



SKMEGG/SEC/NSE/BSE/CONCALLT/2026

Oct 27, 2026

To

**National Stock Exchange of India Limited
Exchange Plaza,
Plot No:C/G Block
Bandra Kurla Complex
Mumbai-400 051**

**Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai-400 001**

Dear Sir/Madam,

Sub: Submission of Con-call Transcript.

Ref: Scrip Code: 532143(BSE)/SKMEGGPROD (NSE)

This is to inform that pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submit the Transcript of the Con-call held on Friday, Oct 23, 2026.

This is for your kind information and records.

Yours Faith fully
For SKM Egg Products Export (India) Limited

Sekar
Ponnusamy

Digitally signed by Sekar
Ponnusamy
Date: 2026.10.27
13:33:44 +05'30'

P.Sekar
Company Secretary
(ICSI Membership No.F10744)

Encl:a/a

SKM EGG PRODUCTS

THINKING OUT OF THE SHELL

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Transcript of the Earnings Conference Call of

SKM Egg Products Export (India) Limited for Q2 FY 26-27

The Earnings Conference Call of SKM Egg Products Export (India) Limited for Q2 FY 26-27 held on Friday, October 23, 2026 at 12:30 P.M. (IST) through Video conference/Other Audio Visual Means (VC/OAVM).

Moderator

Dear investors, good day and welcome to the earnings conference call of SKM Egg Products Export India Limited for the second quarter of FY26-27 hosted by NSDL.

As a reminder, all participant lines will remain and listen only more during the management presentation. This will be followed by a Q&A question and answer session during which participants will have the opportunity to ask questions to the management.

Should you require any assistance during the conference call or wish to ask a question during the Q&A session, please use the raise hand feature and the operator shall assist you. Please note that this conference call is being recorded. I am Sameer from NSDL. I am pleased to welcome the management team of the company. We would like to welcome

Mr. SKM Shri Shivakumar, Chairman and Managing Director

Mr. S K Sharathram, Executive Director, and

Mr. K S Venkatachalapathy, Chief Financial Officer.

I would now hand over the call to Mr. SKM Shri Shivakumar, Chairman and Managing Director of the company, for his opening remarks. Thank you, and over to you, sir.

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

Good afternoon, shareholders. I'm happy to meet you all again after this quarter results. Our CFO wants to give an introduction to today's Q&A session. Over to you.

Mr. K S Venkatachalapathy (Chief Financial Officer)

Thank you, sir. Hello, dear, my dear shareholders. Before commence the today's con call, we would like to take a moment to acknowledge and appreciate our chairman and managing director for his continued commitment to learning and organizational development.

In this regard, I want to communicate to you all that our CMD has recently enriched his knowledge and leadership perspectives through his participation in entrepreneurship and management programs at Harvard Business School, both in India and in the United States recently. Our CMDs progressively bringing these learnings into the organization and translating them into our company's day-to-day management and operations.

We are confident that the knowledge and the global perspectives gained by our CMD will help us strengthen our strategic thinking, encourage innovation, improve operational effectiveness, and identify new opportunities for sustainable growth of your company. our CMD's initiative and willingness to learn at this stage of his career.

On behalf of board and the entire organization, we extend our sincere appreciation and congratulations to our CMD for his initiative and willingness to learn at this stage for his career and providing an important for taking our company to next phase of growth and development in future.

We once again on behalf of shareholders. I wish him continued success and hope that his example of lifelong learning will inspire all of us to continuously improve, innovate, and strive of excellence. Thank you so much for your patience hearing my starting note about the CMD's program. Now let us move to the con call section. Thank you, shareholders.

Moderator

So, thank you so much. So, with your permission, can we go ahead with the Q&A?

Mr. K S Venkatachalapathy (Chief Financial Officer)

Sir, before that, we want to share some of the slides what we shared in our meeting.

