is, if you can give a better clarity on our Sinnar, Nashik project, what kind of capabilities will the Sinnar facility give you that we cannot achieve from our current asset-light network? Is it primarily procurement sorting, cold storage or value-added products? If you can just highlight a few things on this slide.

Hiren Ghelani: Sure, sure. So let me explain what this project is. So basically, we are being appointed as an implementing agency. So, when we put up this project, we have 2 components of the project. One is the farmer component. The second is the IA component. IA is Prime Fresh the implementing agency. Now in the farmer component, government is going to provide subsidies and through third party and through our approval to farmers, which is around INR60 crores value and maybe around 35% subsidy.

This project gives us an opportunity to further backward integrate with a lot of farmers in our area, make sure that we are able to cut the farmer cost. We are able to deploy technology like soil sensors, weather stations, farm ERP and also our cost of agronomist, which we can monetize from this government subsidy facilities.

This is the farmer component where farmer when he is using inputs, whether it is planting material, seeds, fertilizer, pesticide, even some sort of a small cooking material and all that creates farm gate packhouse. These things are likely to be subsidized by the government. And these farmers will come through our platform. So that's the first differentiating factor.

So far, it is Prime Fresh, who has been all these years allocating its own money for farmer education and training and many other things like agronomic practices and all. The second component, which is IA, where our balance sheet gets exposed, right? So that is around INR75 crores, excluding INR5 crores to INR6 crores preoperative expenditure, which we have already spent.

In INR75 crores, we have around INR45 crores to INR50 crores spend on building integrated packhouse, cold chain, reefer vehicles, food processing unit, farmer training room, laboratory and a couple of such miscellaneous infrastructure like collection centers, aggregation centers.

Some of the investments would be in making a foundation and all that. Now this part in this, is that, out of INR75 crores investment of ours, the INR50 crores, INR52 crores component is eligible for a subsidy up to 40%, in some places, 50%. So, we will get a subsidy, basically a grant, government grant on a milestone basis of around INR24 crores.

So that's now to enough that level of infrastructure, you will able to address your global market. And based on this infrastructure and this farmer backward integration strength, you will be able to convert your business model into hardcore B2B day-to-day negotiation model to an order book model.

Because I have farmers, because I have fully integrated approach, because we have a pack house, cold storage, everything, we will be able to convert our business into an order book model. And because we have such a huge setup, a lot of customers will trust us, particularly the global customers and give us an advance also.

And similarly, looking at this infrastructure, many farmers who know us and many farmers who we are adding will also start giving credit. So traditionally, if you look at it, they start giving credit when you are sitting in their area with a big capacity and the big team. So, I think this is a brief about cluster development program. We can have a separate call to discuss on to one, on what this project is. It's a game-changing project in our company's career and lifespan.

Tanmay Jhaveri: Right, sir. In regards to this only, I have a couple of follow-up questions. First, what will be your cumulative capex over the next 1, 2 years, considering the subsidies that we'll get from the government?

Second is, if you can quantify the expected impact on our revenue per tonnage and EBITDA margins once we reach, let's say, full utilization in this field? And third, considering these projects, are we also looking for more such projects in different cities of India?

Hiren Ghelani: Right. Okay. So first of all, as I said, that we could probably get awarded this project in the current month. And based on that, there will be 2 months of detailed blueprint preparation and appointment of consultants and negotiation with machinery suppliers and everything should go on for another 2, 3 months. So somewhere our first real capex should start getting spent between, let's say, end of October and end of November. And this capex will be done over a period of about 18 to 20 months, beginning from, let's say, first phase mid-October, and it will go on for 18 months.

Now as we -- in the first phase, when we spend, we'll have a 3-month, 6-month phase of Phase 1, depending on when we get the project awarded. And the second phase will last for 6 to 9 months, and the third phase will be further about 8, 9 months. In each leg, our own capex from our own balance sheet including debt, would be ranging between the first phase INR6 crores to INR9 crores, the second phase about INR12 crores to INR15 crores and the balance in the third phase.

So that's how we will end up spending from our balance sheet. Now for the first phase, what we spent, our grant will be awarded after 4 months of completion. So that's the whole cycle. So, over a period of, let's say, 4.5 years from now, our debt should -- for TL for term loan and for the project loan should be utilized at the peak of roughly around INR35 crores, though we have INR42 crores sanctioned.

