Heritage
HEALTH AND HAPPINESS

25 YEARS OF HERITAGE

Ref: SECT: STOC: 50-19
5th August, 2019

To
The Secretary,
The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

To
The Manager,
Listing Department,
National Stock Exchange of India Limited,
Exchange Plaza, C-1,
G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051

Dear Sir / Madam,

Sub: Transcript of Conference Call with the Investors/Analyst

Ref: Stock Code: 519552 / HERITGFOOD

In Continuation of our letter dated July 25, 2019 the Company had organized a conference call with the Investors/Analysts on Friday, August 2, 2019 at 16.00 PM (IST). A copy of Transcript of conference call held with the Investors/Analysts is enclosed herewith and the same has also been put up on the Company's Website at www.heritagefods.in.

Kindly take note of the same on record.

Thanking you,

Yours Faithfully,

For HERITAGE FOODS LIMITED

UMAKANTA BARIK
Company Secretary
M. No: FCS-6317

Encl: a/a

Heritage
HEALTH AND HAPPINESS

"Heritage Foods Limited Q1 FY2020 Earnings Conference Call"

August 02, 2019

MANAGEMENT:	**DR. M. SAMBASIVA RAO – PRESIDENT - HERITAGE FOODS LIMITED** **MR. PRABHAKARA RAO NAIDU – CHIEF FINANCIAL OFFICER - HERITAGE FOODS LIMITED** **MS. BRAHMANI NARA – EXECUTIVE DIRECTOR - HERITAGE FOODS LIMITED** **MR. J. SAMBA MURTHY – HEAD (DAIRY DIVISION) - HERITAGE FOODS LIMITED** **MR. UMAKANTA BARIK - COMPANY SECRETARY - HERITAGE FOODS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Heritage Foods Limited Q1 FY2020 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Dr. Sambasiva Rao, President of Heritage Foods. Thank you and over to you Sir!

M. Sambasiva Rao: Good evening to all of you and I once again welcome all of you to the earnings call of Heritage Foods for Q1 FY2020. All the results have been published and the investor presentation has been uploaded in our website. I am sure many of you must have got a chance to go through it. I will still present the highlights to you before we move onto the next session.

The standalone result if you see for the Q1, the turnover is Rs.711 Crores we achieved a 12% growth over the Q1 of the last year this includes dairy and renewable energy divisions. EBITDA for Q1 is Rs.50.5 Crores which is again a 9% growth over the Q1 of the last year and profit before tax is Rs.32.47 Crores versus Rs.29 Crores again 12% growth. PAT is Rs.21.71 Crores versus Rs.20 Crores last year again 9% growth.

Moving onto consolidated results this includes dairy, renewable energy of the Heritage Foods and Cattle Feed Business of the Heritage Nutrivet Limited and Heritage Farmer's Welfare Trust.

The net turnover is Rs.721 Crores which is 12% growth over the previous year's Q1. EBITDA is Rs.48.66 Crores, which is almost flat compared to the same quarter of the last year. PBT is Rs.30.5 Crores versus Rs.31.5 Crores. PAT is Rs.18.85 Crores versus Rs.21 Crores.

Looking at the volumes, milk procurement volume for this quarter was 15 lakh liters per day versus 13.5 lakh liters in the Q1 of last year it is about 11.5% growth. Liquid milk sales volume is 11.6 lakh liters per day versus 10.75 lakh liters last year it is almost 8% growth in the liquid milk.

Coming to value added products, the turnover has grown by 28% over the previous year's same quarter. Contribution of value added products has reached 33.5% versus 29% in the previous year, a significant movement in the contribution of value added products.

Production capacities as on June 30, 2019 chilling capacities were 22.24 lakh liters per day, processing 25.7 lakh liters per day and milk packing 17 lakh liters and we also have 1370 exclusive Heritage parlours selling all the Heritage Dairy Products.

During this quarter we have invested Rs.17 Crores in our various plants and chilling infrastructure under capex.

Our current debt as on June 30, 2019 was Rs.180 Crores long-term and Rs.22 Crores short-term total Rs.202 Crores in Heritage Foods and 16.5 Crores long-term and 1.6 Crores short term in Heritage Nutrivet, Rs.18 Crores, so Rs.202 Crores in Heritage Foods and Rs.18 Crores in Heritage Nutrivet, both put together long-term, short-term it is Rs.220 Crores.

Now I open for the discussion. Any specific clarifications, questions are welcome from any member. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from Sameer Gupta of IIFL. Please go ahead.

Percy Panthaki: This is Percy Panthaki here. I just wanted to ask question on your gross margins, if I see on a Y-o-Y basis that is same quarter of last year I see that your milk procurement price is up 3%. I also see that your liquid milk selling price is up 2.1%, so there is a very small gap between the two which should have got covered up by the faster sales in the curd and other value added products, so there should ideally have not been gross margin contraction, but there is, so can you just explain the reason for that?

Prabhakara Naidu: Actually the gross margin as on the current quarter is 19.6% as compared to the last year quarter first quarter is 20.43% as per the results announced. The full year average 2018-2019 is 25.97%. As I said that your question is actually why there is a drop in the gross margin?

Percy Panthaki: Yes, so the question is 115-basis points drop in the gross margin?

Prabhakara Naidu: The reason for reduction is actually whatever the procurement cost increase only around 46% only we could pass onto the market, remaining there is a gap, actually in total around Rs.22 Crores procurement price has gone up out of that around Rs.10.5 Crores we could pass onto the market by increasing the selling price of milk mostly on the market. So remaining is absorbed by increasing the volume of value added products and PAT loss has come down that is the reason around in the PBT level at around Rs.3.5 Crores. The current quarter it has gone up as compared to corresponding quarter.

M. Sambasiva Rao: I will try to supplement rather you have only seen some price movement in the milk only. We have not seen the products. There is no passing on additional cost consumer through products for this season. The entire price hike was not passed on. It was passed on partly through the milk sales not through the product sales, so the additionality we have we have not done basically because fat prices have moved up and losses on fat has come down, so we thought we will hold on to the prices on the value added products.

Brahmani Nara: As a result of that we had seen very strong growth in value added products and you can see that from the growth numbers in terms of sales of value added products which is 28% and the contribution of value added products to our overall sales increased by close to 410-basis points from 29.4% to 33.5%.

