"Agro Tech Foods Limited Conference Call"

April 25, 2014

ANALYST: **MR. ANIRUDDHA JOSHI - EQUITY ANALYST (CONSUMER), ANAND RATHI**

MANAGEMENT: **MR. SACHIN GOPAL – PRESIDENT & CHIEF EXECUTIVE OFFICER, AGRO TECH FOODS LIMITED**
MR. HEMANT KUMAR RUIA – VICE PRESIDENT & CHIEF FINANCIAL OFFICER – FINANCE,IS & LEGAL, AGRO TECH FOODS LIMITED
MS. SHILPI KAPADNIA - FMCG ASSOCIATE , AGRO TECH FOODS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Agro Tech Foods Limited Q4 FY 2014 Results Conference Call, hosted by Anand Rathi Shares and Stock Brokers. As a reminder for the duration of this conference all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call you may signal an operator by pressing "*" and then "0" on your touchtone phone. Please note this conference is being recorded. At this time I would like to hand the conference to Aniruddha Joshi. Thank you and over to you Sir!

Aniruddha Joshi: Thanks. On behalf of Anand Rathi Shares and Stock Brokers, we welcome you all to the 4Q FY 2014 results conference call of Agro Tech Foods Limited. We have Mr. Sachin Gopal, President and CEO and Mr. Hemant Kumar Ruia, VP and CFO. We also have Shilpi Kapadnia, FMCG Associate joining on the call. I will hand over to Mr. Sachin Gopal for his comments on the quarterly and yearly performance. Thanks and over to you Sir!

Sachin Gopal: Thank you very much Aniruddha. Good afternoon everybody. Thank you for taking the time out to be with us today. As usual we will walk you through the P&L that we just released and then keep sufficient time I guess for any questions and answers.

The focus on my commentary will be more around the full year since we have just finished the year and if there is anything to be brought to your attention from a last quarter perspective, which is different from what happened in the year, I will call that out, otherwise anyway if you have any questions, please free to ask us.

We will start with the top of the P&L. Basically as you can see we ended up with sales of about 765 Crores total income, if you look at net sales it was about 762 Crores versus about 787 Crores in the prior year. So that means basically there is a difference of about 25 Crores in the full year sales of the company. How that gets broken down is that on the Sundrop Edible Oil business we had a total over sale of about 30 Crores, so that is a negative impact on the topline of 30 Crores. On our Consumer Foods businesses, which is basically ACT-II and Peanut Butter, we had an increase and when I say consumer, it excludes the institutional part, what we sell through wending, and to cinema halls so on and so forth, that was up about 15 Crores. The institutional business which is basically as I said wending business and cinema halls so on and so forth was down about 8 Crores and Crystal Edible Oil business was down about 2 Crores, so negative rags on the topline 30 Crores in Sundrop, 8 Crores in the institutional business and 2 Crores of Crystal. That is about 40 Crores. Upward solid movement on the Consumer Foods business, which grew by about 17-odd percent was about 15 Crores. Net-net our net impact on topline of about 25 Crores.

Overall trends, I would say for the full year not significantly different from what they were if you compare it versus the first three quarters performance. All volume, value pricing are all pretty much in the same direction. If we go further down the P&L, you can see that employee benefit expenses are now starting to slowdown. This quarter is probably lower than last year same quarter, but let us take it on a full year basis we had indicated to you there was a significant additional competitive activity, which happens in FY 2014. The consequence of that clearly we needed to manage our cost structures better and we starting taking actions somewhere around

November of last year. Those have started to bear fruit and the net result is that our employee and benefit expenses have been curtailed to about 4% growth for the last year. This is obviously critical for us because if there is an event, which puts pressure on the total gross margin of the company then we need to find money in other areas of the P&L, which is other areas of P&L are always largely A&P spends, SG&A cost and interest cost. So, in the short-term we will take actions on A&P, but in the medium term then we need to find other ways, so that we can ensure that we have a healthy level of brand investment, which can then sustain our goal of becoming the kind of company that we want to become.

The next line also I think is important, which is that the depreciation charge has increased by about 4 Crores. This reflects basically the capital investments that we have made in the last 12 to 18 months, and therefore if you will the additional depreciation charge, there is a very interesting consequence also of this actually is that if you look at our EBITDA margin we got to the highest level figure that we have ever had of about, I think we have shared over 9%. So we have always said that our medium term goal would be to get to about 10% in terms of EBITDA because we have always said that some companies are somewhere in the range of 10% to 20%. It does not necessarily mean that we are there, but it means that we are getting close to being there. For example, you could argue that just we have got a higher EBITDA margin because we lowered our A&P spending and that point would be absolutely correct, so which is why we may not be exactly there, but certainly now starting to get into that range.

The next line after that is the advertising and promotion. This is a part that we did lower advertising spends last year, and that is something that clearly have a better cost structure. We want to get back to higher level of spending, so which is what we are working towards and what you can expect to see in the coming quarters. Other expenses are up about 10-odd Crores. The single biggest chunk of this is freight. I think freight alone would be about 50% of this and the balance 50% would be pretty much broken up between other overheads like energy cost, travelling cost, so on and so forth.