Moderator

Sure, sir. Tech support Can you provide Cohost access to CFO. presenter access to CFO. Yes, sir, you can able to share now.

Mr. K S Venkatachalapathy (Chief Financial Officer)

Are you able to view the slides?

Moderator

Sir, sir, you can share the slides, then only the participants can able to view. Yeah, you can click on the third option, share. Hi, yeah. So, you go to that, yeah, go to the presentation mode, then you can view full screen. So, yeah, it's fine now, sir. You can continue.

Mr. K S Venkatachalapathy (Chief Financial Officer)

I hope all the shareholders are able to view. Dear Shareholder This is the snapshot of our quarterly performance. Overall, comparing to last six months of, say, six months of the last year and six months of current year, your company has maintained the same performance almost turnover as turnover is around 363 crores as against 380 crores in last year.

EBITDA is 6744 crores in the same, both the periods. with PBT and the PAT also the same 54 crores and 40 crores respectively during the six months period comparatively last year and current year. Comparing to quarterly results, the sales is improved from 179 crore to 184 crore, but because of increase in feed raw material cost under this one, EBITDA is come down to 28 crores from 38 crores in between last two quarters.

Then our profit before tax is at around 22 crores during the quarter, against 32 crores in the last sequential quarter and the last quarter of the same year. Profit after tax is around 16 crores during this current quarter, against 24 crores in Q1 and 24 crores in Q2 last year. This is the snapshot of our total financial results.

Quarterly performance turnover is 363 crore and the profit after tax is maintained at 40 crore comparatively last year the same results and the quarterly results what I explained to you can see from the slides. This is a snapshot and details have been already uploaded in the stock changes which all the shadow builders should have viewed. Thank you.

Boardroom

Now we move on to questions.

Moderator

Thank you so much. Thank you.

Ladies and gentlemen, now we would like to go ahead with the Q&A session. We will request the people in the attendees to please raise their hands so that your

queries can be raised and hence can be answered accordingly. Sir, can we go ahead with the first person, sir?

Boardroom

Please.

Moderator

Sure, sir.

The first person with the hand raised, we have Meherwan Kotwal.

Mr. Meherwan Kotwal

Can you hear me?

Moderator

Yes, sir.

Mr. Meherwan Kotwal

Hi. Good afternoon, and thank you for taking my question. My first question, I've got a couple of questions. So how are realizations looking for the next six months?

There is a little bit of oversupply in the US market on account of, I think, excessive egg production. So, what is our outlook on realizations for the next six months to a year probably as compared to where we stand today and what were our realizations for this particular quarter? And I think at the beginning of the year, we had said that we will for this year see large part growth coming in from domestic sales.

So, if you could just throw some light as to how our shell egg business also has been progressing over the first six months and what would our expectations be for the entire year. And third thing, I think we have been hit a lot by this unexpected increase in RN cost. So do we have any offsets against this in terms of whether we could be getting some kind of price increase or escalation from our customers and yeah basically our view on what to expect on margins and growth going forward.

Thank you.

Boardroom

Thank you for the question.

Yes of course, the US is able to offer cheaper but we have seen this impact in Japan that we had to reduce our prices. But overall, the pressure has not been on elsewhere.

Overall, our realizations have been quite far because Japan is only a portion of our overall business on the full-length and geo photo side. So up to now, there has been no big impact on the realizations because of US supply position?

That's number one question that I have answered. The second average realization you see in quarter is actually about 700 rupees, but it depends on if we are selling which product combination has gone in that quarter highly. So, we don't see a very big correction in the average realization going forward for the next six months and in terms of domestic market, it is still consistent.

The grading operation will come into play only in the next financial year. Any substantial growth we can expect only in the next financial year. Still, we are following the old branding strategy. So, after all the equipment for grading and will be in place by April next year, we will be relaunching new strategy for growth, which we are currently under discussion and the business model is being discussed.

So, you can expect in the next six months a continuity of the past six months with a small margin improvement as usual. Otherwise, you could get a more aggressive growth path from the next year.