M. Sambasiva Rao: This gets most probably rectified very shortly with the setting of monsoon very well more or less in all parts of the procurement areas, so we should see some improvement in the procurement side.

Percy Panthaki: My second question is on your growth plans can you give us an idea for FY2020 and for FY2021 what is the total capex you will be doing and against that what kind of capacities will be set up and which locations?

M. Sambasiva Rao: It is a long story, but I will write to cut short and give you brief. The growth plan continues to be same as I explained earlier that is trying to reach a target of Rs.6000 Crores by 2024, so we have to double our milk handling from the current 15 lakhs to close to 30 lakh liters or 28 lakh liters over five years and this has to come from different procurement areas and different sales markets. We will be investing close to Rs.110 Crores to Rs.120 Crores per year in the next five years, funding route is the debt cum internal accruals to meet this capex requirements and suitable adjustments will be made year-on-year depending on the monsoon, depending on the sales growth etc., but this is the broad plan and investment locations will be in existing states only particularly in Maharashtra and states around Delhi, Punjab, Haryana, Rajasthan to cater to the market needs of Delhi and surrounding cities and investments further into the southern states to meet the gap requirements of the markets.

Percy Panthaki: Right Sir and in Maharashtra or in the north, any specific locations have been finalized?

M. Sambasiva Rao: Maharashtra we have finalized the location in Palghar district and towards the Nasik area because we already have infrastructure on this side of Maharashtra that is Solapur, Pune, Ahmednagar then Baramati this part of Maharashtra is already having adequate infrastructure. Other side of Mumbai towards Nasik we are now building one plant is under construction in Palghar District and chilling infrastructure will also be set up in that zone up to Nasik-Surat belt and in North India most probably our plant would be in between Jaipur and Delhi that is the gap area we do not have proper infrastructure whereas we have infrastructure up to Chandigarh from Delhi and beyond Chandigarh up to Amritsar that zone is having adequate processing capacities and chilling capacities. What we are missing is now in Rajasthan side, Jaipur side that will be covered in the coming couple of years' time. I think he lost connection somewhere. We can go for the next.

Moderator: The next question is from Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Can you please indicate the price hikes that we have initiated in this quarter across the segments milk, ice-cream and dahi?

M. Sambasiva Rao: Yes, Aniruddha as I explained earlier. We have increased milk price only in most of the markets where we have been operating and no other price hikes have been undertaken for any products and milk price was varying in market-to-market and variant-to-variant it is hovers around Rs.2 per liter.

Aniruddha Joshi: Roughly we can say around 4% to 5% price hike is taken across all markets?

M. Sambasiva Rao: It depends again, market specifics, some variants we have not taken like in a market let us say we have toned milk, full cream milk and standardized milk, we have taken only price hike on one-odd variants not all the variants, so we still have the opportunity to consider if we wish to do that is why it does not look 4%, it could be 1.5%, 2% average on the total volume, but in certain markets it is 4% on certain variants, so it is not uniform across, certain variants price hike was not done, certain variants we have done and in not all the markets. We will not be able to figure out. It could be around 2% averages on the total volume.

Moderator: Thank you. Next question is from Shailesh Kumar from Sunidhi Securities. Please go ahead.

Shailesh Kumar: Thank you very much for the opportunity. Dr. Rao, I had couple of questions. First thing is we have seen that in Andhra budget, new government has allocated around Rs.100 Crores for giving bonus to farmers who are supplying to states dairy cooperatives, has that been implemented and what kind of effect it has generated?

M. Sambasiva Rao: This is only a budget allocation and we have not seen any implementation orders yet and if you decide for more this Rs.100 Crores would be enough to give Rs.4 per liter to an extent of 8 lakh liters per day and the state is now procuring all put together around 60, 70 lakh liters is the total procurement in the state by private companies and cooperatives out of which if the budgeted amount is distributed at the rate of Rs.4 it can cover about 8 lakh liters for full year, so around 10% of the milk can be covered with this Rs.4 remaining 90% of the milk will not be able to attract Rs.4, so you can imagine what would be the implications, when it is implemented, it is not yet. Implementation guidelines have not been seen so far. It is like universal elementary education every child shall have free education in India during the school going age.

Shailesh Kumar: My second question is this renewable energy which we are having I mean how does this work? We are consuming it directly for our captive views or we supply to the grid and in turn we source from grid, how does this arrangement works out?

M. Sambasiva Rao: It is actually targeted for captive consumption only. All the generations are required for meeting our company power requirements. For two stated reasons, one is the power tariff advantage is there when we buy from the state utilities we end up paying Rs.7 to Rs.8 per unit. When we generate through our own captive units, it comes to Rs.4, Rs.4.5 per unit average, so there is a clear Rs.3 advantage per unit of power we consume from this generation centers. Second is it is of course contribute into the sustainable growth of country by having this clean and green energy with us and operational modalities there are multiple models we follow. In certain places, we inject the power generate into the grid and we draw at the consuming point, so like Hyderabad 50 kilometers out of Hyderabad in the Mumbai direction we have generating plant, 50 kilometers from Hyderabad on Vijayawada Road that is exactly opposite side we have consuming plant. So we inject in the grid in one side and we draw in the other side, units get reconciled once in a month with electricity authorities and they adjust plus or minus into the following months, so typically it is operated through grid. In certain plants we do not connect to the grid there, off grid projects where the standalone erected within the plant premises on the land or on the terrace of the building and that gets injected into the project directly without going into the grid, these are called off grid projects. And third model also there is a system called net metering where we inject into the system and we draw it if we produce more than what we consume we get paid at the fixed rate decided by the State Power Authorities so certain locations we have marginal surpluses, there we will get the tariff as per the state approved rates that is very insignificant in our case. It is only seasonal fluctuations, consumption drops etc., will account for that. So, we have all the three options of using the power in different states, but overall we are consuming around, we are getting renewable energy from our captive plants to the extent of 60% of the company's power requirements and remaining 40% is drawn from the grid, so we still have some potential for setting up green power for captive consumption. I hope this gives you a full feel of what we are doing and there is an in addition to this, there is a benefit of accelerated depreciation possible under the income tax for the company during the year of commissioning of these projects.

Moderator: The next question is from the line of BV Bajaj from Bajaj Shares. Please go ahead.