That as you can see then gives us a profit from operations of about close to 60 Crores versus about 58 Crores last year. You can also see that we had a higher interest charges this year. We have paid out almost about 2 Crores by way of interest. This is something that also on a quarterly basis we would like to start to work to reduce this. There as you can see almost 35% of this came in Q4 alone. This is also a consequence of the fact that we tend to import our own around Q2 and Q3, but we will have to manage this piece a little more carefully. We made a significant amount of capex already now, and as these plants are operational and we get output from these plants then we need to make sure that we are actually getting the turnover from these plants that we would like to get before we actually make any big investments or significant investments in capex. We continue to of course to do capex because we need to keep building the company and provide for capacities for the future years, but just as a broad overview, which is also consistent with our own thought and one of our critical pillars of working mean that we really do not want to have too much data of course. As you can see from that we ended up with a profit before tax of about 43.1 Crores, which is about 3.5% or 4% thereabouts as in prior years and with a consequent increase in earnings per share.

I think that kind of sums up the overall commentary on the P&L. In terms of you look at the assets you can see here that our inventories are higher than prior year that is largely due to the fact that all the corn that we got in this year has come in well before time meaning well before March 31. So it gets largely the impact on corn. Unlike last year where you can see the short-term loans and advances last year were relatively and that was because there was still corn which had either landed in ports or was yet to be cleared so on and so forth. So, you need to just read these two lines in context of each other. One is the inventory line and one is the short-term loans and advances. At the same time, you can also see receivables were down that is largely because CSD actually paid out well and this is across companies. The payments from CSD were good and therefore our trade receivables came down. There is nothing significant to report as far as other channels are concerned either the modern trade or the distributor channel. So that covers of the asset discussion.

Aniruddha that covers of my point; if there is anything, any questions anybody would like to ask, I am happy to answer.

Moderator: Thank you very much. We will begin the questions and answer session. The first question is from the line of Mr. Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Question is on the Edible Oils portfolio. I would guess that the decline on Sundrop continues at more or less the same level which it did in Q3. So now it is two quarters of a very substantial decline in the sales. So just wanted to know what are your plans in order to revive the sales growth for this and also the fact that you're A&P has been down in conjunction with the poor sales. So, is there any plan to increase the A&P on the edible oil segment and if you do so, do you think it is going to sort of hinder or hamper your ability to grow the foods business?

Sachin Gopal: Thanks very much Percy. The answer to that is the volume index in Q4 is probably a little better than the full year average, but I would say not something or so significant that you know we should treat it. Just a couple of points, so nothing so significant that we should treat it as different. Now what does this mean as far as the current year is concerned, which is FY 2015 is concerned. We will need to see as the quarter progresses. We obviously though that we have taken actions on other fronts like putting more focus on costs that has opened up some space in the P&L for us to be able to invest more behind our flagship brand which is Sundrop Heart. So we will start to invest that. We will have to understand. It will take us probably Q1 and Q2 to understand that basically has the resetting of the base happened and now are we back to same trend lines or the same algorithm we were in right through from **(Inaudible-11.40)** to FY 2013 in other words whatever impact there was of competitive activity, do we treat it as a resetting of the base or do we treat it as a change in trend. We will have the answer to that question in my view only after we finish the first two quarters of this year. We will get back to spending at the rate that we were spending earlier and then if the volume trajectory turns out to be different from what it was last year we will know that okay, it is the base which has been reset, we have modified our cost structure to operate accordingly and therefore no further action is required. On the other hand if the volume trajectory after six months does not change, then we know the underlying trends have continued into the current fiscal as well. So there is decent possibility that the former is true. It depends on how competitive activity pans out. How much money is spent by competition? So we will see. So, probably I would say after two quarters, I will be able to give you a better answer. Right now these are the two possibilities and these are the actions that we are taking.

Percy Panthaki: Sir apart from the cost rationalization any other actions you are taking to sort of bring the sales growth to a healthy level?

Sachin Gopal: We need to spend, Percy. If there is something else which is available in the industry I am happy to know as well. We need to spend the money. If we need to be spending the money, we are doing very well on all other parameters. We have ended up the year with a higher share of the premium segment as far as AC Nielsen is concerned, but the bad news is that the premium segment, which is basically us and the other premium edible oil has contracted by about 10%. So we need to spend the money to make sure that the segment itself per se starts to reverse this negative trend and we are doing very good. We continue to do very well on distribution. Any ATFL is now distributed in about 76000 stores, so you know probably I would say more than 50% ahead in terms of any distribution of our competitor. So, we are in good shape in terms of share, in terms of distribution and all those parameters are fine. We just need to get the segment size to change this trend. As I said, I will be able to tell you after one or two quarters, exactly how it is performing.

Percy Panthaki: On ACT-II Popcorn this Q4 can you give the figure, what is your growth rate excluding institutional and ingredients (ph) also?

Sachin Gopal: With your permission, may I come back to you at the end, because the kind of structure that we follow is that we will take the questions and then the follow-ons we will just revert back, but I promise to come back.

Percy Panthaki: Thank you.

Moderator: Thank you. The next question is from the line of Mr. Raunak Agarwal from Catamaran Capital. Please go ahead.

Raunak Agarwal: Thank you for this opportunity. I have two questions here. Sir, what is the royalty agreement? Second would be what would be the ad spend, if you can give it in absolute amount or some thumb rule or percentage in the Sundrop Edible Oil segment for our Company?

