"Agro Tech Foods Limited
Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Agro Tech Foods Limited Q1 FY 2015 Earnings Conference Call, hosted by Anand Rathi Shares and Stock Brokers. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Aniruddha Joshi from Anand Rathi Shares and Stock Brokers. Thank you and over to you Sir!

Aniruddha Joshi: Thanks Shaima. On behalf of Anand Rathi Research, we welcome you all to the 1Q FY 2015 results conference call of Agro Tech Foods Limited. We have Mr. Sachin Gopal, President and CEO as well as Mr. Hemant Kumar Ruia, VP and CFO - Finance. Now I hand over to Mr. Sachin Gopal for his comments on the quarterly performance. Thanks and over to you Sir!

Sachin Gopal: Thanks very much Aniruddha. Good evening everybody. Thank you for taking the time to be with us today. We will walk you through the P&L as usual with some comments as well and then we will open it up for Q&A.

We have kept a slightly longer period this time because we were not able to address fully all the questions in the prior calls. That is why the call today is from 6.00 to 7.30 and we have also kept a little later than we used to in the earlier days to enable people who are not in the country to actually participate or at least listen in the call. I will go through the P&L as usual.

As you can see from the topline we delivered net sales of about 179 Crores, a little more than that closed to 180 as compared to about 184 Crores last year in the same quarter. So that is the difference about close to 4 Crores. Basically if you break this down, the foods business which is our ACT-II Popcorn and other ACT-II snacks business now and also Peanut Butter that grew by almost 30% this quarter so that produced an increase in net sales of about close to 8.5 Crores up versus last year same quarter. At the same time the oils portfolio continued to see the impact of the pricing table and consequent impact on either volume or pricing depending on the part of the oils portfolio that we are talking about, which impacted net sales negatively by about 12.5 odd Crores giving a net resultant difference at a topline level of closed to 4 Crores.

I think overall the foods business growth of about 30% that was good. As we said earlier we expect to see and that is also the figure roughly speaking for ACT-II as well. It is a fair lower because Peanut Butter has grown higher than the 30% figure, but pretty close for ACT-II as well. That is good. I would say that good news because as you know last year we grew the ACT-II brand by about 20% and we had said that as we rollout more products and we also invest more in terms of A&P we expect to see this gradually going up forward and part of the plant for this year and for next year is how to bridge our 40% expected growth rate of the brands versus the historical 20% would be bridged by the newer products.

So part of the bridging of this business of 20% growth up to 40% growth was to be done through new products. Now if you breakup foods growth this time of what we got about 30% odd growth is that of roughly as follows: About a third of that came from growth on Instant Popcorn and Microwave Popcorn. So that is about 10 points of growth, which is coming from these two products. About 10 points the growth actually came because the welding business was a little bigger. There has been a lower amount of fuel stock availability of corn in the marketplace. So we saw lot of customers coming back to that and also at the same time the new products which is both the Peanut Butter and the bakes product that we launched gave about 10 points of growth. So roughly speaking a third of the growth of the 30% came from one third came from IPC and MWBC one third that came from the wending business and once that came from Peanut Butter and the bakes business.

Now I have said earlier in the calls that we would give you a better perspective in the July call on the new products. So roughly speaking here is how it is panning out. ACT-II today is about 2% of the total sweet and salty snack business. However if you look at it depending on which customer times we are talking about in some customers it is already as much as 8% to 10% of the salty snacks business. That is at the top end of the trade. Also in some customers it has already would say probably the second largest snacks brand with those customers. I think in last year probably it was another fastest growing snacks in the modern trend.

What this really means is that there is a clear opportunity for us to become the number one snacks brand at the top end of the trade and certainly to be one of the larger snack players in the country as we go forward and are able to successfully expand our portfolio. So what we did about I would say almost a year ago is we started installing capacities to enter the extruded snack business.

Now the total sweet and salty snack business is all you know it is a pretty big business. The market is about 12500 Crores but the trick really is how to make money in this business in the longer term is to be able to have the right number of plans as we have talked about but also that the right products where at least we have some competitive advantage and right to win. So the first product at least that we chosen to enter with in this category is with the product with the brand ACT-II base has been a version of the product which if you actually get in to the ConAgra website you will see is called Andy Capp's right. It is called Andy Capp's for price. It is basically a bake product and so the positioning is very different in India but the product is absolutely great and that is the products have been testing out for the last two months and I think the market response has been really good. So this represents if you will first entry into snacks other than Popcorn. Earlier we had Popcorn which is Ready to Cook Popcorn. We then introduced to Ready to Eat Popcorn, which actually enabled us to get a lot of learning as far as the snacks business is concerned and that has now been followed through with the extruded snacks.

The first entry has been with the current one which is the corn and potato snacks but there will be other variants of this as well, which will come. What will this enable us to do? This will enable us to do two things. One is ACT-II is already probably the fourth most advertised snack brand in the country. There are many other snack players but actually the advertised brands on pan Indian business is really Lays, Kurkure, Bingo and then followed by us. Most of the others are regional players who are state wise levels and obviously are struggling to get some form of a national footprint. So our game plans really what we thought that we would ensure that we have capacities across the country, so the current product, which is the ACT-II base. We are in the process of installing capacities at three locations. One in obviously which is currently at Hyderabad but also one in Unnao and one in Jhagadia in Gujarat if you pick up the packs you can actually see all the three addresses there. This does not necessarily mean it is the optimum level of plants that we require because we have said optimally we would require at least 5 to 7 plants so that we can make the right marginally but enables us to make a good cost effective entry into the segment.

The second part of the role of this portfolio is to enable us to actually have a cost efficient and a sustainable growth in the distribution in the future. One of the challenges that we had in the past is that originally we have started let us say with oils distribution, which was probably in the region of about 70000 to 80000 stores and then ACT-II at that point was probably about 50000 stores. ACT-II subsequently went on to be much larger than oils in terms of distribution for about 150000 to 200000 stores. But beyond the points the returns that we were getting on the drop size or the value of business that we were able to pickup was then really sufficient to be able to make a cost efficient all as far as the distributors are concerned, which meant that we would have to subsidize this for a long period of time. Therefore the creation of a portfolio other than Popcorn right which will enable us to ensure that our distributors have enough money, we are able to employee enough salesman and consequently therefore we can have a continued profitable growth of distribution. So I think I had said as I mentioned that this quarter we will talk to you more about it. Our ambitions on ACT-II therefore are consistent with what we said earlier. We have said that we would have different building blocks in place to be able to get to about a 500 Crores turnover. We had also said that we will attempt to or will bridge the gap between the 20% growth that we were doing and the 40% that we wanted and therefore what you are seeing in this quarter is the first sort of first glimmer if you will of some of the impact of that. The overall product response actually to the snack has been very, very good. We have a strong right to win with the consumer is the great product as all of ConAgra’s product and I think we are entering for a reasonably aggressively phase in terms of strong growth expectation as far as ACT-II brand is concerned.

