

Operator

Ladies and gentlemen, good day and welcome to the Agro Tech Foods Limited 3Q FY14 results earning conference call, hosted by Anand Rath Research. 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Aniruddha Joshi of Anand Rath Research. Thank you and over to you, Mr. Joshi.

Aniruddha Joshi, Analyst

Thanks, Karuna. On behalf of Anand Rath Research, we welcome you to the third quarter FY14 results conference call of Agro Tech Foods Limited. We have with us Mr. Sachin Gopal, President and CEO; and Mr. Hemant Kumar Ruia, CFO, Head of IS and Legal. We also have Ms. Shilpita Upadhyay [ph], FMCG Associates from Anand Rath. Now, I hand over to Mr. Sachin Gopal for his comments on the quarterly performance. Thanks and over to you, sir.

Sachin Gopal, President and CEO

Okay, thank you very much, Aniruddha and good morning, everybody, or rather good afternoon for taking the time of the new schedules to join us today. Okay, so what we will do is we will cover off the explanation of the different lines of the P&L and then we'll take the Q&A as usual. The only thing is I have one set of question which has come in the last hour or so by e-mail, so we'll take that first and then we'll get into the Q&A.

All right. So from a net sales perspective, as you would have seen from the results, we delivered net sales of about 196 crores odd for the quarter versus about 221 crores for last year for the same quarter. On a year-to-date basis, our net sales are above the 576 odd crores versus about 584 crores last year. So from an index perspective, there has been a weakening in this quarter, I'll come to the reasons a little later, why. And therefore, we, now from a net sales index on a year-to-date basis stand at about 99, so whereas about a point or so there -- in thereabouts lower than prior year.

Now, the -- as we've discussed with you in the earlier calls, we did see a weakening of our edible oils and mix in the last quarter. That weakened further this quarter and we now are standing at a year-to-date volume index on Sundrop edible oils of about 93, right. I think last quarter I'd mentioned it was in the region of about 97 or 96 thereabout, right. So we've seen a decline in that index. This is largely driven by two parameters, both of which are different and therefore, need to be understood as separate components.

The first is starting October month we did start to see a weakening of the edible oil price table. And as is -- the last we saw this for -- in the -- and for sunflower oil specifically, and the last time we saw this was in 2008, 2009, right. So for those of you who've been tracking the stocks then if you go back to those periods, you will see a fair degree of similarity, right.

And as the edible oil price weakens, we really have two basic business choices, do we follow it downwards? At what rate do we follow it downwards, or do we hold it for a while? We still have a hold -- hold price stock. And if we hold it for a while then it does tend to have an impact on volume as we've seen about four, five years ago.

That's a choice that we'll make as we continue to progress. Let us see how this continues. It's unable to -- we are not able to give a prediction on how the market will move, but this is a choice that we have to make as we go forward. And either way however, whichever choice you make, either in terms of price or volume, it has an impact on net sales, right.

So to some extent what we're seeing this quarter is a reflection of that and also the fact that during a price of period of significant volatility that rate tends to minus [ph]. It's very difficult to be able to quantify how much comes from each individual piece, but most of it or a large part of it is related to that.

The other as we have explained, as I mentioned to several of you during meetings is, over the last year now we've seen a significant spending by Willmar [ph]. On a cumulative basis in the last 12 months, probably Willmar has spent as per rate card about 60 odd crores, which is almost double of what Saffola and Marico would spend in a single year. So what Saffola and Sundrop together would spend in a single year.

So that's a fairly high degree of spending. It does have an impact on our share of voice. It's probably the right thing for them. But from where we come from, it does have an impact on our margin. And we've, therefore, see some amount of the index movement on account of that as well, right. The first part, therefore, is why have I said they are different is, the part is more temporary in nature and therefore as market cycles correct themselves, it changes, right, and is more a function of our management choice in terms of do we want to expand margin, do we -- how much volume do we want to keep maintaining.

The second one is more a competitive activity and therefore, needs to be addressed differently, which is that is there's an impact on our gross margin, which that clearly there is, because for the quarter as well and that's not in there in the P&L, but as I always report this to you, for the quarter as well our gross margin which we measure as net sales less cost of goods is approximately 5 crores lower than last year same quarter, okay. So it's about 48 crores versus about 53 crores for the -- for last year same quarter, right.

So as a part of it, therefore, which has an impact on margin which is more the competitive activity part. The other part which is movement in the price table has a greater impact on top line, may impact margin temporarily, but not from a long-term perspective because generally speaking downward slopes of the edible price table won't negatively impact margin, if anything they're a positive contributor to that.

Coming therefore to this specific quarter, we maintained our profit after marketing expenses. PCM as we call it, was maintained at about 43 crores. But that was done largely through lower advertising expenses. So if you look at the advertising expenses on a year-to-date basis, we are now lower by last year by about 10 crores. And specifically for this quarter we are lower by about 6 crores. That's something that we -- where we would not be happy with. We are not happy with, because at the end of the day, we need to keep investing also behind the brand. So we've kind of mitigated the impact so far from a P&L perspective on at profit after marketing expenses, but that's not necessarily good for us, right, in the sense that we should be able to get our spending up to higher levels.

As a consequence, therefore, this is obviously something that's been -- we've been working on for the last quarter or two, and therefore, what we've done is we've taken actions. We need to have better -- we need to be able to generate more space in the P&L to be able to continue to enhance our brand franchise investment, and that's particularly because very soon we are going to be doing a much bigger launch of peanut butter. So we need to support not only Sundrop and ACT II, but we need to support peanut butter as well, so which needs more money. And therefore, we've taken some steps along the way in terms of lower selling and administrative expenses. Those are starting to bear fruit and in fact, if you look therefore at other expenses, you will see that that's not too different from what it would have been, let's say, a year ago. It's lower than the last quarter and it's marginally higher than the quarter a year ago.

We expect to be able to, therefore, mitigate to a large extent the more prominent impacts, which is the competitive spending impact on our P&L, and therefore, be able to ensure that as we work towards the next financial year we are in good shape to be able to spend the money, which is required to build the businesses that we are currently busy.

That I think is the sum total of the P&L. As you would have seen, our tax rate will be better than prior year and as a consequence of that our profit after tax is flat at about 13 crores versus last year.

That's broadly the explanation for the different lines of the P&L. There were a few questions as I said, but before that I just also want to let you know that we had told you last call that we will, by the first week of January, be shipping out locally manufactured peanut butter, so that part has happened. Our plant in Jhagadia started commercial production towards the back half of December. And I look now therefore we are migrating almost all our production from imported stock to locally-made stock. Right now we are in the process of replenishing, meaning we are replacing the big bottles, but once that piece is done, then the smaller packs will also start to go into commercial production and then the sampling packs and all of that.

So that's something which is very good. We feel very, very good about that. It's good to have a -- it's good to be able to migrate the local production of peanut butter, which is therefore the second product from the ConAgra's table that we've taken and successfully localized.