Mr. Meherwan Kotwal

So, do we have any targets for numbers as of now?

Boardroom

No, we don't have. But because the entire business model is being worked out, so I can't give you any numbers on top line. But the objective is to do, currently we are selling around 1 1/2 lakh eggs in the paranoid egg segment. We have our targets to reach 5 lakhs in two, three years.

Mr. Meherwan Kotwal

Two, three.

Boardroom

Three years, 5 lakhs egg a day. It can become more aggressive because we are still in brainstorming stage should we only attack the premium segment or should we do a mass exercise? So, we're still strategizing business modeling is being under discussion. So, hopefully we'll be able to give a better view after three months' time. January, February, we'll come up this discussion.

Mr. Meherwan Kotwal

Right. So, thank you so much.

Moderator

Thank you so much for answering that one. Going ahead with the next person with the hand raised is Mr. Venkatesh.

Mr. Venkatesh

Hi, sir, good morning. How are you, sir?

Alright, sir.

Two questions One is the realizations for this quarter in terms of profits have come down due to raw materials. Do you expect this to continue for the next two quarters? And what are your plans for the next year?

Because when we had the last on calls, you said the 100-crore profitability is something that you would like to maintain for the next year as we are seeing. So, we just wanted your thoughts on it.

Boardroom

Yes, we are very confident of repeating 100 plus this year.

Regarding raw material cost increase, we are now considering import of soya and so on Hopefully we'll be able to bring down considerably or to some extent the raw material cost increase by import substitution for soya mainly and there was a sudden spurred in the local feed ingredient prices.

So, we have taken a view to import and it becomes feasible to import the one of the major ingredient's soya. So, we are doing all that within our scope to reduce the raw material cost. But one question I think the previous was whether we can pass on this to our customer.

No International prices are decided by international competition, not on our cost structure. But we are very good, very well positioned because of our backward integration to face the challenges in the market. So, I hope I have answered both your questions.

Mr. Venkatesh

So, thank you so much.

Moderator

Sir, thank you so much. Going ahead, we have with this Mr. Mahesh Atal. Mr. Mahesh, let's go ahead with your question, sir.

Mr. Mahesh Atal

Yeah, am I audible?

Moderator

Yes, sir.

Mr. Mahesh Atal

Firstly, many congratulations to you on completion of your course at Harvard. Hope that helps our company for the next length of growth.

So, my question is more on the gross margin, sir. I guess there was in this quarter there a lot of increase in the egg prices. So, what led to, you know, what was the gross margin reduction and when do you think that we'll be able to pass on all the raw material inflation that you have seen in this quarter?

With a lag of how many quarters you expect that this can be passed on? How is the market taking this thing? I mean, how exactly you'll be able to pass on this?

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

No, I think I answered partially this question in the previous answer. Egg production cost has no correlation to international selling prices. International selling price is determined by what is being offered by Europe on egg white powder and US or your powder and other place coming from Ukraine, South America, Mexico.

So international prices are not determined by our cost of production of eggs in India because we are a very small player in India as a whole and it's a very small player in international market. So, our costs cannot influence the market prices. Of course, we are doing all that is possible to reduce the production cost of egg by import substitution and by improving efficiency.

On this front and a strategic view, when we have completed the 28th, by September 28th, 2.4 million birds in production, I think with the efficiency and better management, strategically we are very well protected to control our egg production costs. Of course, we cannot guarantee what could be included in prices going forward, but strategic investment is in place to keep our company best managed on the cost of rate.

Moderator

Sir, thank you. The next questions would be raised by Mr. Murugesan.

Mr. Murugesan

Thank you for this opportunity. This is one more shareholder-friendly action by the management of SKM.

Sir, is the US-Iran war affecting us either in way of logistic cause or increase in lead time, etc.? During your AGM, our sample has been approved by South Korea and South Korea is a big market. Any further progress?