Coming to the other part, which is the oils portfolio. We basically ended up with about a 92 odd index on both Sundrop and the Crystal brand. However the mix of how we arrived at the 92 index was different as has been in the past on Sundrop and Crystal. In the case of Crystal the volume index was about 99 and the value index was 92, which really means that we saw like 7% odd to 8%, a drop in the average price recovery per tonne. In the case of Sundrop it was the reverse. We had a volume index of about 89 and a value index of about 92, which means that relative to last year’s same quarter we picked up about three points in terms of price index. Our share of the premium edible oil segment remains around that 45% odd mark. I would say probably **(indiscernible) 11.24** weaker than last year. We just in the process of getting the June audit results but nothing significant so pretty much the same 45% for us and the 55% I guess for Marico.

I will come now with the other lines in the P&L. As you can see here we have got a significant increase versus last year in depreciation and amortization that basically reflects the capitalization of the Jhagadia plant, there is a few other pieces in other plants and a little bit in IT software as well. So that is about a Crore there and the key part really here is and this is what I said to you about to possibly three quarters ago that we would as the year started as our Peanut Butter plant and our capacities went on stream you could expect to see us investing significantly more on A&P. So you can see here we have invested close to 14 Crores this year in the first quarter of the year versus about 10 Crores last year.

That reflects what we have said which is as our capacity is go on stream you can expect that the P&L choices that we would make in this year would be a little different on the P&L choices of that we had made in the prior year. I think broadly speaking if I was to interpret Q1 I think it reflects that fact that we have a huge opportunity in the foods business. We are now close to completion of most of the capex projects that we have put in and obviously therefore it is an ideal time for us to invest behind A&P while managing SG&A and controlling it tightly so that we can aggressively grow the foods part of the business faster than we have done I would say probably in the last 18 to 24 months.

I think that is pretty much in the other lines of the P&L interest is a little higher than last year but lower than last quarter that really reflects the fact that we had some borrowing lower than the borrowing that we had at the end of the year but higher in the borrowings that we had in quarter one of last year and we have also have a lower tax rate for this year for the Q1 and that largely reflects the benefit of Section 80-IC of the Kashipur plant.

I think that Aniruddha pretty much covers this from my side and if there are any questions or if Hemant wants to add anything, he can do so and if otherwise we can move on to questions.

Moderator: Participants we will begin with the questions and answer session. We have the first question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Thanks for the opportunity. My first question is on the Andy Capp's, which you just mentioned. Sir you mentioned Agro Tech has a right to win in that because of ConAgra pedigree and experience etc. So if you could elaborate that part in terms of pricing and right to win what exactly do you mean and in terms of distribution etc., where do you see this product in the next two years? Sir second question and the last one is if you see the other food companies I see them doing sampling exercise with consumers far more at least in the modern trade in Mumbai at least. So if you could elaborate in terms of sampling exercise for our new products and new variance of existing products what are the exercises we do either in terms of educating customers about the new one or increasing the awareness etc., so that I see somehow missing. So if you could share as a percentage of your spends how much is that and do plan to step that up?

Sachin Gopal: Thanks Avnish. Basically as far as Andy Capp's is concerned it is an excellent product if you think certainly worth it right. We are getting great feedback from consumers. We also were able to have a slightly higher plan for Tamil Nadu over the last six weeks which has I think reinforced the fact the quality of the product is very good. I guess the advantage as we have always said is the advantage of taking getting products from our parent company is that there is a lot of IPR that comes with it right in terms of the process charge, the recipes so on and so forth and at the end of the day these are what are built up or have been built up by some entrepreneur at some time in history. Many of these are products or companies which are acquired. A lot of food growth in the US is actually inorganic, which means some entrepreneurs has actually worked very, very hard to create a wonderful business but these then subsequently sells out to a larger food company. So clearly that is the benefit that we get and it enables us to rather than starting from beginning from scratch it enables us to get the intellectual property associated with these products much more easily. From a pricing perspective and a distribution perspective is how we see it. Over the last five to six years initially as I said ACT-II distribution was much lower than Sundrop distribution. After sometime ACT-II overtook Sundrop distribution and then grew and actually today because of ACT-II distribution because we are covering many markets we are actually able to have a strong competitive advantage when it comes to Sundrop distribution. Any ATFL distribution of edible oil is something close to about 70000 stores whereas our competitor would probably be in the region of 45000 stores. Now we would never be able to do this or achieve this if we did not have a product, which was available or going to large numbers of stores, our expectations therefore with the bag snack, particularly a bag snack with the good shelf life which is what the ACT-II base product is that it would in due course of time over take ACT-II. In terms of the Popcorn business it would then enable us to widen further but profitably do so rather than say investing on subsidized salesmen and subsidies as you all know are in generally inefficient not just from a country's perspective but even from a company's perspective. It is much better to sell product for a distributor to earn money and they invest that in manpower for coverage. So I would say probably the next two years or something we should may be even faster we should see let us see but the scope or the plan would be grow bakes distribution get it to ahead of ACT-II and after that it should be able to successfully pull the Popcorn business as well. I want to make one comment here though which has Popcorn continues to be the strategic color of the business right. It is where we have a strong competitive advantage. It is a great product. It is an outstanding product extremely healthy. It has everything going for it. It has lot of supply chain advantages ready in comparison to a bag snack. So Popcorn will remain the cornerstone of our strategy. However we would be rolling out of the products like we have done with the current ACT-II bakes, which would enable us to broaden our portfolio and make it an attractive business both for a distributor and for us from a manufacturing and supply chain perspective to start getting the economies of scale.

Regarding the comparison with other foods companies your comment is correct. I see a lot of sampling going on for example when I often fly Indigo you see you will get samples of cookies or you will get samples of chocolates and I think yes I am sure they must be doing good for the companies who are doing them. Having said that, I think our primary focus right now it is let us say on TV. We have said that we want to get to about 7% to 8% on advertising and a large part of that has to go through a media on buying television time. Because we need to consume communicate with large numbers of consumers. So that is important for us and I think that will be the focus particularly in a Ready to Eat product. Now like a snack of bake snack because there you get instantaneous trial. Consumer sees it, they like it, they tried out and they make an instantaneous response. However, sampling or demonstrations have always been a key part of Popcorn because we need to teach the consumer how to make Popcorn. There is something called instant popcorn that can be made in a sachet or a microwave popcorn in a microwave so I think those demonstrations if you will always been an integral part of it. What we will be experimenting in the next 12 months is the use of sampling of Peanut Butter or Sundrop Peanut Butter with Sundrop Oil. So as I told you in the earlier call we have now started rolling out the small packs of Peanut Butter, which is the 200 gram and the 100 gram pack but we also have sachet productions and capabilities. So those are just in the process of being streamlined that I think you can expect in the next six months or so you will start to see Peanut Butter Sachets being sampled with Sundrop oil. That product is very cost effective, because remember anything that you do in the trade costs money in you hire a promoter it costs money managing the promoter has to provisionally cost associated with it, most of our demos actually are done by our own people we do not have third party most of it I am saying. So there will be a roll of sampling. I think it defers depending on the product so I am sure it is very good for the companies who are doing it. However in our case we will limit these direct contact or direct sampling activities to either demonstration for popcorn not cold sampling though we do some cold sampling in schools or hot samplings in school and also sampling of Peanut Butter with other products. Thanks Abneesh I hope that answered the questions.