The other piece which we were very keen to do was to ensure that as we start up the plant, which is a Greenfield venture, it doesn't negatively impact the P&L. It's a fairly significant size of investment for our company. The total investment is in the region of about 35 odd crores on this particular plant and the allocated -- allocable parts of the infrastructure to this part is only about 5 acres out of the 25. And we, I think, are happy to say that after first three weeks or so of production, we are actually profitable. We are making more money than we used to make on the imported product. We met our minimum threshold level of about 30% and that's after allocating all the manufacturing overheads, the depreciation, the infrastructure cost on a fairly limited volume, right. So, I think that that part will work for us and gives us confidence that as we go forward we will continue to be able to localize other products from the ConAgra's table and be able to launch them in a profitable manner.

So, you will probably see some imported product for a while, but not after that and within over the next few months it will all get

phased out and I think you can expect that by end of this quarter all the small packs will also be in the market, probably by February itself, and then that will put us in a good happy situation that by April 1st when the new fiscal starts, we can start full-fledged advertising support for peanut butter. The brand will -- the category will need investment for us to be able to build the category much as we had done for ACT II.

So you can expect us to see consistent advertising starting in the month of April behind the product and if we are able to cross the initial threshold volume levels then hopefully given the fact that on certain base volume if we are able to successfully absorb the manufacturing overheads then after that it will be a bit of a hockey stick, because then the margins will be a lot better than the 30%. So, broadly speaking, I think that part is going well.

I think that sort of covers off the P&L. Let me just do a quick check with Hemant and then I can get into the questions. Hemant, is that okay, yeah? All right.

Okay. Now first question which I got, so I appreciate the fact that you send the questions in advance, so -- and I guess it -- that it came in even earlier, but I think this still helps us. So current dynamics in the edible oil market, what are the volume focus strategy of Marico, margin focus strategy of Agro Tech Foods and price penetration strategy of new rice brand variance and implications for Agro Tech Foods in the short to medium-term. I would say in terms of the dynamics in the edible oil market, we continue to do well in the premium edible oil market, right.

Our year-to-date share of premium edible oil then I think in the interim report for December also came in just yesterday is good. We are actually growing distribution. We are steadily widening the gap between us and Saffola, and our competitor in the edible oil space in terms of distribution. And as a consequence, our volumes -- our volume share of the market for the first nine months of the year will be marginally higher than prior year, okay. So we've made a choice that we don't capitalize and we will not see volume growth only at the expense of price, right, and that -- that's a choice that we've consistently made.

I won't be able to comment on the strategy of our competitors. That won't be appropriate. However, I can say that the margin focus strategy of Agro Tech has continually paid off. It may need some slight modifications. You asked the question about rice brand and as I mentioned earlier, there's been a fairly heavy spending of Fortune. So, our algorithm will need tweaking. How much, what is the exact nature of the tweaking, what we are happy with, what we are unhappy with, is something that will probably take up a few months, maybe a couple of quarters to figure out and understand, because whenever these kind of events happen they are almost like black swan events, right. They come in, they have an impact and then it's better to be able to absorb, digest the full impact of that and say okay, this was my algorithm for growth so far, now that this has happened, what's the new algorithm, right, some pieces of an algorithm are visible.

For example, I've talked about saying okay, we are -- we'll have better cost control. We may not -- we may not seek aggressive expansion of distribution of popcorn for the next few quarters because we may say, you know what, we've got peanut butter distributor in probably 10,000 stores. So, as a company, we'll get a better ROI and a return on our investment by deploying A&P spends behind peanut butter, which we have a wide runway of growing from 10,000 to 250,000 stores, right, or whatever, right, in a fairly effective manner without incremental cost rather than seeking to grow popcorn distribution from 250,000 to 300,000 or 350,000 stores, right.

So that part is an algorithm that we are in the process of working now. However, I would say strategically it's a new injection and I have mentioned this to many of you when you've come in your meetings and you come for other meetings in Gurgaon and it's something that we are working on and we'll address it in the best possible manner so that we continue our journey of profitable growth.

Status on peanut butter plant and the two plant new launches. So, as I mentioned already, the peanut butter plant has gone live. We're transforming all the product center imports to local and is going exactly as per plan.

On the two plant new launches or probably more than two plant new launches, I have to tell you that we're still waiting for approval from the regulator. Once we get approval from FSSAI for new products then we'll be in a position to go-to-market.

So to a large extent, we are ready with much of our manufacturing capacities now, meaning the peanut butter plant has gone live in Jhagadia. One of the new launches is going to be fared also from Hyderabad factory. That line got commissioned more than seven months ago, but we obviously can't go-to-market until we have regulatory approval. And our plant in Unnao near Lucknow, which is also going to make some of our new products, including bag snacks is also going well under construction.

So, the civil work is over, the roads are done, the -- some of the equipment is in place, electricals are underway. So you can expect, I would say in the next four to six months that we should be there. I hope that we get regulatory approval faster. If it comes in January then we'll probably tell you in February or March. If it takes more time, that's something that's specifically -- it's not completely in our control.

Okay, in the -- the third -- our fourth question was, is the Sundrop volume decline which means consumer interaction with the brand decline, will it not be more difficult to launch other variance under the brand Sundrop? Does it not mean urgency in extending

branch Sundrop to a bouquet of new products? I think the answer is yes. I mean, the part of the journey of transformation with we outlined many years ago of becoming the best performing in the most expected foods company in India, and was that we were in a hurry. We were in a hurry to transform our foods business and that's why we've invested very heavily in the capacities over the last two years. So the answer is yes. We would like it to be sooner than faster, right.

However the good news is that peanut butter business is already now available looking for us to drive. So we will invest heavily behind it and I suspect it will be sooner than later that probably the consumer base of peanut butter, Sundrop users will be greater than our edible oil base, which has been built up over so many years, right.

So, I think anyway that takes care of the first sort of questions are the only questions that I got by e-mail. We can now open it up and hopefully answer all those queries.

Questions And Answers

Operator

Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Yes, sir.

Sachin Gopal, President and CEO

Ma'am, I have one request, if you could just -- I request that we'll avoid follow-on questions because that day we're unable to take new ones. So if everybody can give their questions, two, three questions at one shot, I'll take them on at one shot, okay.

Operator

Sure, sir. Sure. Participants are requested to use handsets while asking a question. It's also a reminder to the participants to limit their questions up to two to three and accordingly the management will address the queries. First question is from the line of Pooja Lath from Edelweiss Securities. Please go ahead.

Abneesh Roy, Analyst

Hi, sir. This is Abneesh here. Thanks for the opportunity. Sir, my first question is on the peanut butter. With local manufacturing now happening, how you're seeing the cost dynamics change, and will it lead to a pricing change also? And second is, do you think India is now ready for peanut butter? What's the confidence you're getting in the next two, three years? Will it become larger enough?

