

Operator

Good evening, ladies and gentlemen. I am Rashmiya moderator for this conference. Welcome to the Conference Call of Agro Tech Foods Limited. We have with us today, Mr. Sachin Gopal, Chief Executive Officer. At this moment, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. Please note, this conference is recorded. I would now like to hand over the conference to Mr. Aniruddha Joshi. Please go ahead, sir.

Aniruddha Joshi

Thanks Rashmiya. On behalf of Anand Rathi Research, I welcome you all to fourth quarter FY11 results conference call for Agro Tech Foods. We have with us Mr. Sachin Gopal, Chief Executive Officer and Mr. Hemant Kumar Ruia, Chief Financial Officer with us. I welcome them on the call and hand over to Mr. Sachin Gopal for his comments on the results. Thanks and over to you sir.

Sachin Gopal, President and Chief Executive Officer

Okay. Thanks very much Aniruddha and good afternoon gentlemen. Thank you everyone for taking over the time to be with us today afternoon. The structure of my review with you today before we start the Q&A will be really -- I'll give an overview over here the full results.

After that I'll just do a quick dive into the quarter results for quarter four, to give a perspective of how it's stacked up and also relative to quarter three. And then just give you some update on new products which many of inquired about in the last few months. And so I download on that.

So, let me first start with the year. We, as you would have seen the results, we had -- our essentials of increased have about 11%, up from about 650 crores in last year to about 718 crores in the current year. This growth was driven really by increase, partly by increase in our foods business, which increased by about 30 odd crores on a year-to-year basis.

So, probably you can say about half of it coming from a volume increase in the food side and the balance increase is coming through pricing and mix on the oil side. So, we ended the year pretty much, I would say, on -- flat as far as the oils volumes are concerned, registering an index of exactly a 100 versus prior year. So, the increase in top-line coming through because of the oils portfolio, coming about due to pricing and mix.

The good news is that we managed to clock our gross margin percentage north of 20% for the second year running. 21% of the current year, it is a little lower than last year but nevertheless at about 150 crores in absolute gross margin terms is equal to what we delivered the prior year more or less.

It was obviously a challenge this year, particularly given the gross margin impact that we saw in quarter three, but we were able to make that up mostly in quarter four and I will cover that when I come to the quarter four results.

As a consequence of that, we were able to deliver a profit before growth of about 42%. This was important for us, because we -- this is again a year in which we've got an absolutely full tax, we are paying virtually about 33 odd percent in terms of tax. And as a consequence of that, against profit before tax growth of 42%, we ended up with a PAT of about 25% growth versus prior year.

I will come later when I touch upon the quarter four results, I will also cover up the impact of the divestiture in this. I would say the key milestones as we see it from a management perspective, is that, first of all as I said earlier for the second year running we've got a gross margin which is north of 20%.

As you know last year was an increase of almost 7%, 7 points so was the prior year. And therefore the sustainability of a 20%, north of 20% gross margin was critical for us. I am very happy that we have been able to be there which means that we know we can really start getting ready for the next climb up to the next milestone as far as gross margin percentage is concerned.

The other I think milestone which is important is that our foods business crossed 100 crore mark for the first time in the history of a company. That's important because this was just about 20 crores a couple of years ago. And I guess justifies the faith and the investment that we have made behind the foods business in creating a portfolio where we have a right to win, where we have unique value added products with some form of competitive advantage in one way shape -form. And also products which in the long-term

will give us significant pricing power.

And the third is earnings per share has really doubled over the last four years. And so we've managed I guess to deliver a gross margin increase of over the four year period of under 10% to about 20%, which means really double the GM percentage.

The foods business, which was just about 2% of our -- 2 or 3% of our business some years ago is now becoming about 15% of our business. So, that's an important milestone for us and all of that was delivered together with a good earnings growth.

We had identified as many of you will recall sometime ago, that there would be three stages of the transformation of our company. The first would be where we increased our gross margin, which would increase from 10% to 20% and then from 20% to 30 and then from 30 to 40%. The second was that the share of our foods business and foods defined as our non-edible oils portfolio would increase from 2% to 15% and then 15 to 25 and then 25 to 50.

And we should be able to do this along with the good growth in our profit after tax and our earnings per share consequently. We had not set a time frame, clearly and even today if you ask me about the next phase, I won't be able to give you a time frame.

But I think the good news is that pretty much the first stage of the -- start stage of the transformation of the company, we believe is correct. We've got a 20% GM now for two years in a row. The foods business is up to 15% and we've managed to deliver a significant growth in earnings.

The other I think highlights of the year are that we actually continued to be able to deliver a good growth in ACT II distribution. The ACT II distribution as per AC Nielsen is about 330,000 stores as of March 2011. So that's really good, because which means really we kind of almost doubled our distribution in about a 12 month period.

If you recall, I have said in earlier conference call that after a quarter of 1 billion stores, our next goal would be to get to 0.5 billion stores. And I think we are making good progress towards that, since and about probably about six months time. We have moved from about 250,000 stores to about 330,000 stores. So, that's again an important parameter and an important piece of information.

Our internal distribution is obviously higher, but for the time being we just prefer to stick with the Nielsen figure which are reasonably -- serve the purpose. The other important piece of information, as far as the year is concerned is in fact two pieces of information.

The first is you would have noticed that the cash in the bank has gone down from 89 crores to about 45 crores. So, that it's important for you to know where that cash has gone, about 30 crores of that, so which is the dominant part of it is split into two buckets.

The first bucket is additional inventory as far as the raw material of corn is concerned. As you all know that we take fairly long positions on corn on the raw corn, the popping corn that we import from Argentina. And, as our popcorn business continues to grow the demand for this also in absolute rupee terms in terms of inventory that we need to invest in increases.

So, I think probably, after 30 odd crores may be about 60 odd percent something like that comes about due to corn. That's good investment, it's necessary, because sourcing of corn is a point of competitive advantage for us for our popcorn business and therefore it's the right investment to make.

The other balance part of the 30 odd crores has come largely because the canteen stores department could not pay some of the bills, this often happens on 31st March, it's not a new phenomena. But I think it was particularly severe this year in terms of the allocation of funds.