Abneesh Roy: Can I have one followup on Andy Capp's Sir?

Sachin Gopal: Can I come back after the call at the end but I promise I will come back. You tell us the question and then we will.

Abneesh Roy: Sir just very quickly if you see in that space Pepsi and ITC are already quite strong and then we are the local players in the salty snacks business. So is our product differentiated enough in terms of taste, price and calorie so that there could be mixed audience for it?

Sachin Gopal: Thanks Abneesh. I promise to come back for you. Thank you.

Moderate: Thank you. Our next question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Sir just one question on the edible oils the Sundrop brand continues to decline this quarter the volume decline was 11%. That is a bit worrying given that it still 80% of your topline and may be 100% of your profits and if this business does not do well and where will be you get the ammunition to spend on the foods business? So can you just tell us some plan or whatever sort of strategy you have in mind to at least bring the volume growths back to zero? Secondly I just wanted to ask on popcorn also. Last quarter last couple of quarter you had said that you have actually reduced the business to institutional sales because it is not viable in terms of working capital etc., and this quarter you are saying that the wending business has contributed to one third of the growth, which I assume is the same thing as institutional, so why the change in strategy again on that front?

Sachin Gopal: So to the first question on edible oil I think we have always stated right from the beginning that we do not want to remain a commodity company and in the long run we will give a superior return to the shareholders only if we are able to migrate to becoming a full fledged foods company. Now that vision is clearly stated. What is not known at any point in time is what is the compromise that we need to make on the edible oils business to be able to fund the growth of the foods business that compromise is going to vary on year-on-year basis, if the competitive framework is shall we say less aggressive we may have make fewer compromises if the comparative framework as it was last year is more aggressive we have to make different choices. So I would say right now as we see yes there is an 11% volume decline and a 8% decline in net sales but that is something, which is to be expected given the choices that we are making, because we are not going to over invest in the category. Our priority as far as media investment is going to be clearly behind the products which we want to drive in the transformation of our company. This quarter I think the foods business as I said was about 21% of the business and that reflects the investment choices that we are making. The largest part of our investment this quarter of our media investment was done behind ACT-II Popcorn. There was some investment behind Hunts and as I said earlier the moment the plant goes on stream we will start investing behind Peanut Butter, which we did, which we started investing in June and even right now we are on air with the product. So I would say yes there is going to be certain imponderable if the volume going to be 90 index, it can be 89, can it be 95, can it be 97 it would depend. It would depend and topline would depend on the pricing on the average market pricing, but that does not really distract us so what we need to do. Today our priority is going to be single-mindedly grow the Peanut Butter business in the Sundrop brand. So we will spend disproportionately on building that. We will continue to spend and because we have a great product. We have plant which is running on which can produce a lot more as I said this plant is capable of producing about 65 odd Crores of Peanut Butter probably a little more with marginal extra investments. So I think probably what we need to do is to increase the pace of investment and the pace of sales recovery from the newer categories and you would be surprised at how much net sales can actually come from these newer categories. A bottle of Peanut Butter produces a reasonable amount of net sales in comparison to a bottle of oil. So if we do the right thing and we invest fast enough and we growth the Peanut Butter category fast enough we do not really say are concern which is not mitigatable. So that is the first part on edible oils and I want to repeat we are not we and I have always said that we will we need to have a reasonable position in edible oil reasonable share at this point in time our share is reasonable. The margins that we are making are reasonable. So we are so fuzzed about it, if our share is different and it drops below a certain level. Then we will take the respective action but that is from the case at this point in time.

Regarding the wending business the answer is yes, institutional business is always price sensitive. However at the same time we have customers and we provide good customer service to all of our customers if they choose to come to us we will definitely supply them. It enables us to run our facilities better, run our supply chain better so on and so forth; however, it is important that our stakeholders are aware of it so that is why I made this comment right now that if you break it up it is one third new products like Peanut Butter and bakes. One third if it is instant Popcorn and Microwave and one third if wending. The wending business could change that means we need to drive Instant Popcorn and Microwave Popcorn even faster and obviously to get to the 40% we need to drive the new products in foods faster. So I would say it is okay we will do business wherever we can. It is good for our business but we have to be just cognizant and aware of the risk associated with any form of business, which is more institutional and less consumer relate okay.

Percy Panthaki: Just one followup maybe you can take it later. I just wanted to know three years down the line let us say in FY 2017 or FY 2018 what kind of sales can be in these new businesses generate the Sundrop Peanut Butter as well as Andy Capp's.

Sachin Gopal: I should be able to come back to it thank you Percy.

Moderator: Thank you. Our next question is from the line of Prakash Kapadia from I Alfa Enterprises. Please go ahead.

Prakash Kapadia: Thanks for taking my question. Congrats with your gross margins. Sir when we see volume growth in the edible oil business and what could drive this. Would it be because of competitive intensity decreasing inflation coming down up trading by consumers that is the first question? Secondly on the Peanut Butter with local manufacturing can we bring Peanut Butter prices down because I think currently the locally manufactured jars seems to be available but it is still at the Rs.250 price point so is that possibly if yes, and at what size and lastly if you could us some sense of the power situation in AP now after demarcation of states? So is everything okay are we facing an issue?

Sachin Gopal: So I think as far as the first question is concerned on volume growth in edible oil business which certainly like to see 100 index instead of a 90 odd index and there are certain building blocks that we continue to work towards the 100 but as I said if the 100 does not come and we are lower than that. So long as the share in the right level right now it is at about 45% odd we believe that satisfactory for our business because what we do need to see is volume growth in the foods business. That is the number one priority. We need to grow ACT-II. We need to grow Sundrop in the foods business. The Sundrop foods portfolio and that far as is the more critical measure as compare to the volume growth in edible oils because that is what the future of the company is and that is where in the long-term we can look and expect to make good solid profits with value added products where we have strong competitive advantage. So I think that is the first part. On Peanut Butter can we bring prices down, I mean we always have the option on any brand it is the price versus the volume size. Having said that it is also good to have products at more or less the right price points where we are able to therefore generate resources that we can invest behind the products. The Peanut Butter category in India is not going to grow on its own. It is not going to become as large as it is in China. China I think is about $60 million about 400 odd Crores. So it is not going to happen on its own. We do not have to invest money and to invest money you need to earn money. We are fortunate that we are in this happy situation that we have been importing Peanut Butter for about five odd years. We have got a base volume and the price structures which is actually enabling us to cover more than cover the cost of the plant as we sit today. It is otherwise not unusual that for many companies when you set up relatively large plant relative to the existing investments of the company and we have seen this several time earlier where actually you struggle in the early days to cover your cost. So I think we are in the happy situation where you are doing that now and we would like to earn some money invest behind the category because if we do not have money how do we invest behind the category and actually drive it. This spreads business juices has a huge potential in India. There are not in shelf stable spreads. It is really just a couple of player's jams and honey and some chocolates spread with no very, very large investment by each player. I think we are in a strong position and with certainly like to be profitable and be able to invest behind the business. What it will require however in the long-term is that lot of innovations. So over three to five years we need to ensure that now that we are making Peanut Butter locally we can also innovate some Peanut Butter. So there is a lot of work going on in that front. That may not be visible to you for may be one or two years but we need to ensure that this is sufficient pipeline of innovation as the category becomes bigger and as competitive intensity increases we are able to roll out all these innovations so we are able to drive the category and have a strong share in the category.