And sir, my second question is, in term so of the advertising dip, do you see this as a structural change in the FMCG that in the next two, three quarters, because volume might be soft. We may not see too much of advertising budget increase. In fact, we might see a dip in your case because of the new product (technical difficulty), but are you seeing this as an underlying change in the next -- at least for the next one or two quarters? That's all, sir.

Sachin Gopal, President and CEO

Okay. Thanks very much. So to answer your question, on the cost dynamics of peanut butter, the answer is that as we are migrating away from import product to local product, we have increased our gross margin per tonne, right. So at this point in time we are therefore north of our 30% odd of gain [ph]. Right now that obviously depends on the volume and you know what volume we sell every month, right. But at the current trade of production we are able to deliver that. And the reason why I say that is that a large part of the cost currently is the manufacturing overhead of the plant which is being deployed on a relatively low volume based compared to the capacity of the plant.

But at this point of time, it's positive and that's the point that I was making that therefore we are very happy and comfortable because we have seen some cases with other companies, their large Greenfield projects where they came on stream and then they negatively impacted the performance of the company. That's not the case in our -- with respect to our company.

Is India ready for peanut butter? I think we firmly believe the answer is yes. You yourself will see that. More and more people will be talking to you about peanut butter. If you ask somebody, people will be aware of peanut butter.

I was coming from the plant yesterday because we had our Board meeting at the plant, and at Baroda airport, as I put in -- and I had

some samples to carry and I asked the girl at Indigo at the scanner, she said, what are you carrying in this, sir? I said peanut butter. She told, well, okay fine. She got it, right. I didn't had to tell her, okay, what is peanut butter. People know peanut butter. So I think it's happening. As I've told several of you, in China, it's already 400 crore market today, probably little more than that. So we have no evidence to disbelief our initial hypothesis that this could be 100 crore market, right, and that's the kind of minimum level at least we would like to have it.

The only thing is now we need to work in a disciplined manner, keep spending behind it, get the trials going, learn from our experience on ACT II and build on that, because we now don't need to recreate the distribution infrastructure that we had to for peanut for ACT II. So the answer is yes.

Structural changes in A&P, I won't be able to comment on industry overall. I can only say one thing and several of you have asked me this question, what happens when the economy slows down? We are not as large as a Nestle or Unilever or anybody else. So most of our -- most of our -- most of the things that are upsides for us are down sides for us, but largely dependent on what we do and the -- specific environment in our category.

So I would believe that we don't see any fundamental changes in the economy. A good example of that is even though we've cut advertising on ACT II, by cut meaning, we reduced it because there's -- that we needed to able to manage our entire P&L effectively. But we are still growing ACT II consumer packs of Instant Popcorn, Microwave Popcorn, Ready to Eat Popcorn. We are still growing at about 23% [ph], 25%, right.

So I think we don't see any fundamental changes in consumption. Now is that not true for everybody else? Probably not. Is that true for us more because of the relatively smaller size of our company? I think the answer is probably yes, okay. The last obviously is that, as you build new categories, they are very difficult to build. New category creation is a very difficult task. That's why very often for a big companies challenging because you may not have the tenacity to do it. But the reward obviously is that that when you build a category, it is -- you can be far more resilient in it, if through both upturns and downturns, okay. So, thank you for the question. Ma'am, we can take the next one now.

Abneesh Roy, Analyst

Thank you, sir.

Operator

Thank you. Next question is from the line of Priyank Singhal from Bajaj Allianz Life Insurance. Please go ahead. Mr. Singhal, your line is unmuted. You may please go ahead.

Priyank Singhal, Analyst

Sorry. Sachin, hi. This 10% degrowth in revenues, is it possible to deconstruct that? You mentioned 7% volume degrowth in edible oil business. But in value terms, how much is the degrowth in edible oil? How much is the growth in popcorn and in peanut butter weighted average of which comes to 10% decline? So that is the first question.

Second question is, you again mentioned that the current gross margin in peanut butter is 30%, but once we start local manufacturing, how much would be the margin, gross margin from the new plant? That is the second question.

And thirdly on the -- on this entire Adani thing, how long do you think this can continue? And in case it continues like this, what is our sort of steps that we'll take? And the related question also is, you mentioned let's say on a nine to one basis [ph] we have actually gained by a one percentage point in terms of share over Marico. But then from looking at Marico's numbers, Sundrop -- sorry, Saffola is still showing a volume growth versus a degrowth in our case. So how does one reconcile the fact that we would have still gain share over them?

So, those are the questions. Thank you.

Sachin Gopal, President and CEO

Okay. Thank you. So, to -- see, ACT II reconstruct, the break-up, I'll try and give that to you. For the quarter, I would say actually on Sundrop net sales, our index will be about 88, okay. So on a net sales basis, it will be about 12 points lower. On the popcorn business, it will be 95, right.

Now, if you recall, I had mentioned to you that the consumer part of the business is actually growing very well. However, the institutional business for the last, I would say nine months or almost the entire period, had actually came under pressure because

when we increase prices, post commodity price increases, the -- some of our customers looked for alternate. Most of them are coming back to us, towards the end of December I think almost 100% are back with us, but you do see the impact of that and Crystal will also be down.

Let me give you a specific number for Crystal as well, which then if you do the maths and you roughly know the weighted averages of each one of these, you will have the actual numbers, so bear with me for a moment, Ravi [ph]. Yeah, Crystal net sales is also the index is similar to Sundrop, it's about 88, okay, all right. So that will give you the breakdown of the net sales deconstruction.

In terms of the GM from the new plant, I mentioned that already. The numbers that -- the number -- the figure that I gave you is after the first three weeks of production, right. So after three weeks of production on the current level of volume with the entire manufacturing overhead allocated on the current that they're producing is now at about 30% odd, probably a little more.

And as I mentioned earlier, let's see how the volume progression does. A very large part today of the total cost that we are incurring is actually manufacturing overheads, right. Probably about half of it is allocation or manufacturing overheads. Manufacturing overheads includes HVAC, the heating, ventilation and air conditioning cost, so the electricity cost, the labor cost, the depreciation of the plant, security, all of those pieces, management salary and all of that, right. So, a very large part of it is that, that's when we'll have -- that it will now be dependent on volumes, how are we able to successfully grow volumes so that it can climb up in terms of margins (technical difficulty) okay.

And the third question is, how long will Adani continue to spend more? Don't know. I can't say, right. It depends. We are setting up a plant in Mantralayam, I believe right now, so it's possible that they may continue to do so for longer period of time. The volume numbers as per retail audit are not that significant, but everybody has their own strategies.

So, we just have to be -- we have to manage it. We have to be agile enough that we are able to respond to it. So right now, our immediate response is high spending by competition. We need to do a better job on our cost structure so that we can improve our A&P, so that we can (technical difficulty) and our brand and we stay on track as far as our strategy is concerned.

And in fact accelerate the growth of our food business, which is about whatever 17%, 18% of the business, but we need to move faster towards the 25%. That will need advertising spending. So we'll just check out and see different pieces, right, so that we continue to be on track for the dual objectives that we've set for our company of growing gross margin. We need to grow gross margin to about 30%. As we've said, we're at about 25 today and grow foods to 25. So we will do that. I wish I had all the answers to that. I cannot have them. So, I won't be able to give them, right.