BV Bajaj: Good afternoon and thanks for providing the opportunity. Sir, I have three questions. One is good Q-on-Q results. I am talking on consolidated, 13% up, but margin has come down, so I could go through some figures one reason is Ind-AS 116 under which around Rs.26 Crores affected and other one is our feed segment, last year it was profit of Rs.87 lakhs now this year it is Rs.82 lakhs, so almost Rs.1.6 Crores difference has come. So just explain on that and second question is Sir, I am very much particular about value added services because in the dairy business, we have only three segments, one is traditional which is milk procurement and distribution, second one is modern and third is premium segment, but our value added services as I see in the investors presentation it is around 15% CAGR whereas others are growing for the past four to five years around 25% plus so do we lag in the industry dynamics of dairy sector? Do we lag anything so that we are much confined to limited one and I have understood that in 2016-2017 Annual Report we have given the vision of Rs.6000 Crores by 2022 but now I see in investor's presentation it says 2024, even if you take this Q-on-Q result or annual result, I do not know what CAGR will make you to double to Rs.6000 Crores turnover by 2024. I am still surprised a bit detail on that is helpful? And all this dynamics is it affected by some localized change of government in AP? This is second and last question is lot of capex is being carried out by peer companies and we are about 15 lakh liters per day as of today, but you have projected around 28 lakh per day maybe by 2024 so for that that required capex and the money internal accrual I feel it will not be sufficient so other peer companies they are moving, US and all other countries road shows are going on, so you have any plan, because we have vision of 28 lakh liters per day milk procurement, but how you will do the capex of that, it is almost doubling your capacity of today's. These three questions Sir please.

M. Sambasiva Rao: Thank you very much for your detailed analysis. It requires lot of time to present to you. I wish to have some discussion separately, but nevertheless we will try to cover briefly whatever questions you have raised. Number one deals with Ind-AS 116 I will request CFO to address this quickly.

Prabhakara Naidu: Good afternoon Sir. As per Ind-AS 116, this 25.48 is not Crores, actually 25.48 is only lakhs, 25 lakhs is impact after tax, and so that is one clarification. It is only 25 lakh Sir and second question is actually then feed losses that is 82.6 EBIT loss that we have incurred because one reason is actually the raw material prices have gone up during this quarter as compared to the corresponding quarter of the last year and second is we have commissioned in the month of April a new plant at Mallavalli so as of now it is under, utilized capacity, so these two are the reasons for incurring the operating loss of 82 lakhs.

Brahmani Nara: Just to add a little bit to that just like dairy it is a high procurement raw material price season because of extended summer, delayed monsoons etc., and lower capacity utilization of new plant; however, the growth is very strong in our cattle feed business. The growth in turnover was about 70% year-on-year first quarter last year to first quarter this year, so we expect again the procurement prices of raw material to go down going forward as monsoons set in etc., and margin should stabilize. On the next question on value added dairy products and achieving our revenue targets. In fact, this has been performing quite strongly when it comes to value added dairy products. The kind of growth that we see in this year is 28% as explained earlier and the contribution towards the revenues also has increased significantly compared to the last financial year and earlier the projection that we made for our revenue targets was in 2022 you are right, but was the scenario in which we had a retail and allied businesses part of the Heritage group and after the demerger and the sale of the business to Future Retail Limited we have revised that by two years and we are confident we will be able to achieve those numbers and especially driven by value added dairy products which has been increasing 3% to 4% every year when it comes to the contribution of overall sales of the company. In terms of capex, we will continue to invest about Rs.110 Crores to Rs.120 Crores every year into our backend, into our processing facilities, into our front end such as freezers, chillers to be able to put our value added products as well as milk, so that is the kind of investments that we continue to see and we are pretty stable when it comes to debt numbers also at about Rs.220 Crores long term and short term put together, so this is what we expect going forward. We will obviously have to expand our processing facilities when it comes to value added products specifically because we are seeing tremendous growth in curd and a lot of capex will go towards that.

BV Bajaj: I submit one financial data that value added product are high margin and the major customer like FMCG, food chains and hotels, they require a lot and they are called in premium segment and modern segment, but our product range for the value added products are very less or very limited, so you have to diversify in such a way, so you need lot of dynamics in this that is what my view is?

Brahmani Nara: Definitely and that is why they are going in the direction of a JV for our yoghurt project and we expect the products to be launched at the beginning of the next calendar year and that is work in progress, so we are really excited about value added products. We have been innovating continuously within the existing range of products, in terms of product renovation, packaging, etc., and we are simultaneously looking at newer products also. We have also engaged E&Y to explore JV opportunities for other value added products for partners who already have expertise in those products, so we certainly take your feedback and we are strongly moving in that direction of focusing on value added dairy products.

BV Bajaj: But how about the capacity, which is from 15 lakh liters to 28 lakh liters over a period of maybe four years?

Brahmani Nara: The same capex will be enough for our growth going forward.

BV Bajaj: Thank you.

Moderator: Thank you. The next question is from the line of Bhavya Shah from Girik Capital. Please go ahead.

Bhavya Shah: Just wanted an understanding from management perspective how we are going to utilize the proceeds coming from FRL stake like the lock in is ending next year so do we plan to capitalize that and monetize the stake?

Brahmani Nara: We do have options and we have close to one year. The board will conclude on that at the right time. It is too early to give a decision now.

Bhavya Shah: The debt repayment post monetization?

Brahmani Nara: Sorry. Could you please repeat that?

Bhavya Shah: We have a capex guidance of Rs.110 Crores to Rs.120 Crores so debt I think we will be generating from the internal accruals every year, so would we be using these proceeds from FRL stake towards debt repayment that means to liquidate our position?

Brahmani Nara: Yes, I think it is too early to say because the board really needs to take the decision if we will continue to hold our stake if it is strategically important for us or if we divest and how the proceeds will be used, so I think we will have to wait till the lock in period in over and for the board to decide on this.

Bhavya Shah: Over the next five years you have given capex guidance of Rs.110 Crores to Rs.120 Crores, so five year it comes to approximately Rs.600 Crores, so if you could just give us a breakup of how much will be towards value added products and how much will be towards the milk?