Prakash Kapadia: So localized taste or extensions?

Sachin Gopal: Yes and you see more of that as we go forward and last really on the power situation in AP I think our expectation it would become better; however, it is just being formed. The districts, the municipalities, I was in Shadnagar day before yesterday it is all just been formed. I think, we just have to give it a little time but I am optimistic obviously that with many of the issues that have plagued the state for so long or this is a single issue having been sort of if you will "close" it should start to do better but like anything else we cannot expect miracles from any government in a day so I think let us just hope for better times.

Prakash Kapadia: Sir the lower SKUs of Peanut Butter are they available pan India or they have in certain geographies current availability?

Sachin Gopal: I will come back to you later on this if I am to be consistent with the strategy.

Moderator: Thank you. Our next question is from the line of Manish Pushkar from Phillip Capital. Please go ahead.

Manish Pushkar: Sir in the last concall you had said that you plan to take EBITDA margins to 8% to 10% but this quarter EBITDA margins is only 5.3% which is around 60-basis point towards Q1 FY'14 so what is your strategy to take into 8% to 10%?

Sachin Gopal: I think as far as EBITDA is concerned certainly we would expect as I have said in fact not 8% to 9% but we would expect that on the good performing companies are in the 10% to 20% range. So we would certainly get there. You would recall; however, that I have made this comment in earlier calls that the EBITDA margin that we registered last year came about because we also had a lower A&P spend. We dropped A&P for the year down to probably under 5% or thereabouts 4.5% to 5% if I remember correctly, so in a sense that the 8% to 9% that we got last year was on the high side with lower than desirable investments. So what will happen to EBITDA margins over the long-term I think we will get that we will cross that 10% hurdle; however, what is probably advantages for us from a shareholder perspective is now to sit and drive the foods business very hard, which is what we are planning to do. As you can see we have increased we have upped the A&P by about 40% or 50% over last year same quarter. So that choice you can expect to see us to make and there is a very good reason for that. We have just put fairly significantly investments or in the process of completing fairly significant investments in four plants across the country and excludes the investment that we are making in Guwahati. Now what this investment is doing is producing significant capacities for us. So at this point in time our biggest opportunity lies in the exploitation of those capacities. So we now need to invest from a P&L perspective in utilization of those capacities. As we utilize those capacities and we build scale the EBITDA margin will come. They will come; however, for that we need to be able to run these plants at much higher levels of capacity. It is early days. If you look at it Peanut Butter we can do 65 Crores I have said and may be even more. So what is optimal for us to be able to in the medium-to-long-term driver EBITDA margins now is to rapidly drive the foods business. If we are able to deliver that 40% odd growth that we have been looking for then automatically in due course the margins will come because we will have the scale across the different plants and the facilities that we are manufacturing.

Moderator: Thank you. Our next question is from the line of Bimal Sampat from Sunidhi Enterprises. Please go ahead.

Bimal Sampat: Good evening Sir. I just wanted to our advertisement cost has jumped up substantially, basically on which product? I missed the starting so can you tell me which is the new product I am sorry. One more question what will be the total investment in Jhagadia and Guwahati capex plan?

Sachin Gopal: So first of all in terms of which products did we invest in this quarter? The single largest investment that was made was on ACT-II Popcorn, which is on Instant Popcorn. The next level of investment was made behind Sundrop Heart and that is really more to sort of hold and protect our businesses there. The third big block would have been and probably the third big block as a combination I would say of we advertise Peanut Butter during the month of June. We had lower level advertising on Ready to Eat Popcorn on strawberry and some localized investment behind bakes. So that will be the order Instant Popcorn, Sundrop Heart and a mixture of Peanut Butter and some of the other products like bakes and Sweet Popcorn. This probably is something you can expect us to continue to do which is Instant Popcorn will or Ready to Cook Popcorn if you will, will be the number one priority for investment. Overtime probably Peanut Butter will move ahead of Sundrop Heart because it is obviously the product of the future where we have all the capacities in place now. So it will probably move to the number two priority and then it will be followed by Sundrop Heart and then we will continue to make limited investments in these other products like Ready to Eat Popcorn, ACT-II bakes so that we can start to build the portfolio over a period of time. The new products really referred to only to that Bimal, which is the launch of ACT-II bakes, which was there. It is pretty much available all India now and as I said it is probably available right now about 10000 stores and will continue to progress and build it forward as we also build capacities across the different regions.

Moderator: Thank you. Our next question is from the line of Chinu Gupta from TATA AIA Life. Please go ahead.

Chinu Gupta: Sir this question is in reference to the strategy of higher focus on the foods category this edible oil. As we can understand this reduced focus works fine when it comes to brands like Crystal but I would wonder why it could be in the case of Sundrop especially considering the size of this category, which is so large versus the other food category that we are speaking up which are relatively smaller in size?

Sachin Gopal: So I think the vision that we always articulated for a company that to become one of the best performing and the most respected food companies in India we would need to transform our portfolio leveraging our parent's company's portfolio and food processing skills. At the end of the day, we do not want to remain a company, which operates at the bottom end of the processing of value chain in foods. That means we do not want to compete in commodities like flowers. We do not want to compete in commodities like sugar. We do not want to compete in product categories like rice. Coincidently for us the edible oil business is something that we have inherited and is a great business. Sundrop is the great brand it has been built on the back of the edible oil's business; however, our future will not be in edible oil. Our future will always be in the foods. That is the defined way in which we will be able to have strong profitable growth and that is demonstrated today. You can see even today strong gross margin performance on the foods business, good topline growth all of that. So we have to make choices. There is never going to be enough resources to be able to say I want to do A and B and C and D. That is not going to happen and the primary job of management is to ensure that we allocate our resources. We prioritize them in the right manner and then we allocate them accordingly. So the priority of resources that we have set for ourselves as a company is invest behind processed foods, invest behind ACT-II, drive ACT-II make it a 500 odd Crores business over a period of time and that is what we have to pursue to do. If that means making compromises somewhere else then the answer is we have to make or we will never be successful if we do not make choices. If we try and do everything we will definitely not succeed. But if we try and do the same things and we do the same things year after year over a period of time we will always be successful, always. That is true historically almost any company that you see. So that is the journey and the choice that we made some years ago. That does not mean that we ignore edible oil? Not at all, we do not ignore it. We invest behind it but we do not over invest behind it. Definitely not and I do not think we will do that in the future either. Again in terms of priority we would much rather spend and build a huge Sundrop Peanut Butter business and if possible that at some stage after some years we sit down and say wow that is such a nice business that we have built up. So that is the kind of overall strategy that we are taking. Thanks Chinu.