Priyank Singhal, Analyst

No, actually Sachin, just a clarification. My question was not how long Adani will continue, but if they continue for longer, right, would our response continue to be similar, or do we have a different plan in place? That's what I wanted to actually understand.

Sachin Gopal, President and CEO

Okay. So, okay, can I close the four question, Priyank? Then what we will do is, I can -- we can dial back -- we will be back it. My answer is, we will -- we are responding right now on the basis of the actions taken by competition right now. We will have to watch. Will the recipe of what we are doing address possible competitive moves in the future? Cannot guarantee that. Is it working towards addressing the dynamics of the market today? The answer is yes. Okay, all right.

And I'm sorry, Priyank, I missed the last part. There was a fourth question, so if you could just repeat that?

Priyank Singhal, Analyst

It was linked to this question only, sir, that was the clarification I sought. Actually one more clarification, sir. You mentioned popcorn degrew by 5%. Is it possible to break it down between -- because I don't know how much is the share of institution within the popcorn business, as to with an institution how much is it and how much is the institution degrowth versus retail growth?

Sachin Gopal, President and CEO

Okay, I will come back to that, I'll come back to that later, okay. Just to be fair to everybody, we'll go to the next question, but I'll answer this before we end the call, okay.

Priyank Singhal, Analyst

Sure. Thank you.

Sachin Gopal, President and CEO

Yes.

Operator

Thank you. Next question is from the line of Rajat Budhiraja from Banyan Capital Advisors. Please go ahead.

Rajat Budhiraja, Analyst

Thanks for taking our questions. I have two questions. Number one, you talked about 35 crore of investment in the new plant that has gone on line. And as I remember correctly, the total CapEx plan was about 100 crore. So the question is, how much of that 65 will be done for the remainder of this year and what is planned for the next year? That's question number one.

Question number two is, when you look at the ROICs of Agro Tech, they are in high-teens low-20s. And in comparison to other companies out there, it's quite low from a scale perspective. So just love to hear your thoughts on how you think about that particular issue? Thanks.

Sachin Gopal, President and CEO

Okay, thanks, Rajat. So to answer your question, the balance pending which we have already committed to which the Board had approved over the last two years will not all finish in the next six-month. A last part of it will finish, right. And obviously right now because -- let's assume we are making about 100 crore investment, and let's say 80 crores to 90 crores or something like that is going to get finished, right now, I would say both the next phase of the Gujarat facility and the plant in Unnao, and the satellite plant that we are setting up in Bangladesh should all be ready in the next five to six months, okay. However, work will continue particularly in Jhagadia, right, because some of the money that we have invested right now is on plants where we will go into commercial manufacture only in FY16, okay. I don't want to comment on the categories that we're going to enter, but let's say we've already made investments in one more category where we anticipated entry only in FY16. The civil work of that at Jhagadia and Gujarat will start after this monsoon and then probably in April 2016 we will actually start commercial production of that.

So I would say a fair number would be in the next five to six months, probably 60% to 70% of the incremental capacities that we have worked out of the spending of the balance we can expect to see completed and be in commercial production. It's also important an priority for us, because right now we are in a stage where we have invested a lot of money. So we obviously want to get the return on those assets. So the sooner we are able to bring those products to the market, the sooner we will get the return on our assets and the capacity that we have built up.

In terms of ROIC and benchmark versus competition, I won't be able to give you a very, very specific view on that. The reason is that as those of you are aware of our company, we have been single handedly -- the single greatest measure for us as a corporation is the growth and gross margin, okay, right. We need to continually grow our gross margin and we need to grow it in a steady manner and in as the risk freer manner as is possible, okay. So -- and that leads to a greater stability in the business and it enables us to continue investing behind the brand to support the new categories that we're building, right. That's the most important measure.

After that returns will change, I mean, as I said once we get a hockey stick on our peanut butter plant where you already got a much larger capacity than your current demand, you will be making a incremental margin which is not in the 30s. It will be in the 40s and the 50s, right, assuming as I had mentioned just now that almost half of our cost will be allocation of overheads. So those pieces will change dramatically. What's important is that we are able to invest behind the new capacities that we are building on and we have a great portfolio of products which we can gain scale in the country.

So, I'm sorry if I didn't answer your question number two, but I think it's just a way that we are wide as a company, okay. All right, ma'am.

Operator

Thank you. Next question is from the line of Amit Fernandes [ph] from Tata Asset Management. Please go ahead.

Unidentified Participant

Hello, Sachin.

Sachin Gopal, President and CEO

Yeah, hi.

Unidentified Participant

For --

Operator

Excuse me, this is the operator. Ma'am, can you be a little more louder, because your voice is not audible? Thank you.

Unidentified Participant

Sure. Hello? Is that fine right now?

Operator

A little louder, ma'am.

Unidentified Participant

Sachin, would it be possible to breakdown the volume growth and price growth for the Sundrop brand in this quarter? Secondly for Act II Popcorn, could you give us some light with respect to what is the sales growth that we are seeing in the retail end of the segment? Also as you're mentioning that we're going to see the launch of Sundrop peanut butter very soon and probably once we receive the approvals of the other two new products also. So, if we estimate say a timeframe of around six months odd, but if we look at the market right now, the consumer demand is very sluggish so the ability to probably expand a new category or maybe establish a foothold in existing categories would probably be difficult.

So, would it be the right time to launch our products right now or just to gain your understanding on that whether the market is conducive for big ticket launches right now? Yeah, that's all from my end.

Sachin Gopal, President and CEO

Okay, all right. So let me take the first question thanks then. Thanks (inaudible) right. On the volume versus price, in general I normally give you all the -- I used the Crystal example on volume versus price. So, if you look at Crystal, the -- both industries are pretty much similar, right, meaning the index on volume and value is pretty much the same. It's about 87 to 88.

What's happening right now is that the -- if you will, the price table started moving downwards in the month of October and therefore, whatever is the -- I would say ramifications of that, those will start getting more evident in quarter four of this fiscal and in quarter one of this -- of next fiscal, right, because everybody takes time, you re-adjust to the market, the local players will move much faster than we'd move, right. All those pieces will take place. So right now, therefore the answer is not so much difference in terms of the spread on Crystal.

On Act II growth, we don't really see any impact, as I've said earlier also on what's called -- on the -- from a consumption standpoint. The fact is that we will spend less money this quarter than we would -- than we spent last quarter on last year same quarter on Act II Popcorn. I think the number is almost 5 crores less, right. So naturally if we're going to spend 5 crores less, our growth rate is not going to be the same. If we had spent 5 crores more, we'll probably have grown by another 15%, especially on a quarter-on-quarter basis, right. So because we spent 5 crores less, the base impact is going to be there. At this point last year we had been spending very heavily, right, through the first eight or nine months, right. So, therefore, there is an impact of that. We don't see any consumption issues.