However, the money has started coming in and a large part of that is actually already come through as far as the month of April is concerned.

The balance money has largely gone towards capital investments that we have made during the year, some of it is work-in-progress, some of it is already complete and that relates primarily to the work done at our factories in terms of enhancement of food safety and capacity expansion that we've taken during the year on the popcorn business.

As far as the cash in hand is concerned the divestiture of Rath has no material impact, because the book value or more or less close towards closing book value in our books, we invested in the land in Jhagadia, which I have updated all of you in earlier.

And the balance profits, post tax or from the divestiture were reinvested behind the business in terms of investment in quarter three behind our ACT II and our Sundrop Heart business, both of which have responded well to these investments.

The other notable point which I had mentioned in the last call, you will recall is that our employee cost has actually gone up for the first time this year, you will recall I had mentioned to you that we have, we are using the subsidiary company of our Sundrop Foods

India Limited to actually employ our salesmen who perform a role similar to that performed by distributor salesmen in terms of actually increasing our retail coverage.

So, we've had close to probably about 600 people over the last couple of months. And the difference that you see therefore, between the consolidated results on a year end basis, on employee cost and what you see on a standalone basis on employee cost, there's a difference of about 2 crores that represents the investments that we made in these last five to six months on these extra 600 odd feet on the street to increase retail coverage.

Obviously, all 600 were not on roles or not on the street for the entire period of this quarter and the quarter before this. But because it depends on their joining dates so on and so forth. But that's where the difference in employee cost is coming from.

As you will recall in the last conference call, I had indicated to you, expect to see some amount of increase in our SG&A in the period going forward. And we expect to be able to make these choices because we've already now made significant investments in terms of media behind the brand.

We need to continue to invest behind the brand, albeit at moderate level, we need to be able to extract the ROI also from that investment in terms of getting shipments through the trade. So, it's a fine balancing act and we will keep you posted.

But it's a little shift in the direction as I had mentioned earlier, and you will see that as well in the A&P spending both for this quarter and the year. Okay. That completes my review as far as the full year performance is concerned. I would now like to touch upon quarter four, it's not there in the advertisement but I am sure for those of you who are interested you would have already done the detailed analysis.

So, pretty much I would say net sales for the quarter up about 4%, this reflects a combination some growth in popcorn versus prior year and some growth in oils versus prior year.

I would say the mix is not materially the different from what you saw in the full year performance. The good news is that unlike quarter three, where we were impacted by commodity prices and as you will recall from the last call, we actually were lower than prior year in terms of gross margin, in terms of absolute gross margin rupees.

As we have caught up in terms of pricing, we have also caught up in terms of gross margin and gross margin for this quarter in absolute rupees was up by about -- in the region of about 10% versus prior year. So a little change versus last quarter.

Last quarter you saw gross margin in absolute rupees shrinking versus the prior year. This quarter as we caught up, we moved up consumer price. We were able to recover that and as well start moving up ahead of prior year. So, I would say gross margin will continue to be a challenge, but the good news is that our consumer pricing is now taking care of it.

The other difference versus quarter three is that our A&P spending in quarter four was significantly lower than prior year. That reflects in part a choice that we made in the quarter to be able spend more on feet on the street.

So, if you will see the difference between the standalone and the consolidated results, you can see that we've spent about 2 crores on feet on the street which we would not have spent had we chosen to invest behind media.

And, the balance in terms of the lower A&P spent relative to prior year is accounted for probably equally by A, an actually absolute lower investment versus prior year because we did, we went off media in February and March, which is completely okay. Since we had a fairly huge burst in terms of advertising in the month of December and some reversal of provisions in the month of March.

So, I would say, yeah, so A&P lower than prior year, SG&A, however was higher than prior year and that's consistent what I've talked about earlier in terms of investing more in terms of coverage to be able to get the returns on our media investments.

So, net tax therefore for the quarter, I would say, unlike quarter three where we had lower gross margin. Normally as a consequence of lower gross margin we would also have invested less in A&P, but we took the advantage of the Rath divestiture and the profit from that to be able to, in fact beef up our A&P investment, which has significantly increased in quarter three.

And in quarter four, it's a bit of a reverse of that, where you actually have a better gross margin, you have lower A&P and as a consequence of that you have a continued steady increase in both profit before tax and profit after tax.

So, I will say that completes the financial review as far as the full year is concerned, as quarter four is concerned. Last conference call many of you had inquired as to what is the status as far as new products are concerned.

So we are in the process of introducing and these are already introduced in some stores primarily in Delhi right now. But just for a relevant information for you that we are in the process of rolling out two products in two important categories for us.

The first is we are in the process of rolling out cooking spray, you may actually have seen television program on NDTV about it. But basically it's a cooking spray which enables you to reduce your oil consumption it's called Sundrop SlimLite basically a unique selling proposition that you need only about two calories per spray. It's a product which is very popular in the U.S. ConAgra has a very strong position in this category with a reasonable amount of IPR.

And which chose this is an appropriate product for us, because we felt that as a brand extension, it fits very well under Sundrop. It's a new category again in the sense that it is not an edible oil, but that's consistent with most of the choices that we make in terms of branding categories there, we believe we have a competitive advantage.

The good news in this case is that we have a strong competitive advantage in terms of the quality of the spray and the second is clearly we have the Sundrop brand, so it's a very logical fit as far as we are concerned.

So that's one entry, it's currently rolled out in Delhi and I think once we have -- we are in the process of refining the business model, which we'll probably do in the next few weeks or so and once we refine the business model in terms of what is the -- what are the key business drivers in terms of acquisition of new consumer, then we will extend it to more parts of the country.

It won't be a big 100,000 outlets distribution drive kind of thing at this point in time, but we will feed the product in the top few thousand stores and then we will take it from there.

So, that's one product. The second one which we have entered is, we have entered the convenient meals category, not in the conference call but in the individual discussions you would have inquired about ConAgra convenience meal because you know ConAgra is very big in convenience in terms in the U.S.