And this will be the peak. And then probably when you get back your grants, as you know over the time, you will have about INR18 crores to INR20 crores outstanding debt on the project account. So that's the first question. Am I able to make it clear, the first question?

Tanmay Jhaveri: Yes, yes, sir.

Hiren Ghelani: Right. With regard to the outcome, we are targeting to have at least 15,000 farmers addressed. If I take an average of conservative only 2 hectares, which is around 5 acres. So, we are able to acquire this kind of farmer base and output tie-up.

Now even if I assume 20% strike rate, I think our tonnage sourcing capability in the year 1 should conservatively go up by about 15,000 tons. And eventually, in the 6 years, we target to have 2 lakh tons sourcing capability getting increased from this project in the Nashik districts. And what was the third question?

Tanmay Jhaveri: Are we also planning to replicate such models in different cities of India?

Hiren Ghelani: Right. First of all, it is a very interesting model, which exactly what we have been following is what government has found out that rather than having too many subsidies, too many schemes, too many projects under too many institutions, it's better to have a large integrated project. So, it seems a pretty strong model. It seems a pretty viable model where on a longer-term basis, you will have a complete equity payback in maximum 5 years, right?

And you are also helping your existing business model. With regard to sales and marketing for this project, our cost, we will be able to monetize from the existing business. So, we are open to a subsidiary route or do an SPV route if we get some good long-term investment partners. And also, of course, our internal accruals, how they pan out.

Tanmay Jhaveri: Okay. Okay, sir. Sir, I have one more question. You described the business as a cost-plus model. So, in a volatile commodity environment, how quickly can you pass procurement price increase to customers? Like what is the typical lag between procurement price changes and customer price reset?

Hiren Ghelani: Maximum 4 to 8 days.

Tanmay Jhaveri: 4 to 8 days?

Hiren Ghelani: So, every -- we are able to revise our prices. Right. If we have taken order from HoReCa, some hotel, restaurants, caterers, then it could be 1 month. And with some 5 stars, 7 stars or some tender business, it could be even 3 months, but this is not even 4% of total business. Where we are not able to increase our prices within 8 days, that business is not even 4% of total business.

Tanmay Jhaveri: Right. Sir, one last question, if you can squeeze that question.

Jinen Ghelani: Yes, please.

Tanmay Jhaveri: Can you quantify the procurement cost advantage that we get from direct farmer sourcing versus through buying through traditional traders? And how much of that advantage actually flows to our EBITDA?

Hiren Ghelani: Yes. So, in terms of when we buy at the price, the product price level, the difference could be between 3% to 15%, but when you buy directly at the farm level and when you allocate additional operational team, initially, the cost of that operation would range between sometimes

10% to 15% as well. And you may not actually be able to get always the full benefit of the direct farmer buying.

But what you are doing is you are building a long-term connect with farmers. And eventually, these farmers will start giving material to your collection centers. And as your farm level productivity goes up, your value and the volume go up, this 3% to 12% operational cost on product, what you are incurring will also start going down.

So, on a longer term, I think it would be about 5% to 8% advantage over supplier purchase. 5% to 8% is a maximum possibility. The total advantage will be derived by buying directly from farmer. So, unless we get into value-added, unless we get into exports or we get into some sort of a storage opportunity like how onion prices have shot up in the last 4 months and our internal orders were showing a huge rise in the onion price.

And because you have order book model in place in the coming few quarters and that order book model versus what your storage model starts playing out, that would be the benefit that eventually because you are buying from farmer, you are able to store directly to farm gate packhouse or the nearby collection center and that eventually starts giving you a higher margin on a longer term.

So that's the idea of currently buying from farmer. And also, government wants that you directly buy from farmer and eliminate intermediaries. And for us also, it is important that we reduce our dependency on multiple aggregators or multiple suppliers and the local mandis.

Tanmay Jhaveri: Okay. What is the split between B2B and B2C currently? And I assume we are not into exports as of date today, right?

Hiren Ghelani: Yes. Over the last 5, 6 years, we have stopped exports post-COVID because of the rising freight cost and volatility. And our domestic business was doing pretty strong. You said about -- so currently, our B2C business is hardly 1%, 2% of our business. So, we are not doing B2C.

Tanmay Jhaveri: Okay, sir. Thank you so much. I'll join back with you.

Moderator: Our next question comes from the line of Prashant Joshi with Sandhya Limited. Please go ahead.