Sachin Gopal: To answer the first question, Raunak, our royalty agreement is pretty much and has been framed almost about six years ago. So, it was then consistent with the RBI laws and regulations at that point in time, which was basically it would be about 1% on our sachet popcorn and probably about 5%-odd percent that tops on the microwave. So it is nothing significant. You can have a look at it. It is available in our annual report as well and it remains wherever it was when the royalty agreement was signed when we were all still based in Hyderabad. That is obviously paid only on ACT-II because Sundrop is a brand and Crystal are owned by Agro Tech Foods. The second part is on the Ad spend, we spend an average of about probably in media and that is the critical number that we need to look at and not trade expenses, so on and so forth. We used to be spending about 10 Crores to 12 Crores on both Sundrop Heart and ACT-II. Last year we would have spent about half of that. That basically accounts for the decrease that you see in the advertising and promotion expenses. You can see there from 45 Crores it is down to about 32 Crores. So that is about 13 Crores lower. You can assume that a very large part of that is media, because that is the one you can cut more easily. It is more difficult to cut other expense elements. So you can assume probably we must have reduced about 10 Crores in media and about half of that would have been on Sundrop and about half of that would have been on ACT-II.

Raunak Agarwal: On an ongoing basis for edible oil segment what would be the thumb rule for the A&P spend to maintain your market share to defend your market share in times of excessive competition?

Sachin Gopal: I will take that question and with respect to Percy, because you did ask it, so I will probably did not answer it. The rule that we have set for ourselves is that we are today at under about 5% of A&P. We need to get to somewhere in the 6% to 8% range for a healthy business overall. Within that we have not defined exactly how much do we need to spend on edible oils. We need to have the right amount of money that we can defend our position and we can defend our share. Obviously the amount of money that we have spent is also a function of the efficiency of our creative process. So last year we have spent as I said and even if you look at the ad index we would have probably spent about 5 or 6 Crores. Our competitor would have spent a lot more, far, far more and Wilmer as I said spent probably close to 60 Crores, which is about three times what we and our competitor in the premium oil segment would have spent. So, actually we came out reasonably well. I think that is something that we are pretty much played by year but from an investment standpoint how much should we be spending as a company the right level of spending is in the region of 6% to 8%, but clearly for that we need to be able to make the margin to be able to spend 6% to 8%. That is why the structure of the P&L is important.

Raunak Agarwal: That 6% to 8% is at the company level?

Sachin Gopal: That is right.

Raunak Agarwal: I will come back if there are more questions.

Moderator: Thank you. The next question is from the line of Abhijit Dey from BNP Paribas Mutual Fund. Please go ahead.

Abhijit Dey: Good afternoon. Sorry, if I missed this, but what was the volume growth in your edible oil segment in Q4 and for the year as a whole?

Sachin Gopal: Abhijit the volume growth for edible oils was volume index it was not a growth it was a decline it was 91. So in other words our volumes were lower on a total basis by about 9%. As I mentioned, the last quarter was a little better. It was a couple of points better, but nothing sort of so significant. You can assume that it is kind of in line. Q4 trends were roughly similar to the full year trends.

Abhijit Dey: This was the full year number which you gave me, 91?

Sachin Gopal: Correct. You can assume that for the quarter also that is the represented figure. Because whenever we give you quarter number's we also have to take into account even if they are tied better they have to take into account, base so on and so forth.

Abhijit Dey: One related question, if you see this time around the Sunflower crop globally has been very good, the production in Ukraine and Russia being much higher than what they were in the last season and India imports of Sunflower oil has jumped about 28% in the period October to March. So I was expecting there was some kind of volume to return for your business also, but that does not seem to have happened. Any reason for this apart from the competitive activities which you are talking about?

Sachin Gopal: Abhijit, I will have to revert this back to you, because all followup questions, we will take. I will come back after the base is done.

Abhijit Dey: Thank you.

Moderator: Thank you. The next question is from the line of Mr. Rajat Budhiraja from Banyan Capital Advisors. Please go ahead.

Rajat Budhiraja: Thanks for taking my question. According to one of the news articles you are bidded for Balaji Wafers. So this is a kind of an inorganic acquisition strategy which has never been in the question in the last two years and I have gone to the concall, so now I want to understand what are you thinking on these lines in terms of your acquisition strategy and how is it in line in your current status, what are you thinking on that? The other question is in the current business like your volume is going down especially in edible oil and advertisement and promotion expenses have also gone down. So going forward in case if volume does not expand and you will have to go for more advertisement than the promotion expenses, so what are your thinking on margins? In that case margins will not improve **(Inaudible- 21.20)?**