And we define convenience means in a broader sense than just ready-to-eat foods, because we believe also that quite frankly the largest convenient meal in the country today is noodles led by Maggie, whereas ready-to-eat foods as we know them, which is things like Dal and Mutter Paneer so on and so forth are relatively smaller component in terms of the consumption as a convenience meal itself.

So, we've introduced a convenient meal, about six variants, again it's in Delhi right now, it will start to get rolled out in the other parts of the country. And I am covering it in this call because it will happen between now and the next call.

And it's locally manufactured unlike the spray. And we will have a cautious approach to it because it's a category which is fairly crowded. And we need to plant a stake in the ground, which is what we are doing right now with a view to the long-term future.

But we need to do it carefully, so that we don't incur a lot of cost in terms of products that we send into the trade and we have to take back because we've misjudged the volume that would go through a store et cetera, et cetera.

So, we are making an entry. Again it's a cautious entry but one which we believe signifies our long-term interest in the category. So, these are the two new products. As I mentioned to you earlier, we will continue to launch new products probably in a span of about 12 months or so. We will continue to see our presence in new categories/new products and we continue to do that.

So, that's pretty much it, I think from my side. I am going to Hemant, Hemant is there any comment that you would like to make or should we hand it over to Q&A? Okay, I think Hemant has no comment to make at this point in time. So, Aniruddha or the lady who is handling the call, if you can hand it over to Q&A and then we'll be...

Aniruddha Joshi

Yeah Rashmiya can we start the Q&A?

Questions And Answers

Operator

Sure, sir. Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions]. The first question comes from Mr. Abneesh Roy from Edelweiss Securities.

Abneesh Roy

Sir, good growth on the gross profits front. My first question is on the A&P, we have cut in terms of the -- above the line, but we are spending more on the fleet on the street. So wanted to get that at what stage we really decide on this shift and 2 crores extra on feet on the ground, could you explain that a bit is it more of distribution I couldn't get that is it more of sales force?

Sachin Gopal, President and Chief Executive Officer

You see what happens, good. Thank you, thanks Abneesh. Basically what happens is that to increase coverage you need to have more fleet on the street. You need more people calling on retail stores. And there is no other shortcut other than if you get it through wholesale. So what we have done is not is unique to FMCG, but you're unique to the country. I think Bharti Airtel did it very well some years ago, four-five years ago, at least that's my understanding.

Where in an endeavor to increase coverage rapidly, you go out and actually you hire these people because if you want to negotiate with your distributor partner, they will have their own concerns about return on investment, I'm putting this guy up, am I going to make the money, so on so forth. So, we have moved probably from about I would say, 700 distributor salesmen, secondary sales force, to about 1,200 in about three years.

This year we really wanted to do a very big post. So that's why we increased from about 1,200 to about 1,800 salesmen. 1,800 salesman gives us a coverage of probably close to about half a million stores. So, that's what the investment is. 600 people on an average would cost you employee cost would be about, let's say, about 10,000, Rs. 12,000 a month. So you have 600 people for full time working for you, 30 days of months, that would probably come to a cost of about 70 odd lakhs a month that includes travel but doesn't actually include deliver cost which is part which is incurred in other areas.

Obviously, all of these guys are not there full time through the month some people will join there maybe vacancies. So hence the figure levels will it won't be that you can multiply 70 lakhs by 5 and get 3 crore 50. You will have to multiply a smaller figure and get the 2 crores.

Abneesh Roy

So is it a short-term measure that whenever we see gross margin pressure we take this call and when the gross margin comes back, we'll start these sales force and again go back to above the line, is that how it works?

Sachin Gopal, President and Chief Executive Officer

No, no. It has actually nothing do with the gross margin pressures absolutely nothing. It's a choice that you make that as you want to continue to expand coverage, if you want to expand coverage, for example, to 1 million stores in one day, then you will need even more people. We'll probably need another 1,800 million people, right.

So this is something that we have started about four months ago, we will see. Right now most of...a large part of this 600 people are actually on a contractual assignment with us because we also need to assess how good is this as a route. It's something which hasn't been really done in FMCG. So, once we have a break up feel we will take a call on is it a long-term arrangement, are we going to hand over part of them back to the distributor salesmen.

But this is something that we will need to continue because to invest in coverage you need fleet on the street. So I'll keep you updated in later call. But, no between gross margin and this there are no this has no relation. In fact, chances are if you are under gross margin pressure, you may actually decide to cut this, because remember in the early days when you expand coverage the tail doesn't actually give you a lot of rupee value, right? Because the tail is starting with small cost, small values. But it's the right think to do, because we need to open and create the distribution channel through which then all our other products can go through in the future.

Abneesh Roy

Sure. Sir my second question is on the new products, cooking spray which reduces oil consumption. So, it actually competes with your Sundrop so in a way doesn't it cannibalize your existing product and how big in opportunity you see in India in this? Any other developing country example you can give in this?

Sachin Gopal, President and Chief Executive Officer

Yeah. I won't be able to quantify the size of price to you right now. But, I think give us about may be three months, may be either in the next quarter or in the call after that, I'll be able to give you a better idea of the size of price.

I would say as far as cannibalization is concerned, the answer is no. Because the truth is we have our share of the total oil consumption is in single digit as far as unit volume share is concerned. So, there is a large market there which is waiting for us, so which is in getting really waiting to be captured. So, the answer is no. Of course, there will be some Sundrop users who will use this.

So, for example, if as I am a user of Sundrop oil today, and I make that to the spray. Yes, I may consume a little less oil, but, then so long we are migrating these consumers in a profitable manner, that is our gross margin percentage on the spray is higher than our gross margin percentage in the oils, that's okay because we are making more profit out of the consumer.

Abneesh Roy

And sir how difficult is the IPR for example, and tomorrow Saffola also copy this or is it difficult in terms of technology?

Sachin Gopal, President and Chief Executive Officer

Yes, I would say prima facie, you would see that I think anybody can make prima facie you can say that anybody would be able to make a spray, right? I think, however, there is a certain amount of IPR involved in terms of a steady delivery and how you actually deliver the mix out of it. So, I would say not a 100% unique but clearly since currently has a dominant market share in the U.S., a very strong market share in the U.S., that much we indicative of significant technological strength.