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

Yes, we have been approved by.

Mr. Murugesan

I'm not finished. The status of these environment EC sets and other expansions. What is our competitive advantage visa-vis other international competitors?

Sir, one small request. See, the result was published only around 1230, 1240 in the website from 1130 onwards, I was sitting in front of the laptop and seeing. See, immediately, it's like very hot. If you can give some two hours and held this conquer in the afternoon, it will not only help the shareholders, help your own people also. And in fact, I sent a message to the company secretary also a couple of days back.

Thank you, sir.

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

Okay. Of course, all these wars are not helping us in freight costs, especially the direct impact is flight cost. But on the other hand, if you look at the rupee depreciation is a positive. So, if you look at it, of course, the freight costs have gone up after the Ukraine war itself, Ukraine-Russia war, the freight costs have been increasing.

Overall, I think it is not a bad very bad thing in terms of except I told you last quarter we last quarter AGM I told you the impact of the war we had to ship some shipments before quarter Q1. So, we don't see any big hurdle.

I think the cost of flight has gone up but in terms of demand creation, water has not really impacted us. Of course, sea freight costs have improved, has increased. So that's the answer to the first question.

South Korea, I'm happy to share that we've been approved by two customers, but the trial shipment, bigger sample has gone for trials. So, hopefully in the next quarter, October to December, we'll be getting our first order.

EC rearing house progress. Our project is scheduled to be completed by September 28th. The first rearing house of this second phase is to be completed in next two weeks.

I was there only two days ago to review and inspect everything. There is about a week delay as per target. But in two weeks' time we will be completing the first ready house. If all shareholders interested, we can share the pictures of the images of the images progress. If you'd like to see them all, then just quickly run through them.

Moderator

Thank you so much, sir.

Mr. K S Venkatachalapathy (Chief Financial Officer)

Just a minute, sir. Sir, are you able to view?

Moderator

Yes, sir, the shared screen is visible to everybody, sir.

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

So, this is the fast EC rearing house under completion. This is the house which will be completed in two weeks' time and November 15th onwards we are looking to place chicks in this. So, we have actually put in the first house.

The second house is getting ready which will be completed in another maximum two months' time. So, this is the internal view of the erection that is going on. This is the second rearing house that is under. Construction. This is internal erection of the 2nd house.

This is the 3rd house. There is a construction 4th house, 5th house, the 505-lakh meter capacity underground sump for water storage. It is ok power house that is required.

Now this is the layer, first layer shed that is really required for this phase, which is under development, single key products. So, this is also work in progress.

This is the second EC house, layer house. And there we are under demolition, just there we are under demolition. The rest are only pictures of demolition.

So, for your understanding, the entire project is as per plan is actually this cost house is delayed by a week, but we will make this up. The project will be commissioned by September 100% on full capacity. And happy to share that the board has also approved a term loan of nearly 300 crores, 200 from State

Bank. 100 crores from Access Bank. So, we will be signing the documents next week.

Thank you.

Moderator

Thank you so much, sir. Thank you. Ladies and gentlemen, the next person to be joining us would be Mr. Saurabh Dole. Mr. Saurabh, let's go ahead with your questions, sir. Mr. Saurabh. Mr. Saurabh, can we go ahead with your questions, please?

Mr. Saurabh Dole

Yeah, yeah, yeah Can you hear me now?

Moderator

Yes, sir.

Mr. Saurabh Dole

Yeah, good afternoon, sir Thank you so much for doing the call. Just one question regarding the feed price escalations that you saw during the quarter. Can you walk us through a bit on what exactly is the feed policy at the company? Meaning how many suppliers do you have? What kind of minimum guarantees do you do? At what point do you do? And what are the price escalations that you have to absorb?

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

See this is these are all commodities so you can't fix a price in a in a contract. So, you can only buy and talk about ensuring the price. So normal inventory level for certain ingredients sub one week for certain ingredients is 15 days and then for certain ingredients, it can go up to three months when we see a price advantage. So, there is a strategy to have control over the raw material cost, but we can't pick them with the contract.