Sachin Gopal: Thank you very much. So to your first question, I am not aware of the article. I am sure what you are saying is correct. No we have not had any discussions with Balaji Wafers, leave alone making a bid for it. Obviously there was enough circulation of the proposal for somebody to make an investment in that company and I am not sure the final results are, but that happened, I think, about June or July of 2013. So that is as far as the Balaji itself is concerned. Regarding our approach to acquisition, our approach to acquisition is not that we are not open to an acquisition; however, it must make sense for us because we have sufficient opportunities for organic growth for us not to view inorganic growth as the only option that we have. We are still rolled out only a fraction of the larger ConAgra portfolio. So as we continue to make investments in a diligent and responsible manner to set up the capacities to make those products in India, we are sufficient. We have a pretty wide runway for growth as far as our foods business is concerned. Having said that if an opportunity arises where there are sufficient synergies that we see either in terms of cost or in terms of revenue and through an acquisition of a local Indian company that is something that we maybe happy to look at. However, it should make sense from us. It should make sense for us from a financial perspective. It should make sense for us from an earnings perspective so from all those parameters it should be relevant. The answer is we will always be open to it. So it is not that we do not look at acquisition proposals, many of them come to us. We evaluate and if it makes sense we are always happy to talk, but if it does not we are also be comfortable just saying hey! It does not make sense for us. So that is as far as acquisitions are concerned. Regarding the A&P spending and the need to invest behind our spends, that is absolutely a very, very important point. We are now at the stage where we have also launched **(Inaudible-23.47)** Peanut Butter. We have got the plant absolutely ready. It is running. We have been making it. In fact after the last call, we actually had to stop the plant for a little while. We had to sort out a few issues, but now it has been running very, very smoothly. A lot of the product that you will see in the trade now is all locally made peanut butter and that obviously is nice solution to be in because we have already started to absorb the plant overheads and the depreciation in our P&L. So, on an incremental basis therefore the more peanut butter we sell the more profitable we are. So, we absolute need to spend more behind that and I had mentioned in the earlier calls that in the first half of this year you will see us starting to spend behind peanut butter and that will happen in the first semester of this year. Clearly however, the ability to spend behind A&P is a function of also earning the gross margin. So, we need to be accelerated. We need to seize whatever margin opportunities there are and we need to continue to grow the gross margin. If we grow the gross margin we will have and we keep a tight control on cost, we will have the money, which comes to A&P. I think that has clearly been the case over the last six to seven years and there will be some impacts or some activity or the other. Let us see how this year goes and for me to be able to give you a better more firm view on how it will pan out in the coming quarters.

Rajat Budhiraja: Thanks a lot. I have a followup question, if you will allow. I just want to understand do you have any figure in your mind for the acquisition that how big that could be and you will not look beyond that thing because the balance sheet does not allow that?

Sachin Gopal: Can I come back to you Rajat on the followup acquisition. I will revert to it. That is the third one I have to come back to you.

Rajat Budhiraja: Thank you.

Moderator: Thank you Sir. The next question is from the line of Kinjal Desai from Reliance Mutual Fund. Please go ahead.

Kinjal Desai: Sir, I would actually like to know two points; one in the last concall you had said that we are looking at two sorts of launches in the next six months, so one probably would be Peanut Butter. Is there another in line or given the circumstances we would like to sort of defer it? The second question would be on the lines of competition that with edible oil basket being much lower now. Are we now looking at more competition and if so what would be our strategy to get into it?

Sachin Gopal: Thanks. As I had mentioned in the last call, I will give you an update in the Q2 call. However, the specific answer to your question is Peanut Butter is not included in that. So, the local variance of Peanut Butter which is the 200 gram bottle and the 100 gram bottle and the sachets those do not come under the purview of two new launches because those are only more SKUs, which are getting launched in ready products. I would say we are on track for both of these products in the first half. There are two new products and as it pans out and we are able to give you more details as I said on the Q2 call I will certainly share that with you. However, I can also add all of this is only in the snacks arena. So, we are going in the snacks arena. Regarding the competitive activity in the edible oil category the answer is yes, it is slower. So, for example, if I look at last year when one of our competitors spent about 60 Crores a very large part of that was spent in the first two quarters. Last two quarters we have seen lower levels of spend probably in the region of about 3 Crores or so. So the answer is right now competitive spending is at a lower level. Can we assume that it is going to be at a lower level for the next four quarters or eight quarters? The answer is no because we would not know till it happens. But right now it is at a lower level and we will just have to wait and see. From our standpoint as I said do exactly what we have done over the last six months, which is be agile, seize margin opportunities where it exists, be linear in terms of cost, so that we continue to invest behind the brands. In the short-term, the short-term response always, if you have an unexpected event and which puts pressure on margins is you reduce your advertising spends but that is not necessarily the right thing to do from a long-term standpoint. So, that is what we are fixing now. You will see it. We are already air, back on air in April. We will continue to be on air right through the first several months right now and I will probably be able to give you a better answer to that question as I said after two quarters.

Kinjal Desai: Sir, one point, you said that the two new launches would be in snacks. Are we looking at Ready-to-Eat?

Sachin Gopal: Both Ready-to-Eat, bag snacks.

Moderator: Thank you. The next question is from the line of Mr. Prakash Kapadia from I Aplha Enterprises. Please go ahead.

Prakash Kapadia: Thanks for taking my questions. Three questions Sachin. Given that ACT-II Popcorn has achieved a certain milestone any plans of launching Crunch 'n Munch or Orville Redenbacher's and tapping the premium end of the popcorn market in India? That is the first question. Given that now the rupee has stabilized and inflation seems to be under control, any sense you can give us on upgradation of consumers to the Sundrop Heart portfolio? Third question is on tax rate. Last three years we have seen benefits in terms of R&D deferred tax. So FY 2015 onwards should we see or assume an increased tax rate? Those were my three questions?