M. Sambasiva Rao: Actually the plants are integrated plants where the milk procurement in the village level whatever we setup infrastructure at the village level at the chilling centre where milk is aggregated and chilled and then taken to a plant where pasteurization and homogenization happens and milk gets packed and certain milk gets diverted into the value added products, so there is no segregate to separate plant setup for the value added products in any place. This is an integrated plant where part of the milk is used for liquid milk and part is used for products, so it is technically not feasible to separate.

Bhavya Shah: Sir last question are we look to launch any new products other than like in value added products?

Brahmani Nara: Yogurts is a category we are very excited about. Our processing facility is being built very close to Mumbai to service all of India. There are some delays, but then beginning of the next calendar year is when we expect to launch the product. This is a JV built Novandie, French Company.

Bhavya Shah: Fine. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Rajesh Ranganathan from Girik Capital. Please go ahead.

Rajesh Ranganathan: Thanks a lot for the opportunity. Just an accounting clarification, so there is a difference of almost Rs.4 Crores between your standalone and you're consolidated with consolidated being lower can you help bridge that please?

M. Sambasiva Rao: You are talking at EBITDA level.

Rajesh Ranganathan: That is right?

M. Sambasiva Rao: EBITDA level, there is a drop in EBITDA for the Renewable Energy Division compared to the previous year of about Rs.85 lakh to Rs.90 lakh because in the previous year there was a onetime benefit of accumulated REC certificates traded and this year we are only trading the annual generated certificates as the previous year we had some backlog of certificates, which got sold in the previous year, so there was about Rs.75 lakh to Rs.80 lakh of onetime accumulated gains in renewable energy that was one contribution. The second is Nutrivet business that company last year it was Rs.1 Crores plus at EBITDA level. This year it is Rs.34 lakhs minus. This was as explained by Brahmani earlier. One was because of the raw material increase for the feed plant the margins have come down at EBITDA level. The second was we also commissioned a new cattle feed plant in AP, which is 6000 tons capacity per month in the month of April this year, so first quarter capacity utilization was at a very low level, so overheads were very high, so that adjustment time it takes and cattle feed price also we did not pass on entire increase of raw material cost as it is a strategic input for retailing our farmers base, so we consciously passed on only a part of it, so that contributed about Rs.1 Crores difference in the Nutrivet business and the third difference is in the Farmers Welfare Trust. Last year the Welfare Trust had Rs.65 lakh, a surplus over the expenditure. This year income is deficit by Rs.1 Crores in the Farmers Welfare Trust as we have taken a decision not to collect contribution from the farmers this year onwards. Earlier years there was a contribution of Re.0.10 paisa for every liter of milk procured by the farmers and equal amount by the company for building the corpus, so this year onwards after seeing the situation in the ground we suspended the Re.0.10 paisa contribution from the farmers and we are undertaking welfare activities with the share of the company contribution only, so Rs.1.15 Crores the contribution amount in the welfare trust, around Rs.80 lakhs in the renewable energy, around Rs.34 lakhs negative in the Nutrivet business. These three contributed for that drop though dairy business as shown a higher margin like last year it was Rs.43 Crores at EBITDA level. This year it is Rs.48 Crores. There is an Rs.5 Crores improvement, but that got nullified because of this other factors. Hope Rajesh it is clear.

Rajesh Ranganathan: Now it is. Thank you. You had mentioned earlier that because of your focus on expanding growth you would be spending more on advertising and so forth can you help us understand what are the marketing activities/increase spends that we incurred this quarter?

M. Sambasiva Rao: Mr. Murthy our dairy division head will take you through that.

J. Samba Murthy: Good evening. We are now undertaking some marketing activities particularly social media and digital media, we have now activated this quarter onwards, Q1 onwards and efforts from our retail activity at the distributor level end and market wise and city wise that activities also going on and probably that we will be again stepping up this activities further also. Almost this quarter we have spent at about Rs.3 Crores so total marketing budget is at about Rs.3 Crores we have spent more than 0.5% and more than the previous year quarter.

Rajesh Ranganathan: You had expected that your margin would be in a certain range 6.5% to 8% if I remember correctly if you look at the dairy margin?

M. Sambasiva Rao: 7.5%. Last time we discussed 6.5% and 7.5% will be the range.

Rajesh Ranganathan: That is right, so if you look at the margin for this quarter it is essentially towards the slightly towards the lower end of the range? Is that a quarter thing and you expect to catch up during the rest of the year?

M. Sambasiva Rao: As you know this year's Q1 summer was prolonged and temperatures were very high. Monsoon was late so this led to the drop in the production of milk and increase in the prices of the milk at farm gate and we are at the peak levels till the end of June. In July only there is some change in the situation. Production has improved. Volumes have now increased and we are looking for the cooling of the prices also in the coming months, which should help us in improving further.

Rajesh Ranganathan: Finally, ultimately in order to reach our target we need to be growing 15% plus probably closer to 18% per year this quarter we are growing 12%, so is there a plan that this year we can catch towards the 15% to 20% mark?

M. Sambasiva Rao: Yes we are working on that. Q1 again I take the same reason because of the scarcity of milk and high prices our volumes are procured as per the requirements and we did not have enough surplus fat sales. Actually the fat sales have come down by half during this quarter, so as we build up our volumes definitely as the season changes volumes will increase the rate of growth will also be better.

Rajesh Ranganathan: When you say fat sales reduced to half is that your decision to carry inventory or you did not have enough fat?

M. Sambasiva Rao: No, inventory because again availability and the milk prices.

Brahmani Nara: If I may just add to it, a lot of the focus was also on bottomline and this decision to not focus on bulk fat sales also helped us save our bottomline and in fact fat losses decreased from sub Rs.12 Crores last year Q1 to Rs.6 Crores Q1 of the current financial year, so that actually led to some revenue our topline erosion, but going forward we are working on plans of increasing our topline and focus on value added products and several other strategies as procurement prices cool off.

Moderator: Sorry to interrupt. The next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

Prashant Kutty: Thank you for the opportunity Sir. Sir the first question on the growth itself while this quarter let us say on the dairy side so about 15% growth rate and if you look at it our value added is kind of now getting bigger as well as the base is catching up and still been growing at close to 30% kind of a number, but somehow at a blended level we do not seem to be still achieving at 18% to 20% kind of a growth rate number and if I am not wrong I think the branded sales on this quarter basis itself was almost close to Rs.240 Crores odd when do you think will this base become difficult to grow upon because incrementally to grow this 18% on an annual basis the branded sales or the value added sales will have to actually grow at upwards of 25% for the next few years and liquid milk procurement will again have to be at about 12% to 14% annually, so how do you think probably we are kind of gaming up for that?