Moderator: Thank you. The next question is from the line of Ennette Fernandes from TATA Asset Management. Please go ahead.

Ennette Fernandes: Sir we have launched a Rice Bran Oil called Sundrop Healthy World wherein the pricing is similar to our competitor at around Rs.115 but however I think the product has largely received a very soft launch. So just wanted to understand what is the thought and strategy on the same?

Secondly, what we have seen is that historically whenever the Sundrop oil brand has faced volume growth pressure on account of pricing we have been able to maintain 100 value index or a 100 value index or a 100 plus value index, but because of the change in mix largely lower realization because of increase in contribution from your Rs.90 SKU that same driver is not supporting this brand anymore, which I am assuming could also be bearing on the gross margins. So what is the strategy with respect to expanding the gross margins on the edible oil business considering you are facing pressure on realization? Also thirdly what is the contribution from modern trade currently and how is the growth in modern trade and what is the scope on the same considering that we want to scale up the Sundrop Peanut Butter brand? Fourthly just wanted to know whether the gross margins on the baked snacks business would be equivalent to the existing gross margins on you branded foods business? That is it from my end.

Sachin Gopal: So the first question on Rice Bran Oil and Healthy World, I think the answer and we have also outlined this in the annual report the directors report where we have said that we have seen over the last two years that there have been two new sort of segments if you will which have emerged in the edible oil space. The first is Olive which is actually been happening over a period of time and there is a gradual consumer sort of trial and acceptance and adoption of usage of Olive Oil and the second is what happened last year after the considerable resources spent by much on Rice Bran Oil where we saw the emergence of Rice Bran Oil as a category. Now from our stand point neither of these are strategy priorities; however, we do have an opportunity when it comes to both of these categories to say okay there is going to be some movement in the category and momentum in the category we should take advantage of that. That is why we launched a blend of Olive Oil and Sunflower under the Sundrop Olive. We have brand name and that is doing reasonably well. We do not expect that it will be hugely profitable product tomorrow or day after or even after one of two years. However, it is going to attract consumers and if we are going to have some consumers who are going to move to an Olive Oil or an Olive Oil blend it is better they move to our blend then to somebody else's. So that is one part. The second part relates to Rice Bran Oil there was a lot of movement on Rice Bran Oil and that is how we have lunched the Sundrop Healthy Whole Rice Bran Oil. Your observation is correct that it is a soft launch. These will not get media support. We will invest our media monies only on products which in the long-term will drive margin expansion of the company and that means they have to be well north of 30% right. Our average company margin today is about 25 for this quarter I think it was in the region of 25.5 or something like that. So we need to have products which are very, very profitable for us to invest A&P resources behind that. Otherwise if we invest A&P resources we will never ever get the return on investment that we are making. So point number one. Point number two on value index actually if you look at a five year history, the net sales of edible oils are clearly linked to the overall commodity price movements. So in years when we saw a rapid trajectory upwards in terms of the edible commodity prices you would see both for us and for other company's net sales have always increased. Similarly in years where the commodity prices were actually moved downwards at the point in time that they were moving downwards for that period of time you would see that net sales would have reduced. The best example of this is actually Crystal. The Crystal movement of net sales relative to volume is the cleanest indicator you can get in terms of what is the impact of pricing on the market and that will continue because let us say between last year same period and today there is a 10% or 15% difference in commodity prices. You are going to a lower level of net sales for the period till such time as in last year prior year you had you achieved a price level, which was similar to what it was today. So we have done several analyses on this and it comes out year after year if you do it for six years and it is completely related. Net sales in commodity businesses are completely related to commodity price movements and that is one of the reason why therefore we want to move up in the value chain in terms of processing in the foods business.

Regarding the modern trend it contributes to a reasonable comparable number for us as compared to other companies it will be in the 12% to 15% range. What is the scope? Modern trend is always going to be a very effective tool to be able to communicate with consumers. It allows consumers to have touch and feel capability which sometimes in the traditional trade you may or may not get it but at the same time the traditional trade if you will what we call the HFS Stores, the High Frequency Stores are always going to be important because a very, very large part of consumption is going to be driven through the traditional trade or the HSF trade. So both have their role and we will continue to focus on both and meet all our customers and therefore we will have to continue to drive distribution progress in the HSF trade. Regarding gross margin in the baked business I said this before and I will say it again our expectation is that baked snack and an extruded snack can give a margin which is equivalent to our company average today of about 25%. However, it is going to require two things. First it is going to require a geographical presence and that is why our conclusion right now is probably need about 7 odd branch.

So we said this earlier we are at four now, fifth the Guwahati and we will probably read in the future one plant in Tamil Nadu and one plant in West Bengal that should probably close it and give us 500 kilometers reach of almost any location from any one of our manufacturing facilities, which we do not have today. Freight is the big part of the business. On Rs.5 product it could be as much as 30% difference in freight depending on if you are on a single plant model or you are on a seven plant model. So clearly that is going to be a big driver of margin. The other part in snacks in bag snacks is going to be getting scaled. How do you ensure that you are able to run the lines, pull all three shifts? How do you ensure that you are able to extract the maximum from your capex from the capex investments that you are making? So in the early days it is possible that all parts of these lines may not be at the same level. So you may find one part of the line we have invested a little less because you know volumes are more are at that starting point lower; however, as you build scale when you keep adding bits and pieces to it. I would not be able to give you more details than that, but if we are able to get the manufacturing economies of scale at each of our plants and we are able to get to these seven geographical locations the answer is yes and we will. The answer is yes our assessment is we can get a comparable margin or even better than what is our company margin.

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

Priyank Singhal: My first question is on Sundrop. I just wanted to understand this 70000 stores that we currently distribute to how many cities would these covering and how important is down trading been as a phenomenon if you have any sense in terms of drop in volume growth down trading from branded edible oil to a non-branded or a relatively low value branded oil? That is one and secondly a related question to edible oil again the comparative intensity from Adani Wilmar has it come down what is the current status and our strategy therefore going forward in the current fiscal on that? Second is the capacity that we are talking about these four new plants are they capable of manufacturing all products or are they focused primarily on one or two of the various products that do we plan to sort of scale up going forward? Third question is on pipeline of products we have rolled out Peanut Butter locally manufactured and is there anything else in the pipeline for those for the near future next couple of years? Related question again there are a few products that we find are available from the ConAgra portfolio in India brands like Hunts, Barbecue sauce or Bertolli or Gulden's etc, which are may be currently being imported and the distributed in India. Any plans of doing anything on these brands specifically? Lastly as I have asked in the previous calls as well any plans of changing the name of the company to ConAgra India? That it is all. Thank you.