Sachin Gopal: Thank you very much. The answer is most definitely ACT-II has achieved, we have now got a brand an active brand, which is playing in the snacks arena. To put it into context the snacks market today is probably in the range of about $25 billion, we can say about 12000 Crores. Consumer price, we will probably be because that figure is at consumer price we will probably be in the 1.5% to 2% range of it. Potentially ACT-II can be about 12% to 15% of the snacks market. In some channels it is already there. Some modern trade customers, it will already be in the range of 8% to 12% of the market. So we now feel that we are in a good place that we have got a brand. We have built up a nice brand with all the right values and more or less the right consumer proposition and imagery, so our task is really now how do we figure out or how to take ACT-II from being 2% of the snacks market to 5% to 10% and 15% of the snack market. Now these are very big numbers because the total snack market is growing at about 20% to 25% per year so it is not inconsiderable that in about five years time you are looking at a Ready-to-Eat sweet and salty snack market which is in the range of about 325000 Crores. So, 5% of 23000 Crores is also about a 1000 Crores. So that is a nice spot to be in. The challenge comes on how do you actually get to being 5% or 10% of that market. It is obviously easier in some channels and some customers, and you can do it very quickly, but on the others, there will be distribution costs involved. So the building of scale in these categories is a little challenging. That will help me to define the answer to the second part of the first question that you had which is therefore are we looking at products like Crunch 'n Munch or Orville Redenbacher's Poppycock so on and so forth. The answer is yes. However, those are not going to get us to 5% of our 23000 Crores market. If we want to be 5% of our 23000 Crores market we will have to be playing in some relatively larger categories. That is something that we recognized some two to two and a half years ago and much of the capacity work that we started to do now the building of multiple plants across the country is oriented towards that. So as you would have seen now we are already up to three plants with the start up of the Gujarat facility we have three plants. Peanut Butter has already started in Gujarat and very soon the snacks part of the plant will go up probably in the next six months or so. In addition to that plant in Unnao will also go live and operational within probably the first six months of this year. So we will be up to four plants and then we will acquire the land in Guwahati. Right now the monsoons in Guwahati start in April. So once the monsoon ends we will start civil work there. That will take us to five and after that really there are only two more sites that we need to be in one somewhere near Kolkata and one somewhere near Chennai and that will take us to a position where we can probably see a 25% to 30% gross margin even in a bag snack, because of very, very sizable proportion of bag snack is actually in freight. So, the answer is yes; however, not necessarily with these products. Now products like Poppycock and Crunch 'n Munch they are going to be higher priced. They are going to be almost the jewelry type watches for a watch company if you will. They will not get us to 5% of the snack market, but they will help. They will be certainly profitable. The second is now that the economy has stabilized, to be honest we have not really seen any material impact. I will always say we are a very small company at 800-odd, 750-800 Crores we do not see large impacts of the economy either doing well or declining. More of what impacts you see in our company is either consequence of the decisions that we take or competitive actions and sometime possibly both. So the answer is we have not really seen any change. We need to just keep spending on Heart. So if we spend on Heart, we get the business. So that is the second question. On tax rate the answer is yes. You can see from the P&L that we have got our effective tax rate is down by almost 600-basis points versus last year. About a total benefit of about 800-basis points versus the normal tax rate that includes benefits from both the R&D center as well benefits from Section 80-IC out of Kashipur. Now we also have to recognize the fact that because we have spent as an A&P, the profit of that factory was higher. If we had spent more on A&P yes we would have earned more margin, but the tax piece may not have cleared exactly the way we did this year. So, going forward while the R&D benefit should come to you; however, this is the last year of benefit from the Kashipur facility. So effect March 31, 2015 the tax rate will go up to whatever is regular tax rate plus the R&D benefits that we will get. So, as we plan our movement from FY 2015 into FY 2016 we have to take this into account and see how do we actually navigate this piece, but suddenly there is an effective tax rate between one year and the next. So that is something obviously that management has to work on and which we are working on right now.

Prakash Kapadia: Thank you. All the best.

Moderator: Thank you. The next question is from the line of Mr. Ennette Fernandes from Tata Mutual Fund. Please go ahead.

Ennette Fernandes: Sir, firstly just wanted to know whether the volume index on the Sundrop Heart variant would be positive for this year? If you could share the volume index for the snack food segment? Secondly, what would be the contribution of the snack food segment as of end of FY 2014 and also you had mentioned in the Q2 concall that the contributions from the sub Rs. 100 variant in Sundrop has increased significantly. So in spite of that have we been able to expand our gross margins in the Sundrop brand in FY 2014 or has the gross margin expansion come on account of product mix change? That is it.