If you want to take a position on any one ingredient, the only way is you have to buy any stock. So, in that perspective, we are considering importing soya that will be required for us for six months. It is under discussion; we maybe will be implemented in another week or two.

Mr. Saurabh Dole

Sure, sir and I think a number of suppliers also do not help in any way.

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

I agree commodity. So, we have multiple suppliers who will supply to our quality and we have a quality acceptance protocol before we make the payment. So, some advance will be given and then after quality it can be rejected or some. It depends on what type of deviation from our spec, we handle it subsequently.

There are many suppliers, so we don't have any steady, it depends on who's able to offer or what and our volumes are big, so there are many suppliers. Of course, there is a supplier rating and so on which the procurement division is following. So, it's not like that, okay, if you say X supplier, then we have 4 for suppliers who are outside our own production system.

That we buy based on NECC reference points. But in terms of raw material, it's very difficult to say we might have at one point in time 20 suppliers and at one point in time only 10 suppliers. But our quality assurance protocols are very stringent compared to the industry and our procurement division is doing well. To very high quality spec, we are able to buy at market prices. Of course, backed by strong payment conditions.

Mr. Saurabh Dole

Sir thanks very much.

Moderator

Thank you, Saurav. Going ahead, I believe Mr. Venkatesh has a follow-up question.

Mr. Venkatesh

So, can you give me some idea of SKM Universal's growth for the next year or two? And then the 2nd question is FY27 or FY28, what could be a possible guidance from you in terms of revenue and profit growth?

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

As far as the SKM Universal market is concerned, today the board has passed a resolution to merge the company with our company. So by April next year, this will become universal company will cease to exist. It will be only as our listed company will handle all the operations. But until then, it is 100% owned by our company.

And as I said previously, the business plan to scale up that business will happen only from the next financial year. But overall, I would like to highlight that apart from the 2.4 million birds under our own production, we are also expanding our capacity from the current 7,000 tons to 10,000 plus tons with an overall investment of 180 crores, which will come into effect maybe by second-half of next year. But real sales increment could happen from 28, 29

onwards. And I cannot give you what will be our top line, bottom line and all that.

I think that is too early to say and we are not obliged to say that also we may be misleading the shadow with us on my expectation and it could be different. But I definitely think our company is in a very high growth market, huge investments both on protecting the bottom line as well as growth in the top line.

Mr. Venkatesh

Thank you, sir.

Moderator

So, thank you for answering that one, sir. Next, we have Mr. Madhur Rathi to go on with the next queries. Mr. Rathi, let me thank you.

Mr. Madhur Rathi

Yes, so thank you for the opportunity. Sir, firstly, I wanted to understand regarding the 17 1/2 crore goodwill that has come in our books during this quarter. So, what is this related to?

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

I think CFO was the best test.

Mr. K S Venkatachalapathy (Chief Financial Officer)

You know, you gave some shares.

This is a purely a purchase of entire shares from sister company, private limited company for UMC that is going to be merged during the year. And from 14 & 27 onwards, the entire UMC operations will be handled by a product company. That is a something.5, it's not a good will, it's a purchase cost of shares, entire shares.

Mr. Madhur Rathi

Got it and Sir, what were the volumes during this quarter and H1? Pardon. What were the volumes of egg powder and liquid during this quarter as well as in H1FI27?

Mr. K S Venkatachalapathy (Chief Financial Officer)

Production, yes. See powder sales is around 1625 metric tons during this quarter and last quarter is 1831 metric tons. Half year 3457 metric tons and 4289 metric tons previously.

Mr. Madhur Rathi

Got it. And sir, just one suggestion, sir, if you can just upload a investor presentation to uh the stock exchanges so that we can ask you we can't we just these volume numbers uh you can like we can get it from there that would be very helpful sir thank you so much on all.