Sachin Gopal: So to your question on down trading from branded edible oils to lower value oils I think the answer is there is some amount of down trading or change. I am not sure necessarily there is down trading. I think it is the movement to another oil reflecting media investments. So to that extend I do not see it as consumer being tighter on the pockets so on and so forth because the edible oil honestly speaking the premium segment is really a small very, very small proportion of the total market. However, from a town wise perspective the answer is our products will be available in towns of very, very large dispersion in terms of box trader. So I mentioned just now that I was working the market in Shadnagar. Shadnagar is about 20 kilometers from Shamshabad Airport day before yesterday and it is a town with the population of I think somewhere between 25000 and 40000 and we are present there. The quality of our presence in a town like that may not be as much as we would like to and that is something I think that will improve as our portfolio expands more and more but you can expect to see all the edible oils including our competitors being present in those stores may be if the town has 100 stores we and other premium edible oils might be available and say 20 or 25 stores out of the 100 stores that are available in the town, but available certainly we would be in all of these towns. Regarding competitive intensity yes, I think it is a little lower. I do not have actually have spends as of now we have not got spend numbers for shall we say June or actually we have not I have still do not have the competitive numbers for the June or even May but for April I do have the number. This is share of voice has recorded by the audit agencies. So it is not necessarily the actual spending that may vary but as per the numbers from the audit for April I think we spent about 90 lakhs, Saffola spent about 2.4 Crores and Fortune spent about 1.2 Crores per share of spend would be about 20%. FY 2014 in total year it was about 7% and our share of spend and Q4 was also I would say in the region of about 8%. So if you take this number as I said I do not have the May numbers and then the June numbers will come probably the level of intensity per se is less but it would be difficult to say what would happen in the coming few months. So that answers I hopefully the question on competitive spending. In terms of capacity we are talking about that is an important point and the answer is 100% yes integrated plants. We cannot build a great foods business in India just by having one plant making one item, because many of our plants are going to in the early stages. The lines may not be running at full capacity. We need to be able to deploy labor to move it from one line to the other. We need to be able to deploy the overheads of the plant, the security, the electricity, the factory manager and the other staff manger salary we need to deploy them over large numbers of products, so almost all the new products that are coming are reasonably integrated plants. The only difference is that Jhagadia will be probably the fully integrated grocery plant and snacks plant. So let me explain. Our Peanut Butter would classify as a grocery item. Why would we do that because it has all the characteristics a grocery item it is particularly consumed at home. It is used on the dining table. It is not a snack. It is not a bag snack. It is supply chain characteristics are also efficient. You can have a single plant of the country and supplied allover the country but you cannot do that with Ready to Eat Popcorn or with ACT-II bakes because the cost of freight is far too high. So Jhagadia will be the exception that will make both grocery and snack products. The snack product that we will make for in Jhagadia will to an extent we have focused on the Western India. So for example if you make Ready to Eat Popcorn there then we are able to service the Bombay market, the Pune market, the Ahmadabad market, Baroda, Nasik all of those very, very efficiently as compared to servicing them from Hyderabad and therefore lower freight cost and have an agile supply chain. The other plants like say Unnao will have some amount of grocery but as they move out there will be more snack plants because is that something that we can do in a central location then we would rather do that. So there would be more focus behind snacks. There would certainly be 100% true per se a plant in Guwahati. We would definitely not make Peanut Butter and Instant Popcorn in Guwahati no way. We will get shift all the way from whichever is the closest location but we would definitely have to have a bag snack available in Guwahati because the distance is so large. Assam is probably the third largest bag snacks market in the country after Punjab and Delhi and it is 1000 kilometers at least from the Calcutta and little more than that from Unnao so it is bag snacks would be there. So it will be a mixture of these. Pipeline of product yes you can definitely expect to see actually you can expect to see more launches in the current year as well. So we are just in the process of doing some machinery installation and you can expect that in FY 2015 we will be entering the market with more products. The difference versus prior years will be not most all of these will be locally manufactured. So much of the capacities that we are putting up is going to enable us to supply products, make products locally in India and therefore from day one have them in a strong cost competitive position. It also helps because as all of you would have read in the newspaper, there has been a lot of challenges on imports with the changes which had been proposed by the regulatory authorities. That is currently there has been a ruling on that as well and we will let us see how it goes. But certainly we are in a happy situation I would say that the startup of most of our capacity is happening at the right time in the economy and with all the changes that are happening today. Regarding **(indiscernible) 1.00.18** products, yes you will see some Hunt's Tomato, you will see some may be Hunt's Snack Pack, I have not seen Bertolli, but I am sure you right and it is there. The answer is we have a huge portfolio. We have more products than we can actually launch in the country, so because we also have to add the financial resources to be able to launch them and we have been fairly disciplined about it, we did not spend on peanut butter other than the initial launch, we knew that we were locally manufacturing so that we can invest some money and we can earn some money. So we will choose some any ConAgra product that fits in that fits in with our brand strategy; however, we have now a large capacity. We have made very good progress in terms of localization of manufacturing, so I would say right now even if we can just do a good job of all the products in the lines when we setup or in the process of setting up that itself can give us fairly significant level of growth. So we will probably reprioritize imports for the time being and that is also relevant because let us see what also happens on the regulatory front. There are a lot of food companies actually, which have lost a lot of money on containers lying in ports so I think we are in a fortunate situation that a lot of our local production started on time so and so forth. Regarding the change of company name, yes, you did ask this question in the last call and I am sure you will ask it in the next call as well and I will be happy to answer it then. The answer is yes I have discussed it with our board and I am sure that at appropriate point in time we can see. We understand the merits that it has in terms of change of name, so it is something which is certainly on the table. I am sure that we will take a decision that at an appropriate point in time to go this route. There are many companies, which stayed for many years with names as you know in earlier days, so Indian Shaving Products is a good example. It stayed for many years as Indian Shaving Product and at appropriate point in time migrated to become Gillette India and now become Procter & Gamble, so I think that these things happen. They are natural evolution. I am not sure whether I will be able to give you a positive answer to this either this quarter or the next quarter or even quarter after that, but as I promised you it is certainly something that we discussed at the board.

Priyank Singhal: Thank you. Can I ask a followup, you can answer it later? So one is, is there a likelihood of a possibility that actually we might be making, we might have to make too many investments to support quite a few launches at the same time so we have ACT-II bakes, we have locally manufactured Peanut Butter, Ready-To-Eat Popcorn and then if we launch more products from a media standpoint of view what the strategy would be able to sort of invest behind so many brands at the same time that is the first followup? The second followup is you mentioned 8% share is voice is typically what we have been sort of spending in the last few months on edible oil for a 45% kind of market share on the premium edible oil. Just wanted to get your comments on whether you think it is appropriate or given this level of spend there is a possibility that we may continue to lose market share going forward as well? So those are two followups. Thank you.

Moderator: Thank you. The next question is from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead.

Nikhil Upadhyay: Good evening Sir. Thanks for the opportunity. Sir four questions, first question basically on the distribution reach in terms for the Ready-To-Eat Popcorn as well as Andy Capp's so as I understand like initially and you also mentioned that initially the basket of products was very limited, so probably the distribution scale we would be looking at the one we were not able to achieve, so how do you see it growing now with two or three more products coming into our basket. Secondly what could be the price points at which we would be launching the Andy Capp's products? Third Sir it is on Sundrop. So you mentioned that we would be looking at maintaining the market share and till the time we maintained the market share we are good enough with limited investment in Sundrop oils, but in terms of sales how do you see it because if I see over the five or six quarters our sales in terms of volume and value has been going down in Sundrop to some extent, so at what point of scale in terms of Sundrop sales, would you see that now we might come into a place where we might have to decide whether we have to investment more in Sundrop in order to maintain the sales or we have to invest more in the food business in order to grow it and lastly in terms of peanut butter rollout in the lower grammages, so how do you see it coming out? So from what quarter onwards we would be seeing the lower grammage launches and how do you see the scale up and distribution could happen?