Sachin Gopal: I will not be able to give you specific volume index on Heart. So let me put it this way. It is better than the rest of the volume portfolio, but in effect what you are seeing on the Sundrop brand which I said is the volume index of 91 is a mixture of the premium side of the portfolio being lower than 91 offset by the lower end which is the sub-Rs. 100 growing. So there is in a sense volume pressure at the top end on the more profitable side. There is a volume growth that we saw on less profitable side. Now that is one reason why and actually I did not give the figure, which I often do so, I will tell you our total gross margin as we record and in US GAAP terms was for the year has been about 186 Crores. So, last year the same figure was 192 Crores. If you go into our annual report, you will see these figures are mentioned in the Director’s report. So, in a sense we have lost about 5 to 6 Crores of gross margins in this year in FY 2014 versus FY 2013. All of this loss of gross margin has come entirely from the Sundrop oil’s portfolio. Naturally that is why we had to take actions in terms of the cost structure. We mitigated this partially due to lower A&P in the later part of the year through lower SG&A and going forward will be addressing both SG&A and interest cost, so that we can restore of the brand investments through the right level that you would like to have. So that gives you a context in terms of our volume performance and I think will also answer question #4 which you had which is therefore there has been share, there is a greater share of the sub Rs. 100 oil and lower share of the Rs. 150 plus oil in the portfolio between one year and the next. In terms of the volume index for snacks food that is very difficult to give because there is a whole lot of pieces regarding grammage reduction so on and so forth that have taken place, so what I can tell you and this is the question I guess that Percy had asked so, it will therefore helpful to answer that as well. We had about 17% growth in our consumer snack food business. So, in percentage terms, our net sales of the consumer snack food business grew by about 17%. So that is obviously we had a decline in the institutional side, so the net growth was lower, it was about tagged under 10% probably about 8% or something like that, but that answer the question in terms of I would say what is the real growth. Now a large part of this growth of 17%, I would say as come through pricing and mix. Pricing because we did some grammage reduction, but we have also increased some pack sizes and mix because we launched more premium flavors and consumer upgraded to those flavors and we did not really see any lower levels of upgrading, consumers continue to upgrade, we do not believe really as I repeatedly say that the economic trend such large impact on our business. So I would say the broadly would summarize the growth of the snack food business. In terms of the contribution of the snack food business that has gone up by about 100 basis points from about 17% to about 18% last year. It would be higher depending on the performance of the institutional channel, but that is what the number ended up being. In terms of gross, I answered the question on sub Rs. 100 and on the gross margin I guess you have it that you know there was a Rs. 6 Crores drop and all of that is entirely due to the oil's business. On the Popcorn business, we actually had huge increase I think I had mentioned these to about four calls ago that our cost of **popping corn (Unclear-40.57)** last year was going to be significantly more than what it was the year before; however, I think we were effectively able to take price increases on almost the entire consumer side of the business and therefore we are able to offset all of the cost increases that we saw in the popcorn business through pricing and mix and therefore we were able to hold the margin on the business. Going forward, obviously we need to continue to improve this margin as we have done in the prior years.

Moderator: Thank you. The next question is from the line of Priyank Singhal from Bajaj Allianz. Please go ahead.

Priyank Singhal: Good afternoon. This comment that you have made overall snack food market Rs. 24000 Crores roughly five seven years from now and we say can target of 5% market share. Hypothetically if we were to reach the situation of 1200 odd Crores kind of revenues coming in from that, what would be the hypothetical mix at that point in time as far as our portfolio is concerned? That is the first question. Second is few years ago, when I had met you in one of the meetings you had mentioned that first stop would be to reach an EBITDA margin level of 10% and then the next stop would be to reach Marico's level in the next stop after that should be to reach Nestle's level eventually you may not have named the companies but that is the sort of interpretation I left that meeting with. So now that we have reached to first milestone of 8% to 10% EBITDA margin and have had few quarters of stable margins going forward, what is the outlook for achieving the other two escalations stops? Those are my two questions.

Sachin Gopal: On the overall snacks food market I wish I have the precise answer to your question. You are all where that you know as we have started we do not really even have a snack food business right, ACT-II was Rs. 10 or Rs. 12 Crores business some six years ago and we started off getting into Ready To Eat, Ready To Cook business already. As you know, we had to aborted attempts some six or seven years ago in Ready To Eat snacks and it was only two years ago and we actually launched Ready To Eat popcorn that we were successful in doing it and we had courage to see, yes, I think we can build business of this. So, I think going forward you will see an increasing share versus what it is today, you will see an increasing share of Ready To Eat or bag snacks if you will in as a proportion of snacks portfolio and that is natural because Ready To Eat snacks are only about 4% to 5% of our business today. So, naturally that should grow. How much it will grow? I would say I would not be able to give you clear prediction, but I can give you true facts. First, let us assume the popcorn per se the popcorn category is about 2% of the snacks market today. We would certainly expect it to grow as a proportion of it. The second fact is that globally Ready to Eat popcorn as large as Ready to Cook popcorn that is the understanding that we have. There is no published data to that, but when we look at different markets like US, Philippines, South Africa, you will see there is enough even coming out of the US, there is enough data to suggest that actually consumers are buying more and more Ready to Eat popcorn. So, Ready to Eat popcorn conceivably could be as large as Ready to Eat popcorn. In other words whatever is current business size of popcorn, we could have double the size of that just by having Ready to Eat, but that is easier said than done, because Ready to Eat popcorn is a very, very difficult to build. Globally it seems to have been built more by entrepreneurs than by big companies and largely because freight costs are very high, you need to have a lot of agility, you need to be able to respond to the market. So certainly Ready to Eat popcorn would be a big part of that. Third I think it would be that ACT-II is now a brand, which is nicely recognized, so clearly it can be a leader in corn based snacks. So you can see an increasing share of contribution coming from corn based snacks other than popcorns. Now there may be corn, there may be corn mixed with some other ingredients, but you are likely to see that. That could also be very big market because corn based snacks is already a very large proportion of it. How it will pan out and not able to give you precise definition, but certainly Ready to Eat popcorn, popcorn and corn based snacks, these three should individually be very base. How big we are able to make them will be a function of our execution and how we are able to tenaciously follow through. To the second question, you are already pushing me onto the next stage. My answer to you would be we have not got to stage one as yet. At 9.2% and after lower than marketing spends that we would have like to have, we are not yet reached 10% would we like to get 10%? Of course we would. I probably would not have named any company to you correctly said, Priyank but I would say Nestle, I think Nestle worldwide is about 18% and I think if I am not mistaken Dannon is even better than Nestle only even better than Nestle, it is about 19%. So, we need to first, let us cross the 10% mark before I start to give you forecast and when I say cross 10% mark, we should cross 10% be there, nice, solid, firm grounds on it so and so forth, after that I will give you comment on the next part.