What is contributing though to the overall index that Priyank had asked for and therefore, I'll answer that and take the opportunity to answer that question now is that the share of our international business, which was as high as about 21% last year has come down by almost 600 basis point. So that's only about 15% this year. So you can see, therefore, that's a fairly significant movement

and accounts for the bulk of that -- of the index that we talked about.

And to the last point about what's the timing for new categories? I would say we are actually -- and not -- this is not (inaudible) as well, I think this is true for the industry. We're in a happy situation where new categories have arrived. I won't be too fast about broad changes in economic growth.

Categories get developed because individual companies lead those categories. So if I give you an example of three categories, which really didn't exist five years ago, their breakfast cereals, their popcorn and their (technical difficulty). These three categories are non-existent. If you'd had asked somebody five or six years ago, tell me, I mean, are these going to be big categories? Then I said forget it, right. These are irrelevant categories. But the truth is today everybody has french fries, everybody has popcorn, and everybody has breakfast cereals, right. Obviously the largest among these are breakfast cereal, because work on that started from 30 years ago, right. So it's had -- it's had no more time from a gestation period perspective.

But new categories will continue to thrive. I think we now see a new generation of consumers who are definitely have the propensity to consume and they want the right foods. So I don't see that as an issue, right.

Yes, will an economic scenario or growth change our ability to invest? The answer is yes, of course, right. If you are in a rapidly growing economic scenario, there is more money. The margin expansion can be faster. You will have more money to invest. If it's a more -- if it's a weaker growth scenario, there will be more completion. There will be more people fighting for the same share of the overall food business. And therefore, there will be probably less margin to play with. But that doesn't mean that there is no margin to play with.

So it doesn't mean that you're not going to grow the category, may be they'll grow a little slower, but it doesn't really matter. If we are -- anyway they are going to grow over a period of time. So the impact on us is minus 2 [ph]. The critical thing for us as food -- as a food manufacturer is to ensure that as we ground our manufacturing facilities for new categories that we have the right cost structure, right. So a good example of that is (inaudible). The fact is we started the plant in three weeks time. They are making money. They are making money from day one, okay. That's great.

So that, however, may not be as easy on our new categories, because in this case there was already an existing demand, which we were taking, which we were importing, and all we've done is we've -- instead of buying it from a factory in the US, we are buying it from a factory in India. But the same fundamental logic will apply. If you have the right cost structure, if you have integrated plants, which are handling multiple platforms, if you had the right locations for these plant particularly for bag snacks, right, we'll certainly be a bigger bag snacks company in the next couple of years or next quarters than we were last year, right.

Now bag snacks that would require multiple locations. So part of our deal is okay. We are now expanding from two locations to four locations. So, if we do the right things, which are fundamentally enable us to have the right cost structures, we should be able to invest behind it. Will those levels of investment vary with different levels of economic growth? Very much so, the answer is yes, but we'll have to suck and see that, okay.

Unidentified Participant

Okay. Fine, sir. Thank you.

Sachin Gopal, President and CEO

Thank you, ma'am. Next?

Operator

Thank you. Next question is from the line of Mr. Nitin Gosar from Religare Invesco. Please go ahead.

Nitin Gosar, Analyst

Hi, sir, good afternoon. Just wanted further clarification on popcorn is -- does that mean that the volume growth was flattish? Number two question is, how is the growth in the popcorn category versus high SKUs -- low SKUs versus high SKUs that is INR15 price point versus higher price point?

And if the resource allocation right now in the short-term that is maybe three months to six months is in challenge because larger part of is getting focused on the asset creation and second deployment behind Sundrop, does that mean that the Sundrop and popcorn or the Act II for time being the growth will get challenge?

Sachin Gopal, President and CEO

Okay. So, thank you. So, on the first question, Nitin, on volume versus value, we generally -- because we keep modifying the damages. So, I think in general we've always said that use -- use the value figure as kind of a surrogate, right. It's not the perfect answer but we don't have a perfect answer, right. So we'll use it. Yes, we probably have a few points on pricing but that's close enough.

In terms of the higher SKUs, I -- for competitive reasons, I won't like to reveal the exact figures but I did mention about two years ago when we started a program that we wanted to be less dependent on the INR10 SKU and we therefore, concentrated on INR15 SKUs, the answer is yes. That program is successful and is closed frankly. It's done. It's a done deal.

We now have a sufficient part of our business, which is at INR15, INR20, INR25, INR30 and even we sell multipacks for INR50 and INR60, right. So we have a fairly large part of the business now, which is therefore derisked away from the old INR10 cashing, because at the end of the day, there is only so much damage in reduction that you can do in INR10 pack or for that matter in a INR5 pack.

That doesn't mean though that those low cashing SKUs are not important, they are. We have another company in the grocery space which has also been equally challenged, which is how do you manage it. How do you manage to grow a category at INR10 and INR5, but if you spend all your money on the advertising money focused on those packs, then the big ones won't grow.

So that's the resource allocation that our marketing team is continually working on, how to ensure that we have the right balance. You can't walk away from one or the other. You need to continue to drive those INR25, INR30 packs because that's where you get the right economies of scale, right. It's not that packaging cost is disproportionate to the final price that the consumer pays for it, right. But equally you need products at INR5 and INR10 so that you can keep bringing in new consumers into it, right, and you have to balance this over the year.

I think our benchmarking studies have shown that companies can't do either one. If you do the bottom end then you lose profitability. If you do the top end, you get the profitability, but you don't get the volume growth that you need. So we need to keep doing both, okay.

But having said that, that process is done and we've successfully, I would say, migrated a fairly significant part of the business out of the INR10 rate, right, which is also good from a competitive standpoint.

In terms of resource allocation, in terms of deployment, we actually don't discriminate in a sense that we -- our resource allocation would have been lower this quarter on both Sundrop and ACT II, okay. So we wouldn't have discriminated. If anything the priority will be to ensure that the food business continues to get it, if we are challenged at any point in time. Our -- I won't be able to give you a guidance, we don't do that in terms of the future, right.

But what I can say is that we have had -- in the past we have defined and we have defined it to include peanut butter in the future that we would have three priority products for our media allocation. First is Sundrop Heart, second is ACT II Instant Popcorn and the third is Sundrop Peanut Butter. Those priorities remain. They'll probably remain for the next few [ph] years, right.

We would have spent probably almost 99% of our media money last year on behind these products and probably a similar figure this year of 99% or 100% on a year-to-date basis. So those priorities will not change. How much we spend depends on the prices that we make. So, as I mentioned earlier that's the algorithm that we need to work out so that we maximize our gross margin and therefore, get -- make the right level of investments. That's critical for us to get the company now very quickly to the 25% mark in terms of share of food business, okay.

Nitin Gosar, Analyst

Yeah. Thank you.

Sachin Gopal, President and CEO

All right, ma'am. Thank you. Thank you, sir.