Mr. K S Venkatachalapathy (Chief Financial Officer)

Okay we will do that we will do.

Moderator

So, thank you going ahead the next person to be joining us with the queries would be Pramukh Kabra. Sir, we can proceed. Mr. Pramuk Kabra, let's have your questions, please. Mr. Kabra. Sir, I think he's not responding. We'll move on to the next one. We have Mr. Sam with a follow-up question. Mr. Sam, let's go ahead.

Mr. Sam

Good afternoon, sir. So, my question is considering the increase in the raw material cost which you mentioned, and as well as softening of international prices. What is the profitability guidance for the next two quarters? Will it be more than 16 crores reported in this quarter? Will it be less or will it be more? What is your projection of profits for the next two quarters? Thank you.

Board Room

I don't know whether SEBI will allow me to say all these things. First question, of course, there is an expectation in my mind. And I already mentioned a ballpark figure that we will do 100 crores plus for sure. Beyond this, I can't give you what is our planning expectation for every quarter. I don't think that is allowed by SEBI guidance. I'm sorry if I may be wrong, but that's my current understanding.

Mr. Sam

Okay, sir. Thank you.

Board Room

Generally, companies do give forward projections or guidance for the year. I don't know. That's what I'm saying. I'm not sure. That's what I'm saying. It's very difficult for an export-oriented company where markets are changing. It's not a B2C or a domestic market-driven entity. So, there are so many variables. We expect something to happen, but that could be a plus or minus move. So, I don't want to give an information which may be acting in your favor or against

you. So, I want to go by just by giving performance of every quarter to the shareholders, of course, explaining the future growth potential and what we are doing to protect the principal efforts we will be able to communicate, not the expectation of every quarter. I hope we understand it's also coming from our business environment.

Moderator

Sir, thank you. Next, we have Mr. Murugaitsan with another question.

Mr. Murugaitsan

Actually, one of the questions was missed I asked, what is our competitive advantage vis-a-vis our foreign competitors? Then I have a couple of questions more. Are we buying ingredients like soy and making our own feed? Just please confirm. Then we though companies generating good cash flow, the dividend is very less. Please consider the That's the AGM. Third, actually, I wanted to congratulate Dr. SK Mailandan on conferment of Padma Bhushan because in the AGM many of us could not speak. So, I want to congratulate him for conferment of Padma Bhushan and wish him good health and long life. Thank you.

Board Room

Yeah, thank you for your wishes to my father and Padma Bhushan. wishes to him. And with respect to soya raw material imports, OK, raw material import, yes, whenever there is an opportunity to import at a cheaper price, we will be doing.

Currently, we are expecting to import at least 10% cheaper than what we have, which is an important ingredient but in terms of dividend, you know, our company is in a high investment mode. In fact, I was asked, trying to ask the other way around the shareholders, can I hold invest dividend a little bit lower for the next two, three years until the investment phase is over? But my initial thinking is like that, uh, which was with our companies in a heavy investment mode, we totally about 450 crore debt. we will have.

So nevertheless, investment mode and return on dividends is not to be compromised. So, we will try to maintain the 25% even during the high investment phase and the debt period.

Moderator

So, thank you for answering that one. Next, we have Mr. Venkatesh with another question.

Mr. Venkatesh (Speaker Shareholder)

Sir, I wanted to check with you on the project expansion in terms of the birds. Can you give me a little more detail on when the first phase will be commissioned and when the whole thing will come into operations? One is on the project. Second one is if you can give me an idea on the egg price trend in India and international. In your experience, what could it be over the next year? These 2 things.

Board Room

So, we in the new state-of-the-art poultry farm we did a trial investment of 400,000 layers after studying that for nearly one and a half years after food completion we what we expected efficiencies was established. So, whatever we were planning to achieve in terms of efficiency improvement We have validated that with the trial investment of 100,000 birds. And now that is completed long back. The second phase is what we are starting now for 20 lakh birds. So, which would be completed by 28th September. So, and what are the anyone's expansion birds, air price trend?