Priyank Singhal: Thanks.

Moderator: Thank you. The next question is from the line of Naveen Kulkarni from Phillip Capital. Please go ahead.

Naveen Kulkarni: Thanks for taking my question. In case I have missed it. Could you give us the price growth for Sundrop brand for FY 2014 and for Q4? Secondly, could you give us some details and how do the strategy with regard Sundrop Light is panning out, because this is a low price SKU we had launched it with the intention of gaining volumes as well as higher distribution coverage it will also help our higher SKUs, so as it helped our company in this year or we are yet to see the results and also with the strategy of launching it in pet bottle, so could you give us some indications on that, it will be helpful?

Sachin Gopal: The price growth if you take on an aggregate for Sundrop last year was about 8%. So, put it this way in terms of price volume, mix matrix. We had a volume index of 91. If you add 8 points to that which is built into pricing that takes to 99 and then drop 5 points you to mix which was the question, if you recall I would have answered from when answer Ennette's question. So 91 volume index 8 points coming through pricing 99, offset five points because of a mix which is in favor of the lower price oils that we will give you the value index of about 94. Make 6 index points consists of about Rs. 500 Crores and you will get about Rs. 30 Crores, which is the first number that I gave you when we started the meeting. The second part regarding Light the answer is yes, perfectly we fulfilled the roles that we would like. We would obviously like to get even more volumes than it did, but it certainly did get us some good volume. It also gave us a very, very strong position and distribution that is how we actually gone up to 76,000 stores for any ATFL largely driven by Light. The product has done very well and given us a very, very good growth in distribution. We will take one more question and then I will come back to the follow through questions, so nobody is unhappy with me today.

Moderator: The next question is from the line of Kunal Rakshit from First Voyager. Please go ahead.

Kunal Rakshit: Thanks for taking my question. Just in case I have missed it. What was the growth in Q4 for ACT-II and the second question is how long will we be focused more on EBITDA margin rather than driving growth? Is this strategy would continue and even in the current growth rates that we are seeing or are we expecting revert to higher Ad spends?

Sachin Gopal: The first part is the growth as mentioned that we had growth in ACT-II of about 17% for the full year. The growth rates for the last quarter is over the back, because I think if you could go into the Q3 concall you will probably find that I would have given a figure of about 19% or 20%, so clearly as we spend less on the back half of the year to the growth rates also performed accordingly, but growth figure of about 17% is what we have ended the year at. In terms of the question on EBITDA margin and growth in profit versus consumers, we obviously one growth, we should always be greedy about and long term greedy and short term greedy, but we will need to be greedy, if you do not make the right margins and we do not make gross margins, we do make the right profit, **(Inaudible-50.43)** to going to be invest behind our business, if you do not make the high gross margin, we cannot invest behind any equity and if do not make profit that we need to make, we are not going to be able to invest behind building the capacities that we need to make to build a really great company, leveraging the full portfolio of ConAgra. That is the very, very critical dimension here. I think it is a balancing act. You cannot say that we will only be profit focused or we will only be volume focused, we need to be able to do both. Is it going to be balanced? The answer is 100% yes. There are a very few examples in the history of Indian food business where somebody has built a nice large business without actually having some form of significant financial support coming from some other part of the company. In our case, our endeavor is to do both. It is to drive the business, build new categories profitably and can we do it, I think the answer is yes. We have demonstrated that with ACT-II. We built up a nice business already. Of course, what worked for us in the last five years, will that work for us in the next five years? Definitely not. Environments will change, there will be new competitors, there will be new kinds of categories, but if we find the solutions we can certainly continue to deliver a good profitable growth and be on track for our larger goals. That does not means that we will say no, no we will do only profit, we will just for aggressively and seek share. I think you have to do both. History has shown that where companies have either pursued one or the other it is difficult later to get back to the right balance. You pay a very heavy price in the year that we do. So we feel it is much better to do it the way where we have to make it. I think that brings us hopefully to close. Are there any pending questions anybody raised his hand or I can go end to the follow up.

Moderator: The next question is from the line of Mayur Gathani from OHM Group. Please go ahead.

Mayur Gathani: Thank you for the opportunity. Sir, in opening statement you mentioned about capex that we would not going for a larger capex but we will continue to smaller capex to continue the growth, so I just wanted to check what is the capex plans and these are for the new factories or plants that we are setting up?

Sachin Gopal: I just go to the next person. I will answer your question.