Operator

Thank you. Next question is from the line Mr. Kunal Bhatia from Dalal & Broacha Stock Broking. Please go ahead.

Kunal Bhatia, Analyst

Yes. Thanks for the opportunity. Sir, I just had a question on -- sir, currently with the new plant, what is our current volumes per se? And also just wanted to know in terms of localization what's the current percentage?

Sachin Gopal, President and CEO

So the new plant, current volume, I won't be able to give the -- give you the volume. But what I can do is try and give you a context on the percentage. We have stopped oil imports of more than 75% or 80% of the -- of what we were doing, okay. So, we'll have some multiple variance. There will be regular creamy, regular crunchy, regular honey roast, regular crunchy honey roast, those kinds of things, right. So we're probably north of 75%, 80% already and we are not importing any more containers because the umbilical cord more or less about three months ago because there was a three to four month lead time, right. We were -- and we felt confident that the plants will start as per schedule, which it did.

So the answer is, you can assume, for practical purposes, 100% has now moved to local production. In addition to that the local plants will also make the smaller packs, the 200 grams, the 100 grams or the sachet pack, which will initially be used for sampling with oil. So, you could assume it's done. It's over. Everything is localized. And in a manner of one year then we should be actually able to look at innovation on what else we can do with peanut butter in terms of the different types of modifications or blends that we can make to bring more innovation and pricing power to the market here.

Kunal Bhatia, Analyst

Okay, okay. Fine, sir. Thank you so much.

Sachin Gopal, President and CEO

Thanks, Kunal. Thank you.

Operator

Thank you. Next questions is from the line of Mr. Harit Kapoor from IDFC Securities. Please go ahead.

Harit Kapoor, Analyst

Yeah, good afternoon, sir. Just two things. Firstly, on popcorn with the prices in the US having come off and also ample supply, do we see incremental gross margin opportunity in ACT II? That's first.

Secondly on new launches, you've said that you've planned two new launches, which are awaiting approval. Over the next 12 to 18 months, is -- are these two the only ones, which should be in the pipeline? And if so, are we still confident that 25%, 30% growth or upwards of that is possible in non-edible portfolio, given the current environment?

Sachin Gopal, President and CEO

Yeah. Thanks, Harit. To answer on question on incremental gross margin for ACT II, the answer is no, not next year. And the reason is that whatever corn -- we bring corn in for the next year. So as of now we're probably at the tail-end of the 200s [ph] of containers that we bring in for corn, because we get the license in June, July and then we order the stock and we cover ourselves up for the -- so as of -- I would say probably another two weeks we should have received most of the corn that we require for the next fiscal, okay.

And corn came in at a lower price than it did in the prior year, but at the same time the rupee devalued, okay.

Harit Kapoor, Analyst

All right.

Sachin Gopal, President and CEO

So, there was -- it's -- there is a positive and a negative, right. So, that's why I say that's the one number I can accurately say that the gross margin is not going to -- it's not going to go up and not going to go down. There is no, because we've already bought the corn, okay.

As far as the corn prices in the US is concerned, your point is right. I've also seen the same reports. But bear in mind one thing that most of the data that you see which is circulated on room -- on other sites that you will be using is on corn, okay. Popping corn is a very specialized variety, right, which is often -- while it may not -- the trends may not vary, the direction may not vary from the overall market, but the -- the specific number will be different, okay.

So, I'll actually -- even we are unable to use any of those price data on that corn to -- for our own forecasting on popping corn, all right. So, we will see, we'll get to know. The Board also asked me the same question yesterday and I'll get to know as when we start contracting for next year's purchases what price we get, right.

So as of now I would say we'll assume that it's a -- we should be able to maintain it, but I wouldn't see an opportunity for expansion on account of commodity cost. If there is a opportunity for expansion due to innovation or something else we do, obviously we'll go for that. There is no question of that.

As far as the new launches is concerned, the answer is yes. I think the -- of 25%, the level of investment that we are making, once all these different plants and lines come on-stream is almost at 2x, okay, it depends right, I mean on the specific line the parts because we would have started off going trying to minimize our investments so we don't increase the burden on the business. But it will almost be a 2x factor of the capacity that we had a year ago.

So, the answer is with this we'll have sufficient capacity. We'll be competing and driving not only new categories like popcorn and peanut butter, but we will have capacity to enter existing categories which are large. And therefore, we should be able to enter them with a minimal advertisement spend and help to gain some scale both for ourselves and for our distributors.

So my answer is yes, the 25% which is the next stage of the foods business, certainly I mean eminently realizable. The trick for us is to get the plants up and running as quickly as we can and then go-to-market. The challenge obviously will be that we will keep our A&P spending focused only behind our strategic growth drivers. So, these products will have to gain scale and traction largely through our distribution network.

Harit Kapoor, Analyst

Okay.

Sachin Gopal, President and CEO

But the opposite will be there, okay.

Harit Kapoor, Analyst

Right. So number four, so for example you had -- you said Sundrop Heart, ACT II and peanut butter. So number four on that list will probably not be there till maybe FY16 or so, in terms of marketing spends dedicated to a certain product?

Sachin Gopal, President and CEO

Correct. So, Harit, to be consistent and sometime I guess I'll try to be too much, let me take your answer at the end of this, so that I don't feel guilty later that I answered yours, but I cut short somebody else, okay. I apologize.

Harit Kapoor, Analyst

Fair. Thank you. Thank you very much, sir. Thanks a lot.

Sachin Gopal, President and CEO

Okay.

Operator

Thank you. Next question is from the line of Mr. Nikhil Upadhyay from Equirus Securities Private Limited. Please go ahead.

Nikhil Upadhyay, Analyst

Yeah. Good afternoon, sir, and thanks for the opportunity. Sir, first question is that you mentioned that in peanut butter, we've started the commercial production. But as we go towards launching the lower price SKU, do you see that the 30% gross margin which -- 30 -- more than 30% gross margin which we've indicated from current production, will we be able to maintain or do you see that there could be some pressure on that side?

Secondly, on the popcorn business, if you can give me a split between the -- a rough percentage contribution from the Ready to Eat Popcorn and what would be the distribution reach of that?

And lastly a book keeping question, this tax rate, lower tax rate which we have. How -- to what year or till what fiscal year do you expect this to continue?

Sachin Gopal, President and CEO

Well, thank you very much. So the answer to three questions is, (inaudible) to pass this? No, I don't think we see any issue on the lower price SKU, because there was a day of low SKU manufacture, we considered the pre-form. We've -the plastics will grow very -- we actually made this reform ourselves on our own brand. So it's all in our -- it's all in control. So the answer is no. So (inaudible) primary ingredient as you come into smaller tax. It's not (technical difficulty), so the answer is no.

Whatever it is on the big pack will be on the small pack as well, okay. And as those of who are associated with our company for a while know, we rarely compromise on margins. We may have done so occasionally, but not often.

On our popcorn business, our RTE popcorn is now about (technical difficulty) thereabout. It's going very well. It's important for not only for itself but also for the fact that it's given us the capability or the confidence that we can make a bigger play in the bag snacks market.