M. Sambasiva Rao: Mr. Prashant as you have been seeing us for a long time and you will be seeing again for the future also we are not building infrastructure for the next 10 years in one year. The growth of dairy is a function of time. We have to go to villages and network the farmers and create procurement infrastructure and then go to processing and selling, so one has time factor value is very high in the dairy growth. Similarly infrastructure availability, we cannot create infrastructure and keep it idle under utilization and overheads are high and margins get eroded, so we cast a careful growth plan year-on-year by adding our infrastructure in the current markets also creating infrastructures in the new markets. When I say infrastructure there are four levels. First level is village level. In each village where we decide to procure milk, we have to invest Rs.1 lakh on the village level collection centre infrastructure that includes weighing scale, cans and milk analyzer, which gives the value of the milk and a chilling centre for every 10000 liter capacity for a cluster of villages, we have to invest Rs.40 lakh to Rs.50 lakh for chilling centre, another Rs.40 lakh in the 40 villages for the milk collection centre in the village, so this will get linked to the processing plant where milk and milk products are made. That is the second level of infrastructure we have to create. Third level is the plant. The second level is chilling centre. The third level is the plant. The fourth level is in the market. Market we have two types of things, exclusive outlets where Heritage brands are sold. We support the franchisees with the infrastructure there and also general trade where we put our freezers, chillers and coolers for protecting the products from the temperatures, so at all the levels infrastructure is created. Year-on-year with Rs.100 Crores to Rs.125 Crores, which will deliver about 20% of the growth, capability of this infrastructure is to add 20% growth so we add every year to the extent required, so therefore you cannot see dramatic growth of 50% in one year without having the paraphernalia for growth and I cannot create paraphernalia for growth in one year because capital will be underutilized and inefficiencies will creep in so our strategy if you have to understand. It will be growing year-on-year at the rate of 20% or 15%. That is a function of infrastructure and time and the third is market conditions. We are not irresponsibly growing. We grow in a responsible manner, keeping our bottomline in view always, so in certain years like last year, there was a massive glut in the market. Surplus milk was available and prices have come down. That was one of the rare years where all companies have reduced the sale prices, sale realizations so in that year we will not plan for growth. We have to withstand the glut and manage the business and get ready for the growth. Current year is again a growth year because it started on an adverse note and now the situation has improved and milk availability is coming to be very good in the coming months and we will plan for the growth, so during the year the monsoon and the market conditions into the growth plan and adjust, so this company is aimed a very healthy calculated growth plan.

Prashant Kutty: Thanks for this detailed explanation Sir, but also just on the margin side of it while value added products are obviously higher margins for us, but again typically over here it tends to be getting offset by obviously your investment side of it when do you think does the benefits of higher value added products growing should start helping on the margin front?

M. Sambasiva Rao: It was elaborated in my earlier calls wherein I presented that value added products growth will definitely contribute to the improved overall margins of the company after we start utilizing the capacities in a better manner. We have set up new plans in the last two years. The capacities are underutilized. Now the growth has come. The capacity utilization will increase and overheads will come down per unit. Secondly, the marketing expenses are also increasing. Consciously, we wanted to build another 0.5% increase in the marketing spends for bringing awareness about the products and also promote our products to the modern retail, e-commerce and online sales, etc., so during a growth phase we want to spend that money for the growth and also bring the plants to the threshold capacity utilizations as early as possible, so during the next two or three years margins at EBITDA level will hover around 6.5% to 7.5%. Maybe three years down the line or four years down the line when our plants are stable, our marketing expenses again come back to 1% level we can see that additional 1% adjusting into the margins. It is a strategy of growth to have margins at a particular level.

Prashant Kutty: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Hardik Bohra from Union Mutual Fund. Please go ahead.

Hardik Bohra: Thank you for the opportunity. Mr. Sambasiva Rao few questions again on this 50 to 100 basis points lower operating margin that probably could be lower as you said the cost of growth? Is all of this in marketing or some of it could be also in the form of lower selling price and hence lower gross margin?

M. Sambasiva Rao: No, we are no way on lower selling price. Actually we are the price setters in most of the markets and we sell at Rs.2 premium compared to many others in the market, so it is not on the pricing strategy. It is on the marketing strategy and also the capacities being created for the catching up with this growth. It will take one year to one and a half year for each new plant to cross that threshold level. That is the factor.

Hardik Bohra: In that case given that we have also spent some more on advertisement and promotion this particularly quarter and there is unutilized plant in the cattle feed plant as you said the other expenses have only grown by about 4% so is there something else that is leading to an improvement there?

M. Sambasiva Rao: Other expenses increase is mainly shifting the cost from one head to the other head in the employees, there were close to 250 employees working on third party roles in our company traditionally, so this year we have moved all of them from the market. They were booked under operations, promotions, etc., in different departments. Now we absorbed all of them into the company's roles and shifted the cost into HR cost so earlier this cost was not visible. It was part of some other heads. Now it is getting visibility and we want to improve their morale and give them stability in career by adjusting into our own roles. Second increase is because of the revised calculation of the pension contribution basing on the recent Supreme Court direction our clarifications were. Earlier provident fund was calculated on the basis of the basic pay, which excluded certain elements of pay. The court clarified that those elements of pay have to be included for the purpose of arriving at the contribution under the provident fund. That has also enhanced company contribution to the provident fund and employee contribution to the provident fund, so there is a change of calculation in provident fund contribution and there was one more reason is because of the high summer this year we had to spend a little more money on the welfare of the work force, the casual workers and shift workers on contract basis because of the high heat and adverse working conditions, we have spent more on their welfare expenditure during this quarter. That has also inflated a bit may be Rs.40 lakh to Rs.50 lakh on the welfare, about Rs.75 lakh on the pension contribution and around Rs.2 Crores of salary expense getting shifted from various plant expenditures and promotion expenditures into HR cost. It is not a kind of continuous increase may be something will adjust in these coming quarters.

