Ref: **SECT: STOC: 42 - 20**

1st June, 2020

To
The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

Scrip Code: 519552

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

Scrip Code: HERITGFOOD

Dear Sir / Madam,

Sub: Transcript of Conference Call with the Investors/Analyst

In Continuation of our letter dated May 19, 2020 the Company had organized a conference call with the Investors/Analysts on Friday, May 29, 2020 at 16.00 PM (IST). A copy of Transcript of conference call held with the Investors/Analysts is enclosed herewith and the same has also been put up on the Company's Website at www.heritagefods.in

This is for your information and record.

Thanks & Regards

For HERITAGE FOODS LIMITED

UMAKANTA BARIK
Company Secretary & Compliance Officer
M. No: FCS-6317

Encl: a/a

"Heritage Foods Limited Q4 FY2020 Earnings Conference Call"

May 29, 2020

MANAGEMENT:

DR. M. SAMBASIVA RAO – PRESIDENT

MS. BRAHMANI NARA – EXECUTIVE DIRECTOR

MR. J. SAMBA MURTHY - HEAD (DAIRY DIVISION)

MR. A. PRABHAKARA NAIDU – CHIEF FINANCIAL OFFICER

MR. UMAKANTA BARIK - COMPANY SECRETARY

Moderator: Ladies and gentlemen, good day, and welcome to Heritage Foods Q4 FY2020 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Dr. M. Sambasiva Rao. Thank you and over to you Doctor!

M. Sambasiva Rao: Thank you very much and good evening. I welcome all the participants to the Q4 earnings call of Heritage Foods today. I particularly thank the participants for joining today in spite of the restrictions around our movements I am sure most of you must be joining from home and we are still finding some members to join in our side probably connectivity issues. Right now Mr. Prabhakara Naidu – CFO; Mr. Umakanta - Company Secretary; Mr. Samba Murthy – Head of the Dairy Business, myself and all of us are available and Ms. Brahmani is trying to join the call, she is unable to get through any minute she might be online.

Now I start the highlights of the Q4 FY2020. On standalone basis we achieved a net turnover of 643 Crores compared to 625 Crores of the same quarter last year with a 3% increase. The EBITDA for the quarter is 26.5 Crores against 51 Crores of the previous year same quarter. PBT of core business is 9.72 Crores for this quarter versus 34.8 Crores the previous same quarter, but if you take the impact of investment, the paid value impact of the investments of the company PBT comes to negative 207 Crores in view of the fall in the share price of the Future Retail Limited by about Rs.375 in this quarter on 1 Crore 33 lakh shares attributed to the P&L, so that has created this negative impact at PBT level, otherwise the core business is 9.72 Crores of PBT for the quarter and PAT is 6.79 Crores on the core business. The full financial year on standalone basis for Heritage Foods net turnover has grown by 8% that is 2681 Crores compared to 2482 Crores of the previous financial year. EBITDA for the current financial year is 142 Crores against 192 Crores of the previous financial year. PBT for the core business during the current financial year is 72.4 Crores versus 128.6 Crores during the last year. After considering the paid value through P&L of the investments made in FRL PBT for the current year is 144 Crores negative versus 128 Crores positive last year, this is again impacted by the fall in the share prices of Future Retail where we had investments and PAT for the core business for the current year is 57 Crores versus 83 Crores of the previous financial year.

Now I move on to consolidated results for Q4 this includes Heritage Foods dairy business, renewable energy, and subsidiary company Heritage Nutrivet Limited, which handles feed business, which is a 100% subsidiary of Heritage Foods and a trust of the farmers welfare from Heritage Farmers Welfare Trust that numbers are also consolidated here. So at Q4 for the consolidated level the net turnover is 653 Crores against 635 Crores of the previous year same quarter with a 3% growth. EBITDA Q4 consolidated level 27.9 Crores against 48 Crores of the previous financial year, PBT core business 9.72 Crores versus 34.82 Crores last year and PAT 7.2 Crores current year fourth quarter versus last year 20 Crores.