As you know the sweet and savory snack business in India is about 10,000 crores. Five years ago we would have to hesitate to say, you know what, we can be a big player in this. But after Ready to Eat Popcorn, I think, we are very confirmable that we can be big buys there. So the answer is, yes, it's (technical difficulty) for us.

In terms of your bookkeeping question on tax, the answer is the current tax rate is largely driven by the Kashipur plant. The Kashipur plant will not -- the tax exemption on Kashipur plant will end on the 31st of March, 2015, okay. So after 31st March, 2015, the only tax benefits that we'll get is on account of our R&D center at Hyderabad, right. So (technical difficulty) current tax rate will not be therefore valid from 1st of April (technical difficulty). So, I hope that answers all your three questions. Yeah, okay.

Nikhil Upadhyay, Analyst

Sir, just one, I couldn't get the number on the RTE Popcorn, you said there was some disturbance in the line.

Sachin Gopal, President and CEO

Okay. I'll take that since it's -- it's between 5% and 7% of (technical difficulty), okay.

Nikhil Upadhyay, Analyst

Okay, okay.

Sachin Gopal, President and CEO

Thank you. Thank you.

Operator

Thank you. Next question is from the line of Mr. Prakash Kapadia from ialpha Enterprises. Please go ahead.

Prakash Kapadia, Analyst

Yeah. Thanks for taking my question. Three questions, Sachin. In terms of the promotional activity of the INR20 Act II Popcorn on one liter sachet, was it on a pan-India basis or was it just modern trade and was it just for Sundrop or was it across the edible oil portfolio?

And did it help in achieving volume growth because you said we've seen volume growth in the premium segment, so that was on edible oils. Coming to the foods business, if you could give us some sense, how are the new flavor, Southern Spice, Chilli Surprise, Butter Pepper doing? And is there a gross margin difference between these newer SKUs and the older flavors?

And we've again seen an increase in prices in Act II Popcorn. So what is driving that? Is it the rupee angle or is there some freight to this? So these were broadly three questions.

Sachin Gopal, President and CEO

Okay. Thank you, Prakash. So the answer is, on the promotional activity, yeah, naturally we -- when we enter a market of let's say an edible oil market which is having a slope downwards, the answer is yes, we will use promotions to do tactical discounting rather than permanent discounting, right, because we are not sure how long this will last at the point in time that it happens.

There's significant moment of significant change, so yes, we do deploy money and that's a call that we take on how long to keep it, is it -- how much of our volume to promote. This particular activities that you're referring to is probably a pan-Indian -- pan-India activity, right. So it will be there across everywhere.

In terms of new flavors, yeah, I mean, I won't be -- I wouldn't like to make a comment on specific margins of different SKUs. That's something that we stay away from. But the answer is yes. At the end of the day, innovation should give you a greater -- how do you improve margin for a company? You improve it (technical difficulty). What are the innovation consist of? It consists of new taste, new flavors, all of that. So, conceptuality in the long-term, margin improvement should come from those.

And the last is increase in price of Act II, there's no significant change in the sense that you see, we had an almost doubling of corn price between FY13 and FY14, because we were -- we had to hold price of corn and therefore, we had to take up pricing. And I think I would have mentioned this more than a year and a half ago, I said we'll take up pricing, but we'll take it up in a (technical difficulty) cowboy manner that you come in and say okay, you know, now it's up tomorrow morning from X, right.

Prakash Kapadia, Analyst

Right.

Sachin Gopal, President and CEO

So we need to do it in a disciplined manner. So whatever pricing we've taken this year is part of that. It's part of the overall margin protection plan to ensure that our dry corn costs went up, we were able to in a disciplined manner still grow the business. As I mentioned earlier, our consumer businesses on popcorn is on a year-to-date basis still up 20%, 25%. So we've absorbed the pricing. We'll absorb the higher cost. We are therefore in a good position as far as next year is concerned because we also have the corn for next year now in our warehouses almost.

Prakash Kapadia, Analyst

Right.

Sachin Gopal, President and CEO

So, yeah, I think, it will be part of that overall plan, Prakash, okay. All right, thanks.

Prakash Kapadia, Analyst

And if you could just give us some sense, how will be response to some of these new flavors? Is it in line with what we've been forecasting or is there still the older flavors are still a very large part of our Act II Popcorn basket?

Sachin Gopal, President and CEO

Prakash, just to be consistent, as I mentioned to Harit, what I'll do is, I'll take this at the end. So just so that I'm not accused of being inconsistent, right. But (technical difficulty) five minutes at the end for -- to answer those follow-up questions, okay.

Prakash Kapadia, Analyst

Yeah, thanks.

Operator

Thank you. Our last question is from the line of Mr. Binoy Jariwala from Sunidhi Securities. Please go ahead.

Binoy Jariwala, Analyst

Hi, Sachin. Thank you for taking my question. Just wanted to touch upon the CapEx part. Of the INR1 billion of CapEx, I believe in FY13 and FY14 put together, we would have -- we would have expanded about 800 million. So I believe you -- just to confirm, you've said in the first half of FY15, we should be done with all the CapEx? One is that.

Second is, wanted to know the distribution reach on Sundrop edible oils and Act II. I believe you said about 250,000 outlets on Act II. That's a kind of lower I believe than the previous distribution reach that you shared at about 300,000, 325,000 outlets. So if you could confirm this please?

And the last question is on the distribution roadmap for peanut butter. Now that the plant is operational, can we really leverage all the Act II distribution to benefit peanut butter and to gain scale out there? Or would we be -- we be able to leverage only the Sundrop distribution for the first year at least, because I believe most of the sales should happen as promotions with the Sundrop edible oil, so that's what it, yeah?

Sachin Gopal, President and CEO

Okay, thanks, Binoy. So to the first part, I would say the bulk or whatever is currently seeable, which is the capital work in progress will get completed, I would recommend in the -- as -- till over the next five to six months, right, but now all of it, right. They would still be a component which is why if you recall one of the answer, I mentioned how much and I said, you could assume that 70% odd of it will be done in the current year. Whereas from other lines that we bought already, where for example if you saw some good equipment coming up for sale in North America, because industries there are under pressure. So we imported those and that we've kept and then we'll do the civil work over the next 18, 24 months.

So there will be some pieces which will be pending, but a large part would get complete over the next five to six months. And hopefully all the product approvals will be there, so I won't have to give you the answer and yet not reveal the product in about two prongs from today. We -- once we are in the market, it will be a lot easier, but it's not really good from a shareholder standpoint to give more information on new products that is relevant. So I would like to just to hold that part more detail.

In terms of distribution, thank you for asking the question, because I did, however, commitment some quarters ago that I'll share with you. See, what's happened is our AC Nielsen distribution of Sundrop oils (technical difficulty) popcorn tell about, I think, they restated the panel again this year and they've done that twice I think in the last six to eight months. So that's also -- we had to recalibrate our numbers is, on oils it was about 105,000 or 110,000 Nestle was our distribution. And they have now calibrated it downwards from 105,000 to about 76,000 stores [ph].