Hardik Bohra: Thank you for that. The second was on the fat loss, so once we touch 40% of our dairy revenue coming from VADP, value added products what would our fat losses go down?

M. Sambasiva Rao: The fat products are not part of value added products in our company classification though several companies have shown value added products including the fat. We have shown them outside this. Our fat losses are continuing because of the high share of buffalo milk in our company. I do not know whether you heard my earlier explanation. If we are dealing with cow milk only, cow milk has 4% to 4.3% fat in the milk when we get from the farmer. When we sell it we sell toned milk with 3.5% fat, standardized milk with 4% fat, so most of the fat of the cow milk gets sold as part of the liquid milk, very little component is retained as a byproduct whereas in case of buffalo milk, it is 8% in the receiving milk from the farmer. When we sell, we sell only 4% or 3.5% so 4% to 4.5% of fat remains as byproduct or surplus fat in our company. We have a significant share of buffalo milk now. Therefore the surplus fat is high, but as we are moving into Maharashtra and procuring more milk from Maharashtra, our cow milk share is increasing. Buffalo milk share is reducing, so over a period of the next two to three years the equation or ratios will change more in the favor cow milk and whatever surplus butter is generated we are also making efforts to sell that in the consumer pack of ghee or butter so we can minimize or eliminate the losses of fat over a period of the next three to four years time. There is a change in the mix and change in the disposal strategy of the surplus fat, which should give us good results in the coming three years or four years.

Hardik Bohra: Thank you for that explanation. Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Shailesh Kumar from Sunidhi Securities. Please go ahead.

Shailesh Kumar: Thanks for the opportunity once again. A couple of housekeeping questions as traditionally we have been discussing if you could provide me EBITDA margin for liquid, value added and fat products? That is one thing. The second thing because we have not taken any price hike in our value added product during the quarter do we intend to take it in the remaining quarters so that our margin could improve?

M. Sambasiva Rao: We will see on the prices of milk, etc., from now. Now it is time for procurement prices to go down, so that it will help us to maintain the margins or restore the margins or improve the margins, so we will play as we go forward into the quarters. There is no preconceived decision on the price hikes as of now. It is like CIBIL is open. Anything is possible, but we go by the market and the procurement prices. Coming to margins Mr. Prabhakara will.

Prabhakara Naidu: Milk margins for the current quarter is 5%, value added products is 14.13%, fat products loss has come down that is 13.81%.

Shailesh Kumar: Negatives?

Prabhakara Naidu: Yes.

Shailesh Kumar: Thank you very much.

Moderator: Thank you. The next question is from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.

Nitin Gosar: Sir a couple of questions. Post Palghar plant coming up, will the company be considered as a local player in Maharashtra?

M. Sambasiva Rao: We have to check with Maharashtra how that reached because we are a national company now operating in 15 states, so no state will consider as local or state will consider as nonlocal. We are a national company. We do not see any such thing. Coming to the underlying issue you are referring to perhaps is the eligibilities for subsidies offered by the different states at different points in time, so that subsidy program has been suspended from April itself in Maharashtra. Now the procurement prices were quite high, so that support price is not there in Maharashtra and they have to define what are local company and nonlocal company. That is not very clear, but we have now crossed. Our presence is in more than 15 states for different operations so we also do not see such categorization being done.

Nitin Gosar: Five years down the line when you will have complete doubling up of your capex and capacities where do you see contribution of non-AP, Telangana procurement or may be sales?

M. Sambasiva Rao: After five years?

Nitin Gosar: Yes 2024 like Rs.6000 Crores when you hit the revenue mark?

M. Sambasiva Rao: I need to rework and let you know. Right now I do not have the procurement categorization. Next time we will share with you.

Nitin Gosar: One last question is on the procurement side. I know a couple of quarters back there a higher supply and the procurement environment was so easy that the local competition used to be very high has that environment changed in favor you or is still remains hostile?

M. Sambasiva Rao: Could you repeat please. There was a voice break?

Nitin Gosar: A couple of quarters back the procurement or the supply was ample so the local competition was quite high because the procurement was easily available? The overall procurement environment has it turned in favor of you? The competition has abated a bit for local players?

M. Sambasiva Rao: Not with reference to Heritage. In general whenever there is a glut, ample milk is available, the unorganized small players get into the market with lose milk cans on their bikes and two-wheelers into the urban areas and they disappear once the summer sets in or scarcity sets in, so this year also the same thing happened. The unorganized versus organized that is the scenario, so now since let us say March the unorganized players bringing lose milk into urban areas in the cans disappeared.

Nitin Gosar: Thank you.

Moderator: Thank you. The next question is from the line of Sameer Gupta from IIFL Securities Limited. Please go ahead.

Percy Panthaki: I got cut in the beginning, so I am back in the queue. I just wanted to ask this Rs.4 Crores difference between standalone and consolidated this quarter the reasons for that you have already explained, but I just wanted to understand how we look at this difference going ahead for the next three quarters of the year? Will this kind of difference continue or will it come down and if so what is the reason for it to come down?