Abneesh Roy

Sir, my last question is on the popcorn. You said the percentage segment has not changed much YoY. So, is popcorn -has popcorn growth slowed down? We have seen in some of the other food product companies which came out with results, some slowdown we have seen. So have you also seen some kind of slowdown in popcorn?

Sachin Gopal, President and Chief Executive Officer

See, we are running -- we have closed the year the as mentioned in the earlier call that we have had steady growth through the year. And I think our growth for the full year last year is comparable to the growth percentage on our sachet that we had in the prior year. So, our percentage growth for the full year is comparable. What we will have to see though, going forward into the new year, is how much revenue we actually get because remember now in India the top 150,000 stores are really the kind the cream, right, where you will get products, which vary which can go up to Rs. 800 1,000 for a unit price say, an SKU.

Then as you get into 300,000 stores, 400,000 stores, right, you are talking about smaller and smaller outlets. So that's something that we are cognizant of. That's a question that many of you have also asked me and we are going to have to see. So, as we go into the smaller stores, we will have to watch and see what is the per dealer offtake. At this point in time, the per dealer offtake hasn't change as per the news and data.

So, that's one piece. The second is, to be honest, I won't be able to give a very good answer on how it's versus other FMCG companies because as summer comes in, we do see. It is the popcorn business is partly seasonal. So as it come through to say, February, March, April, May, we do see a significantly lower level of shipments but that's consistent every year.

So, probably I think I hear the question you were asking -- you are raising and maybe in the next call I'll be once the first quarter is over I'll be able to give a better answer on that.

Abneesh Roy

Okay sir. I'll come back if I have more. Thanks.

Sachin Gopal, President and Chief Executive Officer

Your welcome.

Operator

Next question comes from Mr. Mittal Ashwath from Barclays.

Analyst

Hello sir. One question on your new product that you've launched. You call it a convenience meal. Could you just describe the product more and whether it's does it have a desi flavor to it or is it a more international sort of a dish.

Corporate Participant

Okay. Yeah thanks. Yeah that's a good question. Basically we have a product in the U.S. which is called Healthy Choice which has the combination of say rice and a curry. And you can get different curries. However, the difference

versus the U.S. is that in the U.S. it's a microwavable product. So it comes under it's called fresh mixers and it comes in a bowl and you just the bowl and then you can heat the curry and you can heat the rice or you can boil the rice and you get as you can make a little meal for yourself.

We wanted to we wanted the concept, but clearly given microwave penetration in India, it was an obviously the taste profile as well, it wasn't going to be making sense for us to actually take the product as it and replicate it. So, what we have done really is modify, exactly as we did with microwave popcorn where we modified microwave popcorn to sachet popcorn, which is something that could be made in a pressure cooker or a pan. So, we made a change in the form of how the product is cooked. And we also put in flavor which were appropriate as far as India is concerned. So, we have done exactly that in the case of these -- in the case of this convenience meal.

Now the concept is very similar to what is there in the U.S. It's a rice which is to be cooked and a curry which is already ready and cooked. It can be microwaved, but it can be made in a normal pan as well. We have almost done away with the films as far as plastic dishes or micro variability is concerned, because that's something that is that would not really be an affordable proposition and won't fit into the Indian value proposition, if you will, in terms of where we all come from. So, that's the essence of it. So it is localized, all the dishes that are in our Indian, they are suitable Indian, as Indian as it can be. And even the Pulav Mix is completely Indian. Yeah, and the form and the manner in which you cook it is also distinct from what it is in the U.S.

Analyst

So this would compete with something like MTR right?

Sachin Gopal, President and Chief Executive Officer

Yes and no. I think it's kind of positioned midway between noodles and the ready-to-eat food segment because the ready-to-eat food segment is largely concentrating on individual dishes, it doesn't provide a comprehensive meal. And so to that extent it doesn't compete with them, A.

B, the portion size of the ready-to-eat Indian foods is quite large, right? And hence the price points are also significantly higher. So I think I think my answer would be it's straddled somewhere in between noodle and convenients and the ready-to-eat foods segment.

Analyst

Right. And when have you launched this and how is it fairing right now, initial?

Sachin Gopal, President and Chief Executive Officer

Early days. Don't want to make a comment. We have just done a couple of home visits. We have been doing home visits obviously blind tests for long time. But this is the first time when it has gone practice so it's only dealing in the bulk 50-60 stores right now. But I figured I would keep you there abreast because the next time you will you should understand the context in which we are making the

entry till since the next time will only be in the next call.

Abneesh Roy

Okay. And what is the brand sir?

Sachin Gopal, President and Chief Executive Officer

It's under Sundrop only. Sundrop completely extends itself naturally and beautifully into this category.

Abneesh Roy

Okay. Thank you so much.

Sachin Gopal, President and Chief Executive Officer

Your welcome sir.

Operator

Thank you sir. [Operator instructions]. Next question comes from Mr. Rajiv Kumar From Karma Capital.

Rajiv Kumar

Yeah hi.

Sachin Gopal, President and Chief Executive Officer

Hello, hi Rajiv. Yeah, go ahead Rajiv. Hi.

Rajiv Kumar

Sir, I just wanted some clarity on this increase in corn inventory. If the increase, I mean are you taking a call on the price of corn or you are just loading up on inventory in view of your demand push or a supply push in the upcoming quarters?

Sachin Gopal, President and Chief Executive Officer

It's completely if the latter, Rajiv. I mean every year at this point in time we increased our mode of inventory, because we bring in the inventory prior to 31st March. And then we consume it during the course of the year, with a little bit left over for the subsequent financial year as well.

Rajiv Kumar

Okay. I am just looking at the jump and it seemed slightly higher. So I was wondering, when do we have this is in line with what your distribution plans are and what you would see, you can feed into the distribution network? Or there is also some element of trying to lock in the lower price or do you see the pricing going up?