Prashant Joshi: Good afternoon, sir. Thank you for giving me the opportunity. First of all, on the strong Q1 FY27. Congratulations on the strong Q1 FY27. My first question is regarding the margin. Revenue grew approximately 30% year-on-year in Q1, while the trading and other direct expense increased much faster. Could you please explain what specifically drove this increase? And should investors expect this post-rise to normalize their business growth?

Hiren Ghelani: I don't have all the numbers in front of me right now. But can I come back? And can you just repeat, you want to talk about direct expenses or indirect expenses.

Prashant Joshi: Trading expenses and other direct expenses?

Jinen Ghelani: You want to discuss about trading expenses and direct expenses, right.

Prashant Joshi: Yes, correct.

Hiren Ghelani: So, let me get back to numbers, and we will mail you.

Prashant Joshi: Okay. No problem. Just one more question, if you don't mind. Could you give us some color on the contribution from the subsidiaries and the associates, which subsidiary do you expect to become a meaningful profit contributor over the next 2 to 3 years?

Hiren Ghelani: Right. So currently, we are focusing a lot on Florens Farming Limited, a subsidiary of Prime Fresh, which is trying to tie up with many existing farmers and land partners. We have been negotiating currently, and we intend to get into our own self into farming. And these plans could start paying off between next year this time, probably and thereafter coming years. So, it will take another year to build that business meaningfully.

Prashant Joshi: And what percent of the business coming from the subsidiary?

Hiren Ghelani: Sorry?

Prashant Joshi: What percent of the business coming from the subsidiaries?

Hiren Ghelani: About 10%, 10% of F&V.

Prashant Joshi: Thank you**.**

Moderator: Our next question comes from the line of Sonu Vasan, an Individual Investor. Please go ahead.

Sonu Vasan: Am I audible?

Hiren Ghelani: Yes, audible.

Sonu Vasan: Yes. I just heard Hiren bhai saying that we are -- from B2C, we are at 1%. But looking at our company strength and looking at our -- what the way we have some 20, 35 cities our centers and everything. Is it not the right time that we can enter from B2C to improve our margins and everything?

Hiren Ghelani: Right. So B2C is completely a different model, which requires a huge investment upfront in marketing and creating infrastructure, the retail infrastructure. So earlier, we had some aspiration to get into that model through a franchisee model. And we had done a lot of research and we had attended a lot of seminars and we had appointed India's best consultant.

We spent around INR55 lakhs to INR75 lakhs in 2021, 2023 period. Eventually, we realized that it requires a dedicated long-term capital commitment. So, at this point of time, we don't think we should get into B2C, it will be getting kind of defocused. We have a subsidiary, Prime Fresh Retail India Private Limited, which probably try and focus on strategic long-term partners.

And we can bring in our supply chain capabilities and learning of the B2C sector. We have been dealing with most of the B2C customers and the large corporates, e-commerce guys. We understand the business model pretty much well. But it doesn't mean that we should get into that, because understanding is one part and then committing your resources is the second part. I believe that we need to have more resources to get into B2C.

Sonu Vasan: Thank you. Hiren bhai.

Hiren Ghelani: So, I think we don't have further questions. I will just try to give the closing remarks, if that is fine.

Moderator: Yes, please go ahead, sir.

Hiren Ghelani: All right. So, I think we continue to remain focused on our core B2B, F&V portfolio. That has been a core growth driver over the last 5, 6 years, and that will continue to drive our growth. We have been continuously investing in acquiring farmers, FPOs, training our teams. We have been investing in technology and marketing as well.

So, these consistent efforts will make sure that our volume growth always remains between 15% to 25% as we speak. And our aspiration to grow our value growth in the business will continue to be at 25% to 30%, which we have always been aspiring over the last many years, and we have been committing that kind of growth rate, which probably we should be in a position to maintain it.

As regard to the Nashik CDP, we will keep updated on the Stock Exchange as and when we keep getting further updates. There are some interesting times for all of us in F&V sector because government is becoming extremely positive and participating and government wants this sector to prosper.

And there are a lot of schemes and grants which are available to private players like us. And with CDP is nothing but our entry to private -- public-private partnership model, which is being introduced in this horticulture sector. So that's it. I thank you very much. Thank you, everyone.

Moderator: Thank you. On behalf of Prime Fresh Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

Jinen Ghelani: Thank you.