M. Sambasiva Rao: One is this Rs.4 Crores include some problem that has come from the renewable energy. That will continue. Rs.80 lakhs we have got excess in the last year. In the rest of the year also another Rs.80 lakhs was there in the last year. Total full financial year we got around Rs.1.9 Crores or Rs.1.8 Crores, one time revenue of the REC certificates. Just to give you the backdrop. For any renewable energy company having solar units the government gives REC certificates, which are tradable in the market. One year there was no trading because of some litigation, so last year the litigation was over. Trading got restored. The accumulated certificates were redeemed in that year, so we got about Rs.1.8 Crores to Rs.1.9 Crores benefit in that year and this year onwards there is no accumulated certificates for trading. Whatever we generate we get the propionate certificates and we keep doing it, so that Rs.1.8 Crores to Rs.1.9 Crores benefit will not be there in this year as far as REC is concerned. Second component has come from the field business of Heritage Nutrivet Limited where we have not passed on increased raw material prices to consumers as a strategic decision to hold our farmers. Now expect the raw material prices will cool off when the rains set in. It will take one or two months because these are all raw materials like maize, cotton cake, groundnut shell and soya bean, these are all the raw materials used. Those prices will cool off after a couple of months and then the business becomes better in the field. Secondly, our new plant was commissioned in the month of April. That also will improve in the next six months' time, so in the second half of the year, the HNL and the cattle feed business should get into normal with the raw material prices cooling off and the plant getting better utilized and the third one sales also are going up well in terms of cattle feeds sales, our growth is significantly higher more than 50% to 60% compared to last year. The improved sale with the new plant will help us to minimize the contribution of Rs.1 Crores loss coming from the new cattle feed business. That should not be there in the second half year and the third one we have the Heritage Farmers Welfare Trust. This problem will continue because we decided not to collect contributions from the farmers towards the welfare activities. The company decided to fund close to Rs.4 Crores a year. Out of earlier we used to get Rs.2 Crores from the farmers, Rs.2 Crores from the company we used to spend this Rs.4 Crores for various farmer activities like the disease management of the cattle, vaccination, artificial insemination, farmer insurance, and cattle insurance, number of programs we conduct for the productivity improvement of the animal from the income generation of the farmers, so those activities we decided to spend the entire Rs.4 Crores from the company than 50:50 from the farmer and company. So that Rs.4 Crores outflow will be there from the company every year, around that number will be there, so to this extent we have to improve our performance in the margins of the dairies. That is what we are anticipating with the improved monsoon and improved availability of the milk. Milk prices may cool off and the margins whatever difference is there in this Rs.4 Crores should be recouped for the dairy business in the coming quarters.

Percy Panthaki: Very clear Sir. The second question is could you give a breakup of your current procurement between north, west, and south and within south if you can give us some flavour for the three to four main states as well?

M. Sambasiva Rao: I will give you separately because we have stopped giving this because of competition issues have come up in the milk procurement side. We can share with you.

Percy Panthaki: Thirdly, just wanted to understand what are your thoughts on the ice-cream business, you had some small ice-cream business? Do you plan to scale it up or that is not priority right now?

M. Sambasiva Rao: It is a priority. We had certain production issues in the last season because we were outsourcing the ice-cream manufacturing from a third party plant. This year just now we have upgraded our ice-cream production plant, which is now geared up to make ice-cream products for our brand requirements. In the coming season onwards, we will be pushing more of ice-cream through both brands. We have two brands. One is Heritage and the other is Alpenvie. Both the brands we will be pushing more and ice-cream takes an importance in the coming years.

Brahmani Nara: There was a growth of about 30% in terms of volumes when it comes to ice-cream sales from the last year to Q1 of this year, so definitely the focus on the category and the growth intension is there.

Percy Panthaki: Right, but this will be restricted to Hyderabad for now?

Brahmani Nara: It will be restricted to the existing markets from a logistics point of view.

M. Sambasiva Rao: AP, Telangana, Karnataka and Tamil Nadu. These are the four major states, but served from Hyderabad plant.

Percy Panthaki: That is all from me. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Rupin Masalia from Aryan Associates Private Limited. Please go ahead.

Rupin Masalia: Thanks for the opportunity. My question is our plan to reach a Rs.6000 Crores revenue by 2024 so is it purely going to be an organic growth especially in the light of acquisition and subsequent integration of Reliance Dairy's business with the company's business, so if you can throw some light on the inorganic growth strategy and the lessons, which you learnt while integrating the acquired dairy business from Reliance?

Brahmani Nara: Definitely, the growth will come for us. It will be a combination of organic and inorganic. Although we have not accounted for any specific inorganic opportunities at this point in time, we will have to first of all find companies, which align with that objective, which is high quality milk procurement. Companies, which have respectable brands, which will not cannibalize our existing sales and of course there is a lot of M&A happening, so evaluation is also important for us as a company, so these are things that we will keep in mind when it comes to inorganic growth. When it comes to acquisition of Reliance dairy business we have integrated that business into our existing business already I mentioned earlier both in terms of volumes as well as in terms of infrastructure. On the processing side, we have moved from two co-packing facilities into our own facilities when it comes to Punjab, so that is more under our control right now. We have also rationalized markets to only focus on certain clusters of Delhi, NCR region, Punjab, Uttarakhand and that area, so rationalization has already happened and now we will be looking forward to growing in those markets. Already we are seeing some good growth when it comes to value added dairy products and we are sure that will happen going forward.

Rupin Masalia: Madam coming back to integration process whether if Vent smoothly as you envisage at the time of acquisition and would it encourage us to search for more such opportunities going forward?

Brahmani Nara: The process was very smooth and like I said both in the backend and the frontend and when it comes to processing we have rationalized and integrated people, volumes and efficiencies, etc., and surely we see prospective to be able to do this in a smooth manner should we identify any companies for an inorganic growth.

Rupin Masalia: That is helpful. Second question on the total staff cost if I look at the consolidated P&L it is around Rs.4.96 Crores that is Rs.41 Crores for this particular quarter so going forward is it going to be the run rate for future quarters, so you can elaborate on that?

M. Sambasiva Rao: There will be certain adjustments happening as I explained. This was contributed by different factors. One of the factors may not exist in some quarters. One or two factors may continue.

Brahmani Nara: We would also like to point out that a major part of it was movement of costs from some other heads to this head so it is not necessarily an increase, but it is basically moving off road employees onto on road.

Rupin Masalia: Going forward roughly this Rs.40 Crores per quarter is kind of a steady state run rate may be Rs.38 Crores to Rs.40 Crores kind of number, so would it be fair to pencil in for the future projection?

M. Sambasiva Rao: It depends we are also adding plants. We are expanding into markets. We increase our team size. The team size is not static. The team size is expanding and year-on-year increment factor is there. You cannot take last year's Q1 to this year Q1. There is an increment. There is a promotion. There is a career progression. The employee cost will be increasing. This will be nullified with the percentages. As revenues increase cost will also increase. The number cannot be constant. Therefore I cannot say it will be Rs.40 Crores or Rs.39 Crores. It will be in increasing only. It cannot reduce.

Rupin Masalia: That is fair and secondly every year we are incurring and plan to incur around Rs.110 Crores to Rs.120 Crores kind of organic capex so naturally as you rightly pointed out fixed overheads are bound to go up in the form of staff cost and I am talking about fixed overheads not the variable cost, so typically on an annual basis with a capex of around Rs.110 Crores to Rs.120 Crores what sort of manpower additions and overall increase in staff cost you visualize?