Sachin Gopal, President and Chief Executive Officer

Yeah. The second one has happened by default, okay. So it wasn't, okay. So, it wasn't that wasn't the intention. And you are right. We contracted for this at lower prices than what corn will come now, if you come into it now. But the reason

for that is not that we were speculating because we don't take speculated positions, right?

Rajiv Kumar

Yeah.

Sachin Gopal, President and Chief Executive Officer

If it works to our benefit, that's fine, we don't complain about it obviously, because sometimes it doesn't work to our benefit. So that's one. Second is remember that when we, we do very long, it was very early on corn. So the shipments as far as of what we have received right now is a contract that we would have made more than a year and half ago, right.

So, we are already currently in the process of contracting for next year, right. So, it is our best judgment at that point in time in terms of how much corn do we think we need. And yes, we will always earn on the side of going a little higher than forecast than going a little lower than forecast because the cost are going lower than forecast means that we will be out of stock. The cost of going higher than forecast is that you have an inventory holding cost, but that could possibly offset by movements in corn price.

Rajiv Kumar

Okay. And my second question is regarding the oil business. You said you have most of the growth is coming from pricing volumes have been flat. Would you say you have lost a volume market share?

Sachin Gopal, President and Chief Executive Officer

See, certainly that would have been true for the first, called for the first investor of the year, probably for the first seven or eight months. It will be not be true for the latter part because what happens is the branded market share that total what's it called. The total branded oil market will change depending on as prices go up, people may move to non-branded oil. That doesn't really affect us but it affects the base of the denominator on which this is mentioned.

Rajiv Kumar

No, I mean I was splitting Suffola versus Sundrop.

Sachin Gopal, President and Chief Executive Officer

Suffola versus us, Saffola for versus us, as the retail audit results went up to February. And it's about I think running at about 48-52. Right the margin was are still we are still to get the final numbers. So I'll be able to update you in the next call. Okay? So, yeah that's where we are right now.

Rajiv Kumar

Okay. Because I mean you have maintained that you have always price increases on land input cost. So that you always maintain volumes. I mean, are we going to see a change in strategy coming now that you want to maintain margins and you might want to take a hit on the volumes?

Sachin Gopal, President and Chief Executive Officer

We are already seeing that in quarter four. As you can see we have delivered a gross margin growth versus tier areas, I had mentioned of about 10% in absolute rupee terms. So the answer is yes. We will add only up to a point. Beyond that there are minimum gross margin numbers that we have to take and we will take the pricing.

We will take the pricing that's necessary to deliver the gross margin, right. right? So as I have mentioned in the last call, we are already in the process of taking up price. So far I would say we haven't really seen any volume impact on the more profitable aspect of the business. Products which are priced in the Rs. 100 plus range, right?

Rajiv Kumar

Okay.

Sachin Gopal, President and Chief Executive Officer

We do we have seen some impact, as far as the lower price end of the market is concerned, which is the product, which are under Rs. 100 because they are more in swing with the marketing. But I don't have a shall we say, a firm enough number to give you. So probably it's something that, yes, we need to be watchful about, and it's probably something in the next call I'll be able to give you a more firm position on.

Rajiv Kumar

Okay. Third on your SG&A expenses, I mean you have said that your long-term target is to reach 1.5 million distribution points. And you are at 330,000. Do we see this personal cost and SG&A standing up till you reach that 1.5 million target or beyond a point it will start flowing down?

Sachin Gopal, President and Chief Executive Officer

No, not necessarily. And I think the question was asked by one of the analyst earlier, which is that what I mean, how was it that you are going to get to the number? I think there will be at some point in time an increasing role that wholesale will play, okay. We have now really -- I think we have got a reasonable amount of traction on the brand.

But there is a challenge when it comes to ready-to-cook products. I think ready-to-cook products are it is more difficult to get wholesale distribution quickly through ready-to-cook products as compared to ready-to-eat products, okay.

So, I think in a manner of speaking ready-to-eat popcorn might have a greater traction and distribution through wholesale more rapidly than a ready-to-cook popcorn. So, I think these are dimensions that we are in the process of understanding, my answer is no. I don't think an exponential increase in SG&A is consistent with the distribution goal that we have set for ourselves would be the right thing to do for the business.

We will understand it this year. We will see how does it progress over twelve months. We started this exercise only in October 2010.

Rajiv Kumar

Okay. Just two little points. When are you planning to commission the Jhagadia plant because I believe now every have started.

Sachin Gopal, President and Chief Executive Officer

Yes. That's right. So we Jhagadia plant we have just we have finalised the entire layout of the lands and I think we are going to digging the leveling process now. I would say I think I mentioned lat year that towards the end of this year, it will go onstream and I see no reason to change that expectation.

Rajiv Kumar

Okay. And just last bit. The results which you have put up on the BSE. So they do they knock off impact of Rath divesture are they comparable or...

Sachin Gopal, President and Chief Executive Officer

No, they are completely comparable in the sense that they include Rath both in the current year and the next year and the last year. The only thing is yes the volumes of Rath and the margin whatever we would have made from Rath in the last two months of the year is not there or rather last quarter of year because we ended up we stopped sending Rath as our own brand in mid December. Subsequent to that we did some amount of tolling for Kargil but that exercise is also complete.

Rajiv Kumar

Okay. Because I mean if I am not mistaken it was about 15 to 20% of your annual revenue, I am not sure how big the PAT impact was.

Sachin Gopal, President and Chief Executive Officer

I think that's a reasonable figure that you given .

Rajiv Kumar

Okay. That's all for me.

Sachin Gopal, President and Chief Executive Officer

Good.

Operator

Next question comes from Mr. Amar Kalkundrikar from HDFC Mutual Fund.

Amar Kalkundrikar

Thanks for holding this conference call and sharing your thoughts. My first question is, can you share with us the price point at which convenient has been launched, you've mentioned that it is between noodle and ready-to-eat. So, what is the price point at which it is launched?

Sachin Gopal, President and Chief Executive Officer

It started about 30 and it go to I think to about 45. So it's in that price range.