Throughout the world after the birth, sorry, after the corona, then everybody is expecting to increase the protein consumption in their diet. So, whether it is in raw egg form or ingredient form, if you look at it in a holistic view, protein demand is going up, whether it is egg or egg products, higher demand for protein is always there. Of course, in India also the same situation. The consumption of eggs is going up quite rapidly. So, we could see an increase in market price for shell eggs in India. And that is why I think we are really bullish about our domestic egg sales in the future.

That is one of the main reasons we're entering because the faster production to market price I anticipate considerable gap in cost of production to market realization. So, there's a positive news for the domestic egg front. But of course, for the egg processing side, yes, if we are buying eggs from outside, this is a very big concern. But when this project is completed, all our egg requirement be 100% produced by us.

So, it is What market price is doing is not important for us as an overall impact on the financials of the company will be the financial impact on the cost side will come from what the agriculture imports like corn, soya, all our feed ingredients will play. That will play a major role, not the market price for shell eggs. Market price for shell eggs is going to be positive for us.

Moderator

So, thank you. I believe Mr. Venkatesh still has a follow-up question on this one. Yes, Mr. Venkatesh.

Mr. Venkatesh

Yes, sir. Domestic, we are very excited about the plans, I think, because you've been planning this for many years and I think finally you think the market is ready for branded eggs.

So, do you think in two- or three-years' time this could be a substantial part of your turnover, the domestic egg sales?

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

Hopefully, we have been considering this for more than five years now and in fact, because of the waiting, our company has been a little bit late into this investment. Nevertheless, compared to the two, three strong players already present, our company is fundamentally positioned very strongly in terms of cost structure and in terms of the interests and reliability the company can offer to the consumers. So, you are right, the next two, three, five years' time, this would become important revenue stream.

As I said to some other question, we are still brainstorming whether to which product segment, market segment, premium segment, mid segment, low end segment. Yeah, there is a lot of debate and discussion internally, which should be a target audience, whether we go after the high value premium products or we'll be there in all spaces or we'll do a mass marketing. It's still a lot of ideations is going on.

Hopefully In the next three months' time, we will be able to firm up that. But for sure, it will become an important portfolio for the company in the future.

Moderator

So, thank you so much for answering that one. The next question would be raised by Mr. Soham.

Mr. Soham

Hello. Am I audible?

Moderator

Yes, sir.

Mr. Soham

Thank you for providing me this opportunity to ask the question. I just have a query. The management has outlined the 300 crores of. Bank debt for the ongoing 400 crores of Capex while sitting on a cash of 167 crores. So why not utilize the larger share of these liquid reserves to reduce the debt and avoid finance cost?

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

I think CFO will be a better bet while we are borrowing so much.

Mr. K S Venkatachalapathy (Chief Financial Officer)

See, our industry is a seasonal industry and we want to keep a minimum of around 100 crores in our hands in order to and to go over our cost of funds is very cheaper. It is only a 5% as compared to banks offer of six by 8.25 because of So, interest subsidy, interest sub tension 3% is there. So, we are borrowing only low-cost funds even if we so that whatever the result we are having, we can earn more than 5% from the banks.

That is the ideology of borrowing funds instead of spending entire Capex in my own funds.

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

I will say that is based on costing. I would like to additionally say in order to make your sales projections and going forward, the growth plan, you need surplus funds to facilitate ideas to make things happen.

So, to be cash surplus in a growth phase is an important criterion than the risk that we have on having a bigger loan. And as Far we explained, it is not high cost of funds. It we are having interest submission of 3%, which is about 5.25%.

I think this scenario is a very good money that is available for us. Our surplus funds, we learn much more than this 5.25%. The finance division has a target to go beyond 10% on this. So, we are doing pretty well with the surplus funds. So do not think that this is ideal. It is equal to product we use to get the, we are also having targets to go. Make good investments to make a bigger return on this free cash.