M. Sambasiva Rao: Staff cost will increase at least 12% a year including increments, promotions, career progressions, etc., and the team size again is variable depending on the level of automation and level of field staff like of example the 250 people who are not visible in my roles last year because they were on the third party roles like TeamLease, etc. Now they all have come into company roles, so right now we do not have such sudden additions coming from the market. It is an organic growth. There are some sales strategies are changing to have own distribution centers to be managed by us. If such things happen, the team will increase, so we will keep the margin in view when we are handling the cost, so the costs keep changing and rather increasing.

Rupin Masalia: Thank you and all the best for the future Sir. Thank you.

Moderator: Thank you. The next question is from the line of Sagarika Mukherjee from Elara Securities. Please go ahead.

Sagarika Mukherjee: Thanks Sir for taking my question. Just wanted to understand from you today the cow milk prices and the buffalo milk prices are they very different in different states? That is question number one. Also buffalo milk prices have seen very steep inflation as opposed to cow milk prices? Is that understanding correct? Number three what was your average cow milk procurement price and buffalo milk procurement price for the quarter if you could give me that? It will be very helpful.

M. Sambasiva Rao: The prices of cow milk and buffalo milk are very different. They vary significantly because the total milk pricing is done on the basis of total solids in the milk and solids in buffalo milk are high.

Sagarika Mukherjee: Yes Sir I understand that? I am just asking the state wise there is dispersion in cow milk price itself, like let us say cow milk in Maharashtra is very different let us say cow milk prices anywhere else in the country? Is there a disparity there?

M. Sambasiva Rao: Yes cow milk prices are also different from state to state. Some states are reeling under drought. Some states are not so bad in drought. Some states are reasonable in pricing. Some states are having support prices, so the prices keep changing for buffalo and cow from geography-to-geography. It is not constant for any time period. Secondly buffalo milk prices are quite high this year because of the deep summer and extended summer and the average price are Rs.30 is cow and Rs.44 is buffalo.

Sagarika Mukherjee: It has already gone to Rs.30 cow milk is it per liter procurement prices?

M. Sambasiva Rao: Yes.

Sagarika Mukherjee: So we have a good amount in cow milk prices that is more than 20% odd of inflation?

M. Sambasiva Rao: Inflation with reference to?

Sagarika Mukherjee: Whole of last year may be?

M. Sambasiva Rao: We will have to see what the full year is, and come back. This is the current average.

Sagarika Mukherjee: Sir is it true that the inflation in buffalo milk prices is more than the inflation in cow milk prices is that correct?

Brahmani Nara: No.

M. Sambasiva Rao: It is more or less equal.

Sagarika Mukherjee: More or less equal. There is no requirement to kind of move away from one like buffalo to this and all of that? That does not need to be done right?

M. Sambasiva Rao: That is actually consumer driven and not price driven.

Sagarika Mukherjee: Sure. Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Shivkumar K from Unifi Capital Private Limited. Please go ahead.

Shivkumar K: Thank you for the opportunity. Sir at the current capacity if you go to full utilization what will be the milk processing capacity?

M. Sambasiva Rao: Can you repeat please?

Shivkumar K: In this quarter we have procured about 14.99 lakh liters per day, if you were go to full capacity to what level you can go to in terms of procurement?

M. Sambasiva Rao: Our existing capacity is 20 lakhs per day filling capacity.

Shivkumar K: This year what is the number you are working with Sir as the procurement prices drop and you increase your procurement unlike last year, you said last year you had to peg back your procurement? This year what is the number you are looking to get to?

M. Sambasiva Rao: Full year average you are asking right?

Shivkumar K: Yes Sir?

M. Sambasiva Rao: It could be anywhere between 16.5 and 17.5 depending on the market and requirement.

Shivkumar K: Sir my question is with regards to Nutrivet. This quarter we see that PBT level it made a loss of Rs.1 Crores would you continue to look at Nutrivet from a strategic point of view wherein you would use it to actually hold on to the farmers or would you actually look to improve the bottomline on year-on-year basis going forward?

M. Sambasiva Rao: Nutrivet is designed to make a couple of 2% profits as a business. That itself is our strategic input to the farmer. The market makes more profit. We are planning to peg our PBT at 2% on the Nutrivet business so that farmers see Heritage Foods is a reliable company, which supplies good quality feed at the reasonable prices that is a strategic decision, but the 2% could not be achieved this quarter for two reasons. One is the raw material prices shot up very quickly and we did not want to pass on entire burden to the farmers. We absorbed a bit of it and we also commissioned a new project in the month of April, which is yet to reach the reasonable levels of operations, so in a quarter's time this gets into profitable business. Heritage Nutrivet will always be a profitable business. Still it will serve the farmer community by offering the product at a very reasonable price.

Shivkumar K: Sir one last question on the value added products. We see that growth was really strong, but why the reluctance to actually take a price increase in the value added products given that we have such a good market share?

M. Sambasiva Rao: This is basically to see that we grow at a rapid pace and keep our infrastructure fully utilized, so we are not looking at one seasons profit improvement. We are looking at a long-term growth strategy.

Shivkumar K: Sir, what is the status of that yoghurt plant, which is coming up near Mumbai? When will it be operationalized and what will be the revenue and bottomline that you are looking forward to from that plant?

Brahmani Nara: The plant is under construction very close to Mumbai and it has been a little delayed because you have been seeing the weather conditions. You have been hearing about them. It has been raining a lot, so by a couple of weeks the project has been postponed. We expect to launch the product beginning of the next calendar year, so that we are ready for the summer season, which is peak season for fermented products in India, so in terms of the investments, etc., I am not able to share too much because we have a partner, but the kind of capacities that we are looking at is about 20 tons per day, which is also expandable in the future, but currently it is 20 tons per day.

Shivkumar K: Thank you. That is it from my side.

Moderator: Thank you. Ladies and gentlemen, I now hand the conference over to the management for closing comments. Over to you!

M. Sambasiva Rao: I extend sincere thanks to all the members who participated and who also raised certain clarifications and who made the conference very productive and information to all. A couple of members have asked specific information, we will be happy to share with them in detail in course of time. Thank you for all your support and cooperation.

Moderator: Thank you very much Sir. Ladies and gentlemen, on behalf of Heritage Foods Limited that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.