Amar Kalkundrikar

Okay. That's one. And secondly, on the oil spray that you've recently launched. What is the key limited that goes into it. And again, do the flavours coming to pick even the fact that in India, in different regions, different oils are used. So do you, is it one flavour that you have launched currently, how does it work basically?

Sachin Gopal, President and Chief Executive Officer

I think, I'll... as I said I'll probably be able to give you a better download of this in the next couple of months or in the next call or the call after that. Right now, we've got in the market in olive oil variant right? And which actually works well for the brand because olive oil is well perceived so on and so forth. But in the U.S. you will have it in more than one variant, you will have it as, you will have it in olive oil, you will have the Canola, you will have multiple species of oil which are going into it. Yeah.

Amar Kalkundrikar

All right, sir. Thanks.

Operator

Thank you, sir. Next question comes from Mr. Saurabh Pant from SBI Mutual Fund.

Saurabh Pant

Hi, good evening.

Sachin Gopal, President and Chief Executive Officer

Good evening, Saurabh.

Saurabh Pant

Sir, I think the first question, you said this inventory is kind of gone up by about 60% or 30 crores, about maybe about 18 odd crores. You've kind of book this in loan and advances or something? Because the advances seems to have shorter, whereas, inventory is reported about 10 crores increase?

Sachin Gopal, President and Chief Executive Officer

Yes, just give me for a moment, Saurabh. Yeah. No, there is an offsetting factor I think which is that, part of it could be goods in transit, okay?

Saurabh Pant

Okay.

Sachin Gopal, President and Chief Executive Officer

But also our finished goods in inventory came down by... I think I'm not sure, but it's in single-digit crore, some... it could be in the figure of about say, 3 to 4 crores. Because we reduced our finished goods days of inventory from about I think 17 days to about 14 days. So we were quite tight on inventory. Yeah. So, there is an offsetting factor that probably could be a little in goods in transit, but it's also offset by the fact that actually inventory came down.

Saurabh Pant

Why have loans and advances gone up so much?

Sachin Gopal, President and Chief Executive Officer

I won't be able to... let me check if Hemant is on the call. So I'll ask him because I'm sure he'll be able to give a better... sorry, okay, I have part of it. I'll see whether he is part of it or not. Hemant, are you there?

Saurabh Pant

I'll take in offline otherwise.

Sachin Gopal, President and Chief Executive Officer

Take it offline. I'll tell you what, there is certainly one component of that which is, shall we say the... we have paid some amount of money to DRI under protest as you know.

Saurabh Pant

Okay.

Sachin Gopal, President and Chief Executive Officer

Because when they came to us in December, right. And it's also possible, I'm not sure, it's possible that since the formal at the time that these results were completed, the Jhagadia land may not have come into our books because they may not have actually given us position. So, in that case the 7 odd crores that we would have paid them would probably be alignment in the results. Okay. So, these are likely to be the two main ones, but I have set up a separate one for you with Hemant actually, okay.

Saurabh Pant

Okay. The second question is just on the CapEx, about 19 crores has been spend at least on this land, maybe... sorry, 12 odd crores on this, it would be maintenance CapEx. But how much will you spend next year I think the idea was about 25 crores or something next year for the...

Sachin Gopal, President and Chief Executive Officer

Yeah, we are trying to have a CapEx spending strategy which says basically that if we earn extra... if we produce extra amount of cash during the year, if you take into account the dividend payout and you take into account the capital expenditure, the total of those two should more or less match, okay?

Saurabh Pant

Okay.

Sachin Gopal, President and Chief Executive Officer

That's like as a broad guideline, it obviously doesn't mean that all the time we would do it. But right now if you see, we're probably in that ballpark, yeah.

Saurabh Pant

Okay. Fair point.

Sachin Gopal, President and Chief Executive Officer

Okay?

Saurabh Pant

The third question I had, what's the run-rate on Peanut Butter now?

Sachin Gopal, President and Chief Executive Officer

It's still in a very small stage because if you recall out, I've mentioned to the group also, that we are not spending anything on Peanut Butter right now. And till such time as a plan comes, we have no intention of spending any money. It's as things stand right now. If we see a competitive entry into the category, then we may take a different call. Then we may react accordingly. But we will try and keep if there is any competitive action, we'll try and stay -- of it, so that we know we can anticipate it and react accordingly.

Saurabh Pant

Okay. And what's the brand in which this convenience meals has been launched?

Corporate Participant

Both of this has gone under the Sundrop brand name, because Sundrop brand itself perfectly brought into convenience meals and into the spray.

Saurabh Pant

And when you said there are six variants in this convenience meal, this is just flavours.

Sachin Gopal, President and Chief Executive Officer

Yes, this is...

Saurabh Pant

So, that is across all six.

Sachin Gopal, President and Chief Executive Officer

Correct. Rice and curry is common. And curry's will vary from Chana Masala and Mutter Paneer and things like that.

Saurabh Pant

Okay. And this is both you can cook it in pan, cooker, as well as microwave you said?

Sachin Gopal, President and Chief Executive Officer

Absolutely.

Saurabh Pant

Okay, fine. Thanks, Sachin. I'll come back if I have anything else.

Sachin Gopal, President and Chief Executive Officer

You're welcome.

Operator

Thank you, sir. [Operator Instructions]. Next question comes from Mr. Nikunj Mehta from Corporate Database.

Nikunj Mehta

Just wanted to check this convenience meal, any of them has a non-veg content in that?

Sachin Gopal, President and Chief Executive Officer

No, none.

Nikunj Mehta

None of them. Okay. Sir, and any plants to use this plan in North where we use to manufacture that, there were some plants been contemplated, anything has been finalized?

Sachin Gopal, President and Chief Executive Officer

The plans that now, yes it's in a process of finalization because our business factor there was interested in co-packing for somebody else. And so that is fine with us, that happened in the two months ago. But he came back to us some time... a little while ago maybe a couple of weeks ago and say, you know what I think I like dealing with your folks and I'd like to continue to do business with you. We said that's fine too. So, we are in the process of working to an agreement arrangement driven in terms of what do we do, do we do oils, what else can we do, use it as a sourcing location.

Nikunj Mehta

Okay. And there is update on the DRI investigation as yet, nothing has come up from there right?