So if you remember, I used to mention a figure of about 90,000 stores for Sundrop distribution. That 90,000 group, it grew to about 105 or 107 or something like that, till about six, seven months ago and the new sellers recalibrated that. So that 105 has now become 76,000.

Similarly, the ACT II Popcorn which AC Nielsen used to quote was about 220,000 or 230,000 thereabout, because if you remember, I've always quoted a coverage of about 350,000 stores, so which makes sense to the 220,000 ACT II distribution and 105, 110,000 for Sundrop. That has also got recalibrated down, I think, to about 160,000 stores.

So the net result is, it's probably therefore that are receptive coverage. It's probably in the region of somewhere around 220,000 to 250,000 stores, okay. So, which is okay from our standpoint, but it was also, therefore, an opportunity for us to expect some cost. So, part of the SG&A reduction that we've done right now is to eliminate some supervision levels for some of those stores. We keep

the feet on the street, but we have eliminated some of the supervision levels because we need -- as I said we get a better ROI from our current distributions.

In terms of peanut butter, the answer to your question is, it's going to be neither ACT II nor Sundrop. It will be much less than that. We had the ability, I'm sorry, I missed one part. I think you had also mentioned specifically for RTE distribution. So RTE distribution, if I remember correctly, the figure is about probably about 60,000 stores thereabouts, okay. So it's a subset of ACT II sachet distribution to a large part. Not entirely, but to a large part.

In terms of peanut butter distribution, the answer is as I said neither. We have the capability. I'm sure we can play Sundrop Peanut Butter in a 100,000 stores in two weeks time flat. We have that capability because we got so many people on the street, but categories take time to build. And if we overdo the distribution, we may do the placement, but we'll also take a lot of stock back, right, and you've seen some of our benchmark companies at times taking 8 crores to 10 crores of stock back from new products. That's something that our P&L part absorbs.

So we're going to be, I would say less than oil say about probably maybe about 50,000 stores, I'm not sure, right, but it would be in that kind of ballpark that we will initially do it, because you'll have to keep spending the media money to support the distribution build-ups.

Placement is a low brainer that comes easily and it comes free, but the stock return if you take, if you don't support it with the right level of media spends is not free, visible for that with a tap for that which you have to sign. So, yeah probably in that 35,000 to 50,000 range is what we should be able to get and support adequately with media, right. So, I hope that answers your questions.

Binoy Jariwala, Analyst

Yeah. Sachin, on the CapEx part, if you could touch upon -- you've mentioned a statement earlier in the call actually that the commercial production on Phase II of Jhagadia will begin in April 2016, is that right? So, yeah, so if you could cover that in the CapEx as well?

Sachin Gopal, President and CEO

Yeah, just give me -- let me see there any other further questions and then I'll come with that. I'll promise, okay.

Binoy Jariwala, Analyst

Sure, sure.

Operator

And that was the last question from the participants. Sir, if you would like to add something more to your presentation.

Sachin Gopal, President and CEO

Well, okay, fine. Okay. So, there was -- then there are three questions. One from Harit, one from Prakash and one from Binoy. Binoy, I hope I get that first question right. So Harit, I think the question that you had raised really was contextually around the marketing spending on the new products. As I mentioned, the -- our A&P resources will continue to be focused -- our media resources will continue to be focused on these priority products of Sundrop Heart, ACT II Popcorn and Peanut Butter. The other products will fly and they are capable of flying on their own. I experienced remember is that we've hardly spend any money on RTE Popcorn and yet we built up a business, which is an entirely new category. It's a new category, nobody knew Ready to Eat Popcorn, right. But today you'll meet people who tell, by the way I liked to -- I ate your Ready to Eat Popcorn.

Now if we are able to successfully do that in a new category, we should certainly be more than successfully able to do that in -- if we enter into products at existing categories, right. The key though will be to have the right cost structure, which is why we need four plants and one plant or two plants won't do. We are still lower maybe by one or two plants than our competitors, the bigger guys in bag snacks.

So Pepsi probably has about six to seven. They'll have one in Guwahati, one in West Bengal and one more, I think, in South India though maybe not, and I think -- I'm not sure of the others. But we're kind with four plants we -- we're in shooting distance, right, and overtime therefore as Guwahati comes up and probably West Bengal and one more in the South, we would have covered the

whole country from a bag snacks business. So put us -- put us in a very, very powerful position. And the best part of this obviously would be that all of these will be our own plants.

Now you said, but you know Sachin, what relevance does that have to new products? When you compete in bag snacks, a big part of your cost is trade and the second big part of your cost is packaging material. Now the closer you are to market, the lower is the cost. Also the closer you are to market overtime, the lower the shelf life that you require to deliver a fresh product; and the lower the shelf life that you require to deliver a fresh product, the less of cost you need to invest in packaging, right. So it's all about how efficient are you in terms of multiple locations. So our expectation is that we should be able to do a reasonably good job there.

In terms of, Prakash, your question regarding new flavors, I think all the new flavors doing well. Will we continue to have new flavors? The answer is yes, both in Ready to Eat and in Instant Popcorn. However having said that, new flavors are going to become more time consuming, because a flavor doesn't need approval from FSSAI, which is the Food Standard and Safety Authority, but a seasoning does.

Every time you add a new seasoning, it's a new ingredient and you need to go back to them for approval. So we obviously, therefore, are having to work. We're bringing forward our innovation calendar by almost a year to be able to handle this -- this new -- the new regulatory authority, which we'll -- which is all for the good.

And last, Binoy, on your CapEx question, I think the answer would be in the region of about five to six month. I think it's a fair expectation to say in the next five to six months a large part of the CapEx that we've spent will be operational, the plants will be running, they'll be commissioned. We'll be in the market. We'll be in the market subject to regulatory approval. And so you can assume, let's say we're in January, so April -- I would guess our July call, but it's not the July call, it's certainly the October call. You should have everything there and whole pictures should be there for you to see in a visible manner. Okay, all right. So ma'am, I think that (technical difficulty) hopefully we've answered all the questions. And thanks everybody, pleased for taking the time out. It's a pleasure to talk to you and I look forward to next quarter.

Operator

Thank you very much, sir. I would now like to hand over the conference to Mr. Joshi for closing remarks.

Aniruddha Joshi, Analyst

Yeah. Just wanted to say thank to the entire management team of Agro Tech Foods, Mr. Sachin Gopal as well as Mr. Hemant Ruia. And I also thank all the participants for being on the call. Sir, if you have any closing comments?

Sachin Gopal, President and CEO

No. Thank you, Aniruddha. Thank you. I appreciate, and appreciate your help and ma'am, your help in setting up the call. I appreciate it. Thank you.

Operator

Thank you so much, sir. On behalf of Anand Rathi Research, that concludes this conference. Thank you for joining us and you may now disconnect.