Sachin Gopal: So, your answer to the first question on the distribution reach of RT and the ACT-II based products, the answer is and I will repeat is that we would expect to see that the food snack, which actually has the longest shelf life will overtime and I would say that depends on how quickly we can do it or overtake Ready-To-Cook product, it will then provide us an umbrella and a portfolio for our distributors to be able to increase coverage. We have always talked the ideal numbers that we would like to increase coverage by is about 50000 stores per annum and that is something actually that we have done in the past. The only thing is we did with a high investment model where actually we paid for the feet on the street, that is something that long-term is not doable, so I think the objective still remain; however, how we do it will change in the sense that now that we have a larger portfolio and there are other products, which are due to be in the market, which I will talk you in the October call, we should be able to support this and therefore continue to give us the increase in distribution of ACT-II Instant Popcorn. The price points if you are in bag snacks, you need to be at all price points. You certainly need to be Rs. 5, you need to be at Rs.10, and you need to be at Rs.20 and then of course you can be in bigger price points than that, but these pretty much are big. I think about 55% of the market is probably at Rs.5 price point. Now what you do not want is and it is true for a lot of the commodity players who are in this bag snacks business then 95% of their turnover might be coming from the Rs.5 point because you want to have a mix because you make more. So Nikhil coming to your question therefore we need to be available at all price points because the Rs.5 is certainly a driver of scale, it provides scale and transportation in the plant, in the truck; however, it is likely to be the least profitable of the bits. I think the happy situation on the opportunity for us lies in the fact that ACT-II is now well established brand name. When we talk to most people about who had tried bits the largest reason is from ACT-II is a brand that I trust and it is a very logical extension from a consumer standpoint, but we will need to be at different price point. The other challenges is that different price point actually require different specifications, different management styles and so those we have to be agile as a company that we can be as cost efficient as the lowest price competitor in the marketplace while do a great job let us say something like the modern trade with the Rs.20 pack, so that agility is very important or the fact that we have to win both ways, which all companies are not necessarily able to do.

Regarding this point on edible oil sales, volume and value, I will just repeat what I said earlier if you look through five or six year trends in any commodity business or commodity base business you will see net sales rise in the years when prices are on an upward trend, net sales decline when prices are on a downward trend. So chasing volume or net sales is not necessarily the right thing. We need to ensure that we are able to protect our gross margin, we are able to make money on the portfolio that we tend to make and so long as we are doing that we are fine. The rest is the consequence of whatever are the market dynamics, which is why you will see consistently we spend a lot of time and energy when we are reporting back to you and talking to you on what is happening on the food business. Last on peanut butter in terms of lower grammages the answer is already starting to be available, so it is already starting to get rolled out probably it is available in 5000 to 10000 stores right now may be a little less because it has only been two months that we have been doing that and you will start to see this in more widespread distribution as we start to build distribution of peanut butter supported obviously by the media. There is a little point in the food business in distributing a product, we could distribute a product in 100000 stores tomorrow, but if we do not have the media, the firepower to be able to support that is absolutely no point in doing it because all will do a straight diamond stock back after sometime.

Nikhil Upadhyay: Sir just one followup, which you can take later on. On the first question, which you said that probably with increasing basket to basically our feet on street and those costs would be reduced, so just wanted to know with the reduction in those costs, would we be looking at investing that more in the ad and promotion expenses or would we be looking at saving in terms of maintaining the margins, if you can take it up later in the call?

Moderator: Thank you. The next question is from the line of Binoy Jariwala from Sunidhi Securities & Finance. Please go ahead.

Binoy Jariwala: Thank you for the opportunity and very good evening to you. The question is that in the earlier calls you have spoken about two new products in addition to the Peanut Butter being launched during the first half of this year; however, you know, so if you could mention about the second product that is expected to be launched? Second question is that as a strategy you have explained that the new products that is going to be launched would be bag snacks and typically bag snacks having gross margins in the region of 24%, 30% or so. Is there a strategic shift in meeting our second strategy goal, which is 75%, 25% oil to value added package foods mix and approximately 30% gross margins?

Sachin Gopal: You are absolutely right, I had mentioned that I would give you more details about the two new products and we have actually covered off one which is ACT-II bakes, which is now in the market. I think I would need probably to give you more perspective on this or rather I would be in a better position to give you a comment on the balance new products when we do the next quarter call. So to that extent there is a difference of about three months in terms of communication of the second new product because we are still in the process of completion, but the answer remains what I told Priyank that you can expect to see more new products rolling out given the fact that we have installed the capacities right now. Regarding bag snacks no. I would say there are no strategic shifts at all in the sense that we are committed. We have said that our food business to grow from 2% to 15%, 15% to 25% and 25% to 50%, which is right now about 21% in the last quarter and our margins would also grow from 10% to 20% and then to 30% and then to 40%; however, what we have done and therefore we are in very, very good sales now is that we have invested the capacities, we will go grossly ad spends. If you look at the food business there are basically three pillars of that, there is grocery; there are snacks and the frozen. Now at this point in time the frozen market is still relatively small in India. I think the last estimate that I saw frozen foods is about Rs.2700 Crores or thereabouts, but grocery and snacks are well developed and there we have right to win in both. We have right to win in grocery because we have great products like Peanut Butter being good example and we also have great products in snacks, which is like Ready-To-Eat Popcorn or the new ACT II bakes products or other product that will come in the future. These provide us a very good combination because what happens is a good mix of grocery and snacks actually gives you a very, very efficient supply chain. It ensures that you have a right to win in different types of stores. It is not only small stores, but it is also big stores. You have a portfolio for almost any type of store at the same time it ensures that when you are actually doing shipment, if you can consolidate shipments of both types of categories one is heavy, one is light, so you are able to work that model well, in technical terms I think it is called brick and paper model. So to give you an example the Unnao plant is actually collocated with Oil Co packer. That is great because you are going to shift oil from Unnao, and a part of that truck is going to carry oils, a part of will carry bag snacks, a part of it could carry some other grocery items that we have. So combining that is important. On the third point is adding gross margin ambitions, no not at all. As I said that our A&P investments are very focused and they are prioritized. We do not spend A&P money or prioritize advertising money behind products, which are in low gross margins. We do not give details specifically or any gross margin item, but it stands too logic that if we want to move our average gross margin from 24% earlier to 25% to 28% to 30%, we will never be able to move it to 30% unless we have significant advertising investments being made behind products which are making 35% to 40%, the weighted average just would not get us past 30%. So as we are now creating products, which are in their gross margin rate, it gives us a nice level, it gives us a nice level to improve overtime the gross margin, it also enables us to take or digest some products, which are at relatively low margins right now because they do not have the skill may be they are being made in one plant or two plants or three plants as compared to the seven, it gives us a robust balance, so I would say strategically 100 in the right direction, how does the balance pan out over quarters or years is something that we will see as we address.