Sachin Gopal, President and Chief Executive Officer

No, nothing has come up from there. And I think they will be issuing us a so-called notice soon, that would be our expectation. Yeah. They have released whatever other stock was also lying at -- warehousing, which -- and you can go head and use that. But we will wait for their final so-called notice and then we'll have to, I guess respond to it.

Nikunj Mehta

Great. Okay, sir. And just one thing when we look at your balance sheet, working capital is very crucial for us in this business. When we exclude cash, the net current effects amount has jump from 5 crores to 60 crores at this year-end. I agree that it's... I mean I understand it's a step short. But there is a significant increase that we've seen in debtors, also like for other participants mentioned in loans and advances. And there is a simultaneous decrease in current liabilities. So, there is something, it seems like I mean are you all taking any steps to tighten the working capital going ahead or is this one-off thing at the year end?

Sachin Gopal, President and Chief Executive Officer

No, no absolutely. See, that's why I've told you, if you take the debtors and we take a figure last year of 18 crores

Nikunj Mehta

Correct.

Sachin Gopal, President and Chief Executive Officer

Correct? And you take this figure of this year of 35 crores.

Nikunj Mehta

Right.

Sachin Gopal, President and Chief Executive Officer

So you get left with the difference of 17 crores, right? So, out of that, probably about 13 crores is the CSD debtors about.

Nikunj Mehta

Okay.

Sachin Gopal, President and Chief Executive Officer

Right, okay. And that is I'm sure you must be tracking everybody, everybody would have gone through the same thing. Because the funds they get tightened around February this year.

Nikunj Mehta

Right.

Sachin Gopal, President and Chief Executive Officer

Right, So last quarter that as I said is already coming.

Nikunj Mehta

Okay. All right. Thanks a lot.

Sachin Gopal, President and Chief Executive Officer

You're welcome.

Operator

Next question comes from Mr. Varun Kejriwal from IDFC Securities.

Varun Kejriwal

Yeah. Hi, Sachin. A couple of questions really. I just wanted to understand the A&P spend that you've seen across in this quarter. Now neither of course lower than what we've seen in the earlier quarters and you did mentioned that, you've kind of redeployed those funds for the selling part as well. But in the going quarter's, do we see this ramping up once again, because I'm definitely will want to invest behind some of the new brand that you've been launching?

Sachin Gopal, President and Chief Executive Officer

Yeah. See, what we need to do well is... this is an important point which is, right now, we're probably at about 6 to 7% of A&P spending. And to be able to deliver profitable growth, you need to understand how we can use a similar amount of funds if it's possible, to support not only our existing products but our new products as well, okay. So, that is

something I think that work is underway.

The ideal scenario would be, we could, from a P&L standpoint, the ideal scenario would be, if we could have an investment level in this ballpark probably in single-digit A&P where we can reap the benefit of whatever we spend, partly on our existing products and partly on our new products, okay. That is not an impossible thought, because bear in mind that all our brand on our extension are basically happening under existing brands, right. So, you take Sundrop, therefore you are extending only within Sundrop.

So, we also need to be able to define what are the business driver of each one of these extensions. So for example, in a convenience meal, it could be that something detailing is very important at the point of sale. And there is no point in investing money above the line, particularly at this point in time because it's not going to be profitable in the early days.

In the case of spray, it could be a little different. So we will understand this. We've obviously done a fair amount of research before we actually took this product sale in terms of consumer acceptability. But the identification of the business drivers, one can really do only after you launch it, because that's when you are able to test different hypothesis and arrived at some... what's it called, conclusions in terms of how you intend to spend the money. Okay.

Varun Kejriwal

Linked to that it was actually my second question. So we are of course essentially just test marketing these two new products in the market in Delhi. What is really a success criteria to decide whether this can actually be taken national or not?

Sachin Gopal, President and Chief Executive Officer

Actually those success criteria, both of these have already met, because we've done probably research for about a year, for two years depending on both of these products. Where we know that that both of them are successful and they are well accepted by consumers. So, they will definitely... it's only... it's not like saying test and then roll-out, they will roll-out, both of these will roll-out.

What we have changed in the course of the roll-out will be our investments, where do we invest the money, how do we roll it out, what do we do at the point of sale and the first moment of truth. So those will change. And that is what I meant by when we say, we need to refine the business model over the next four to six weeks before we actually go and explore.

We are pretty cautious on all our new products, so you would be aware. I think our P&L is not as rich as we would like it to be and hopefully, it will be there one day. And so we need to be particularly careful so that we don't incur lots of cost as for the year, then it is in the -- is our concerned.

Varun Kejriwal

Okay. Third question is on the distribution front. So, for popcorn, we've seen it, so for ACT II we have seen it go to 330,000 stores. What is the number that we have for the overall business?

Sachin Gopal, President and Chief Executive Officer

ACT II's are most widely distributed product today. So, I would say there will be a few oil stores which are not included in the popcorn numbers, but they will be very small. So, you can take a figure anywhere between 330 and 400,000 stores, something we have not even in fact probably well lower than 400, and maybe 330 to maybe say 360,000 stores probably, but that's our best guess, because -- won't give me that information.

Varun Kejriwal

Sure. And in terms of your popcorn, so how big is this category really right now and how is that category growing right now?

Sachin Gopal, President and Chief Executive Officer

Well, I mean the category is I would say primarily as today, so whenever our group said that the category growth rates, you can take that. There obviously a few small players who have emerged but nothing so far to be honest as serious consequence.

Varun Kejriwal

Okay. So I mean no concern really of any other comparative activity really happening over here, at least in the near future?

Sachin Gopal, President and Chief Executive Officer

I don't think we'll be able to rule it out, I mean it's... that would be sort of being very confident of saying, no it won't happen, I think it can happen. Having said that, I think the category is still relatively small, so may not be as attractive for many of the big players as they would like it to be, right. And obviously, there are some amount of competitive advantage that we keep building up everyday as there will be import of corn processing all of that.