Moderator: Thank you. The next question is a follow up from the line of Priyank Singhal from Bajal Allianz. Please go ahead.

Priyank Singhal: On ACT-II popcorn if I had noticed the number correctly, you mentioned that there was a 17% growth in revenues of consumer food in the current fiscal compared to previous. While 17 is not bad, the expectation is that for ACT-II category the growth would be higher. So I just wanted to understand going forward, are you sort of looking at a much more optimistic ramp up in the ACT-II portfolio including the Ready to Eat and also in case of Peanut Butter, now that UVR is sort of producing domestically, what SKUs, you are looking at introducing in the marketplace and what is the kind of ramp up you think is pretty much possible in case of Peanut Butter? That is the first question. Second is more about, I have asked this question in the earlier calls as well. Any plans of changing the name of the company to ConAgra since I am not clear what value Agro Tech bring the table the name Agro Tech and therefore I am not clear as to why we are continuing with the name Agro Tech?

Sachin Gopal: I will answer all the pending questions. The first pending question was from Percy. So, Percy that question is answered in terms of growth of ACT-II, we were able to give you that number. The second question was if you will ask the related question, it is related to Sundrop. There was a question from Mr. Budhiraja regarding that if we had to do an acquisition what would the size be? Our experience Rajan is that the energy it takes for a big acquisition or small acquisition is exactly the same. So, in other words we would always be tempted if we had to go in for an acquisition, we prefer a large one rather than smaller one, because we still have to do all the same energy on do diligence, integration so on and so forth. It should be almost transformation. It should take us into another league. So it should not be small. Clearly however, if we have to borrow money then you know the borrowing cost has to be taken into account and therefore we need to see it all makes economic sense. The next question which is unanswered is regarding the capex. The answer to your question is we generally do not tend to be very abrupt in terms of sharp movements one way or the other. We have said that we end up spending about Rs. 20- Rs. 20 Crores thereabouts on an annualized basis. We will continue to spend money. It is just that we would not make right away we would not make another investment like we have made in the Peanut Butter plant, which was we spent about Rs. 33 Crores, Rs. 35 Crores in the plant, so we will continue to make the smaller investments. We will also continue to make fast all the civil investments which have a much longer lead time. When you commit to a new plant it takes about two to three years for it actually to come up, buying land, getting the civil work done, approvals and moving the machinery in. So, it has to be balanced, so it is not that we will not, we will do capex, but the scale of the capex's might be different and also there might be other capex's, we will say they are big it is about Rs. 25, Rs. 30 Crores, just to keep for one year down the line, because we do have a very large number of options available in terms of product. Regarding Priyank your question ACT-II yes, I think we said last year that you know we have been growing at about 20% and that is roughly about 17% or thereabouts but we need to grow at 40%. So I said it in several calls ago that we intent to bridge the gap between 20 and 40. While is to keep getting 20 we need to keep spending money. So we will continue to do that; however, the gap between 20 and 40, will get cover to brand extensions and I said thereafter the Q2 call, I will be in a position to give you more details. We are absolutely on track with that most of the machinery is installed, trials are happening are happening, so bear with us and you will see that and that has to be a bigger part of at that point in time probably the question will also get answered of how do we grow ACT-II from being 2% of the snack market to 5%. Regarding the change of name of the company, I would say yes, I am sure that ConAgra Foods India, if you will is a reasonable name for the company to have at the same time Agro Tech Foods is also nice and there is a lot of **(Inaudible-58.24).** I will take your feedback. I will take your comments as feedback and certainly whenever we have a discussion at the board, I will say that this is one of the questions investors have asked, to say Hey! Why did not you guys change the name of the company, this is a question and something I am sure I will ask myself. Only thing is Abhijit Dey if he can clarify something on Sundrop so, if he can repeat that?

Abhijit Dey: I just wanted to know between the period October 2013 and March 2014, Indian import of crude sunflower oil?

Sachin Gopal: The answer is yes, Sunflower oil prices vary and yes between October 2013 and March 2014, actually October to January we saw a decline in prices down probably but Rs. 61,000, but the result moving up again to about Rs. 67 and probably ended year at about Rs. 64, so we do compete at the top end of the **(Inaudible-59. 46)** at our prices, so yes price movements obviously volatility has some impact on our business, particularly at the lower end, but I would say, I would not like to draw strong correlation between the Ukraine crop and the performance of Sundrop. I do not think mathematically you will get it. I am not much of statistician but I do not think you will find it, alright. Madam, that brings to the close of the call. Aniruddha over to you. Thank you very much all for joining us.

Moderator: Ladies and gentlemen due to time constraints that was the last question. I would now like to hand the floor over to Mr. Aniruddha Joshi for closing comments.

Aniruddha Joshi: Thanks. On behalf of Anand Rathi Shares and Stock Brokers we thank all the participants for being on the call. We also thank the management of Agro Tech Foods, Mr. Sachin Gopal and Mr. Hemant Kumar Ruia both for any closing comments. Mr. Sachin it is over to you.

Sachin Gopal: No Aniruddha, thanks very much for organizing the call. Thank you madam for running it and to everybody for being with us and have a good day.

Moderator: Thank you. On behalf of Anand Rathi Shares and Stock Brokers that concludes this conference. Thank you for joining us. You may now disconnect your lines.