Binoy Jariwala: Just a followup which you can take it later, pulling a point from this discussion is that you have also mentioned on this call that bag snack would grow much faster than the grocery business. So understanding that bag snack gross margins would be in the region of 25% or 30%, would it mean the mathematic do not really add up for us to make the 30% gross margins overall for the company, you can just throw some light on this sometime later on this call.

Moderator: The last question is from the line of Shilpi Taparia from Anand Rathi. Please go ahead.

Shilpi Taparia: I have two questions. First is on what will be the capex plan for the company for FY 2014 and next is regarding current tax rate for the company? What is the tax rate?

Sachin Gopal: So the answer for the first question is that the capex plan, we are spending at the rate of about I think Rs.25 odd Crores a year, so we intend to continue to do that and we do not really see a significant change in that. The current tax rate for the company I think in this quarter was between 15% and 20% that is kind of the range that it came to, so that is also what is reflected, but it is due significantly to the benefits of section 80-IC and also due to the R&D investment that we have been getting in prior years as well.

So the first question was regarding ACT-II bakes, how this competes with local players in terms of states profile and the health benefits of calories so on and so forth. We believe that the answer to that is we definitely have a better product. We have a superior product to the local players at least that is the feedback that we get from consumers. It is possible though that we will also had some products which may not in the bag snacks which are of lower cost and at a lower price, which may not have the same differential that this one has, but definitely we believe that we would always be equivalent or better than any of the local players, we should be. The second benefit obviously is that if you look and as I said earlier one of the challenges that most local players competitive players have is that because they are regional it is impossible for them to invest behind the brands and they are largely regional and they are concentrated in one state many of them are attempting to breakout and go to broader geographies, but it is going to be a challenge because unless you are able to invest media on a national basis, it is very difficult to actually plan it and you have to plan it from day one. I mean if you get involved in one geography early and then you try and get to the second geography, it is difficult because then you are expanding at a high geographical cost and you are shipping out products and you are absorbing more freight cost for those products. Let us see I think we have good progress, we started off being just a company with selling instant popcorn in sachets, we then attested the waters with Ready-To-Eat Popcorn, we learnt a lot with that and that enabled us to become a little bolder, so I am sure we will learn as we go along, but certainly all seems to be in the right direction from whatever we can see. Regarding the second question on three years down in FY 2014, 2018, how many new businesses? We continue to launch products, but here I would like to say what broadly works in the food business, you need to see products in the early days without advertising support and that has been done by many companies, actually if you do analysis, there is a lot of companies who have done that, you seed it, you build the business, you build the supply chain, you start to get consumer acceptance. Then it reaches a level let us say of 10 or 12 Crores when you feel yes I think now I can scale it up and invest media money that enables us to make the choices of say okay, we do not have to spend media money or substantial media money on all the products, so let us take a look at it right now. In the last six years we started advertising to ACT-II popcorn once I think it had reached a threshold turnover of about Rs.14 Crores. It is about Rs.14 Crores six years ago and at that level we kind of started seeding it and giving it limited advertising support. We have actually done the same thing with Peanut Butter. In the last four or five years, it has got built up from being let us say Rs.2 Crore business to about Rs.10 Crore business, now we are investing behind it, investing behind the small packs because we can see it giving us the momentum. That does not mean that there will be no investments in the new products in its first five years, but what it means it will be limited. So for example sweet popcorn it is a small category today, so they are spending up accordingly. We are now able to spend Rs.10 Crores in a year on sweet popcorn ditto for ACT-II bakes, it will receive tentative advertising support, tentative means sort of limited advertising support just enough visualize that you have a kid, you are teaching the kid how to ride a bicycle, well in early days you need to give a little push for the child to be able to peddle and to get the handle of things, sometimes you need to do a bit of that on new products, but if you are able to do that and master that art and seed a significant number of products in this manner then it is fantastic because that means that you overtime continue to have a large number of products, which become available when they reach that threshold level where they can get media support and then we can take them to the next level.

I think that answers to a large extent also the question regarding new launches. Our media strategy definitely would be to focus behind priority products. Regarding the 8% share of voice because that 8% includes not only the spending of Marico, but also the spending on rice brand, the number is 20 whereas it is not strictly comparable with the 45 probably if you want to have a comparable figure for the month of April, I think the number would be probably be about 20 almost 28% to 30%, so it would still be lower than our share of market, but that consistent with the role that the portfolio plays for us, the portfolio has a very different, I would assume a different role and you can always ask a competitor what the role is for them. Regarding the question on the larger basket of product and reduction of pause and therefore add and promotion the question that was raised by Nikhil, I think we are going to have to see how it goes along. We will make choices which are obviously the best that we see at a point in time. We have clear priorities. Those priorities of investment would not change but we will see how to make it and that is the point there I think I flagged off even last year that some of the P&L choices that will make this year may be different from last year and that is okay because it will reflect the opportunities that are presented by let us say right now, the huge capacities that we have built up today or are in the process of the building up. Regarding bag snacks the answer is yes and I think this is the question I already answered earlier. We certainly expect it to give us a right level of margins over a period of time; however, that said it has certain necessities. We will need a geographical spread, niche scale in each plant to be able to get us to the 25% to 30% margin, so we do not necessarily see a conflict between let us say a bag snack and a margin bowl, we see all of them being certainly possible, congruent and synergistic; however, what is likely to happen is over a period of time the blend of this may change, so in quarter one, quarter two, over different quarters it will change and that is to be expected. We are a company in the middle of a huge transformation. I do not think this kind of a transformation would have been done by anybody in the past, so you can expect that there will be changes, but the goals and how we intend to get those goals remain I would say pretty firm and no different from what we have articulated for the last six to seven years. I think Madam with that hopefully I have covered off all the points both the starting, so if you can it back to Aniruddha now.

Moderator: Thank you. I now hand the floor back to Mr. Aniruddha Joshi for closing comments. Thank you and over to you Sir!

Aniruddha Joshi: Thanks Shaima. On behalf of Anand Rathi Research, we thank all the participants for being on the call and also the senior management of Agro Tech Foods Limited. We thank Mr. Sachin Gopal as well as Mr. Hemant Kumar Ruia. I now hand over to Mr. Sachin Gopal for his closing comments. Thanks and over to you Sir!

Sachin Gopal: Thank you very much Aniruddha and Shaima. I say thanks to everybody for taking the time out. I hope that the time worked for everybody and the extra half an hour was okay with you, if not please do give feedback to Aniruddha and we are happy to always take feedback. Thank you for joining us. It was a pleasure and look forward to talking with everybody. We have planned that after the October results we will actually have one meeting in Mumbai, by which time we can articulate to you in a clear manner, many of the strategic questions because for many of you do not come here, so Aniruddha will keep you posted on that and we will see how to organize the logistics for that. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Anand Rathi Shares and Stock Brokers that concludes this conference call. Thank you for joining us and you may now disconnect your lines.