Varun Kejriwal

Okay. And last question earlier, just to be clear with the Rath divestiture. So... on a purely comparable basis, you would see revenues

come off about 15 odd percent for next year, would that be right ?

Sachin Gopal, President and Chief Executive Officer

Yeah. From last year's figure, we should remove about 15% of turnover being the rest turnover.

Varun Kejriwal

Okay. Got it. That's all that I have from my side, all the best. Thank you.

Sachin Gopal, President and Chief Executive Officer

All right.

Operator

Thank you, sir. Next question comes from Mr. Subramaniam from Sundaram Mutual Fund.

Analyst

Hi. Good evening, sir, and thanks for taking my question. On the new products that you launched, you were earlier seeing that whatever products you'll launch, you'll launch those products where you have a right off-way. So in these new products that you've launched, what's the kind of advantage that you have?

Sachin Gopal, President and Chief Executive Officer

See, as far as the spray is concerned, I think we have a very strong right to win. Because the fact that we have a very, very strong share position in the U.S. including both our own brand which is Pam spray and the private label business that we do for all the major change in the U.S. is done by us. So, we clearly have a significant amount of IPR there.

As far as the convenience meal is concerned, at this point in time, the IPR will not be too visible. So that's an important point, which is that, if you say today what is your right to win in a convenient meal pure at the end of the day, if you set up for a total plant and you manufacture, that's something well anybody can do, right? However, we believed it was important for us to plant a stake in the ground here and start to do business, because ConAgra is actually the largest convenience meal manufacturer in the U.S.

We sell meals, we sell banquet meals for about \$1 a piece in the U.S. and nobody can do it cheaper. Even our customers have tried, many of them tried, nobody can do it less than \$1. So, we are probably the most cost effective convenient meals manufacturers in the U.S. right. However, our IPR there is in the area of frozen more than shelf-stable. Okay.

So it's a bulk of a convenient meals which are sold in the U.S. are in the frozen area, right. We believe therefore that there will be two areas which we will need to understand as we go forward, right to actually derived our right to win in this category. The first will be as India moves from shelf-stable into refrigerated and frozen, how do we leveraged the IPR that ConAgra has in the frozen business, right. That will be one piece to it.

The second will be it appears also to be a business less scales to starts to become important, right, because large scale can enable you to reduce costs. You get a cost reduction, you can probably make it to NPR of 30% margin, which the other person cannot do. Clearly it seems ConAgra is the lowest costs producer in the world as... sorry, lowest cost producer in the U.S. there will be some amount of learning that we will be able to extract overtime as we expand our presence in this category.

So the short answer to your question is we think we have a clear right to win as we stand today in the case of spray. In the case of convenience meals, we may not have a right to win today, but we believe we can develop the right to win given ConAgra's current presence in the U.S. market.

Analyst

Sure sir. Just wanted to get the name of the spray oil brand that you have in the U.S., I missed that.

Sachin Gopal, President and Chief Executive Officer

Pam.

Analyst

Pam. And also would it be fair to assume that your, I mean the strategy of entering into ready-to-eat meals is basically based on the premise that you will see more of a frozen food coming into the Indian product?

Sachin Gopal, President and Chief Executive Officer

Yeah. I'm not sure, very much sure whether it will be frozen. We could follow the path of refrigerated as well, right. There are several types of cold chains which exist. So, frozen is one piece, shelf-stable is on the other. And for example, if you see the UK market, it's very largely refrigerated. It's more refrigerated than frozen, okay. So, we will have to understand all of these three elements, and we will keep you posted as to how are we doing in this category.

Analyst

Sure. Thanks, sir. Thanks a lot.

Sachin Gopal, President and Chief Executive Officer

You're welcome.

Operator

Thank you, sir.

Aniruddha Joshi

Yeah. Sir, I have just two, three questions for you, Aniruddha here.

Sachin Gopal, President and Chief Executive Officer

Yeah.

Aniruddha Joshi

Sir, you said that out of the 11% revenue growth ACT II has grown pretty well. And on the oil front, we have seen only the price component coming in, and flat volume in the edible oil front. Can you just indicate probably whether out of two edible oil brands which we are having now Sundrop and the other, Crystal. So probably has any brand reported positive volume growth and other brand negative or both are flat?

Sachin Gopal, President and Chief Executive Officer

I think that I would say our total edible oil volume will be kind of effectively flat. Yeah.

Aniruddha Joshi

Okay. And I think you would like to, given on tax rate probably for next year or will it be ending up with a full tax paying company?

Sachin Gopal, President and Chief Executive Officer

I would say that the main, what's... if you will... we are certainly already in the full tax range. I think the only... there is however some opportunity because as you know, part of our ACT II production is based out of Kashipur, which is the area notified under section at the IFC. And therefore as and when ACT II starts making money after marketing

expenses and allocation of other expenses, there will be some amount of benefit that we will get from that plant, right. But that is contingent upon how the P&L is playing out as far as ACT II is concerned, okay. All right. Just one clarification for you, I think on, since you asked the question directly on Crystal, there is some amount of lower single-digit volume growth on Crystal last year, okay.

Aniruddha Joshi

Lower single-digit?

Sachin Gopal, President and Chief Executive Officer

Yeah.

Aniruddha Joshi

Okay. Okay, sir. Rashmiya, can you just check for other questions.

Operator

Yeah. Sure sir. [Operator Instructions]. There are no further questions. Let me hand over the floor to Mr. Aniruddha Joshi for closing comments.

Aniruddha Joshi

Thanks Rashmiya. On behalf of Anand Rathi Research, we thank you all for being on the concall. We thank Mr. Sachin Gopal for being on the concall and updating about the results and the company. Sir, I hand over to you for the closing comments. Thanks, and over to you.

Sachin Gopal, President and Chief Executive Officer

Thanks Aniruddha. We appreciate the fact that you took the time out to organize this conference. Thanks everybody for participating and joining in the call. And we look forward to talking to you again next quarter. See you everybody. Bye now.

Operator

Thank you, sir. Ladies and gentlemen, this concludes the conference for today. Thank you for your participation and for using -- conference call service. You may disconnect your lines now. Thank you, and have a pleasant evening.