Mr. Soham (Speaker Shareholder)

Okay, sir. That's it from my side. Thank you for answering that question.

Mr. K S Venkatachalapathy (Chief Financial Officer)

Thank you, Mr. Soham. Yeah, next.

Moderator

Sure, sir. We have Mr. Meherwan Kotwal with another question.

Mr. Meherwan Kotwal

So, thank you for taking my question again.

So, in our discussion, I heard that I think we've approved our expansion for the dry powder unit to 10,000 tons. So, will this also be entitled to the interest subvention that we are getting for the other pieces of our business? And roughly how much Capex are we looking at for expanding our capacity from 7,000 to 10,000? And this new expansion, is it in some way superior to the capabilities and capacities that we have at the moment? So that was my question on the expansion project that is announced and second thing is, as we've been saying that we'll be filling up the current units as we scale up operations with respect to our EC farms, which are getting developed.

So, the question from me for there was that are we going to start seeing benefits coming in a staggered manner or will all the benefits of this planned expansion emerge only after September 28th? So those two were my questions. Thank you.

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

The first question is no; we don't have interest sub mention on investment in egg processing. It's only investment back initiative only for the farm. So that 3% subvention will not apply for the auto capital capacity expansion. That's the first part and of course, the farm investment is, as it comes into production, we will see it supporting the auto apply. The entire project will be completed by 28 September, which means the full benefit will be in place by September 28th.

However, in the meantime, as the eggs come into production, it will add to our water bind. Then on the powder expansion side, I think we could consider three to five years of filling this capacity. And the investment is about 180 crores, backed by margin of 30 crores and about 150 crores term load at 8.25% as of now.

The next question that you asked me is, yes, we are already having, there are some improvements in the equipment that we are buying, because what we bought in the past is not the same that is available now. But in functionality wise, there is not a very big change.

Of course, efficiencies will be slightly better than the past, because newer investments will be. cost of production can become lower, primarily because there is a little bit slight improvement in the efficiency. Overall, the capacity when it goes from 7,000 to 10,000 tons, the fixed overheads impact on our costs will benefit from the bottom. That will also happen gradually over a period of time.

Mr. Meherwan Kotwal (Speaker Shareholder)

Right, sir. Thank you. And sir, finally, we are looking at a much better second-half with respect to our profitability based on our discussion. So, do we expect realizations to be much better in second-half versus what we've delivered in the first half?

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

It'll be around 700 plus.

Mr. Meherwan Kotwal

It should be around 700 plus, but the volumes will be a little bit better. Thank you so much, sir. All the best.

Mr. K S Venkatachalapathy (Chief Financial Officer)

Thank you. The next shareholder, if any, please.

Moderator

Sir, at the moment, we do not have any hands raised for further questions, sir.

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

Okay, can I do the concluding remarks then, moderator?

Moderator

Sure, sir.

Mr. SKM Shri Shivakumar (Chairman and Managing Director)

Thank you, shareholders, for spending your time. Of course, the observation of giving you enough time to study the uploaded results and come back to me is well taken. Unfortunately, I had to press this in the morning itself. Last year we did it in the second-half because I had another important schedule this afternoon.

So, from next year onwards we will have the investor presentation or next quarter onwards also uploaded along with the results and it will give sufficient time. We'll meet in the afternoon to do the question answer session. Thank you for your understanding. And I hope we have done justice to all your questions.

If you have any specifics still further to be clarified, you are most welcome to write to us and we will reply to you. Your company is in a very high growth path and we are expecting a good and bright future in the next three to five years.

Thank you so much.

Mr. K S Venkatachalapathy (Chief Financial Officer)

Can we close?

Moderator

Yes, Sir.

Mr. K S Venkatachalapathy (Chief Financial Officer)

Thank you.