Now I move on to consolidated level results for the full financial year 2019-2020, net turnover of the company is 2726 Crores versus 2515 Crores, which is 3% growth of turnover and EBITDA for the consolidated level 135.5 Crores versus 192 Crores the last year and PBT at the core business level 72.4 Crores versus 63.74 after adjusting HFWT's higher expense over income of 8 Crores and PAT is 48.4 versus 82.85 last year. So during this year as you have seen the overall margins were down compared to previous year mainly attributable to the steep increase in the milk prices and prices of milk powder.

Coming to the volumes our procurements during Q4 milk procured is 12.67 lakh liters per day versus 14 lakh liters during the previous year same quarter there is a 9.5% drop in the volume procured and sales volume during this year Q4 is 10.94 lakh liters per day versus 11.15 lakh liters last year it is about 2% drop in the sales volume. Value added products if you take there is a growth of 6% during the quarter that is 165 Crores during this year quarter compared to 155 Crores during the last year same quarter. The contribution of value added products in this quarter is 26% versus 25% in the last year same quarter. Full year, full financial year value added products grew by 16.6% during this year that is 619 Crores to 722 Crores during the current year. Contribution increased from 25% of last year to 27% during the current year we have annual 2% incremental increase of the value added products contribution. Production capacities as on March 31, 2020, we have chilling capacity of 20 lakh liters, processing capacity of 25.7 lakh liters, milk packing capacities of 17 lakh liters.

Coming to the capex during the current financial year we have invested 107 Crores in Heritage Foods and 3 Crores in Heritage Nutrivet Limited that is the current year's investment compared to last year, last financial year Heritage Foods invested 103 Crores, Heritage Nutrivet invested 25.5 Crores for a new cattle feed plant commission last year.

Coming to the debt status as on March 31, 2020 we have a long-term loan of 197 Crores at HFL level, 15 Crores for HNL that is Heritage Nutrivet Limited. Working capital we have utilized 83 Crores in the Heritage Foods and 5 Crores in the Heritage Nutrivet. The total fund based debt is 197 plus 83 280 Crores in Heritage Foods, in Heritage Nutrivet 15 plus 5

20 Crores that is the total fund based debt. These are broadly the highlights of this quarter and financial year. I now stop here and request the participants to give their suggestions, feedback, and questions. Thank you very much.

Moderator: Sure Sir, thank you. Sir we have Mr. Brahmani was online with us now.

M. Sambasiva Rao: Good thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Nitin Ghosal from Invesco Mutual Fund. Please go ahead.

Nitin Ghosal: First of all hope everybody at Heritage Foods is keeping safe and perfectly healthy. Two questions from my side Sir. One is I wanted to understand how does management sees milk business in current environment and if you could touch upon different attributes while addressing this question with regard to procurement, distribution, pricing capability or ability to price the product, plant utilization maybe four, five points if you can touch upon this?

M. Sambasiva Rao: You are referring to post lockdown situation?

Nitin Ghosal: It is not pertaining to this lockdown itself, it is more about is this situation going to cannibalize to further aggravate the way we do business or is it going to be business as usual?

M. Sambasiva Rao: Basically you are talking to post lockdown only right?

Nitin Ghosal: Yes.

M. Sambasiva Rao: I just wanted clarity on that. Certainly I will be explaining the details. First of all thank you very much for your concern and inquiry we are all safe, we are very happy to declare in the past two months with the kind of activities we have done to contain the spread of virus and safety precautions we have taken as per the Government of India guidelines coming in time-to-time from Health Ministry, none of us have been affected by this virus personally either at family level, personal level right from our farmers who are supplying milk to our agents who are handling milk, drivers transporting, workers handling in the processing centers, distributors, nobody, we have been keeping track of it, no one has reported any positive case and we are operating in a safe environment. We have taken enormous steps to protect ourselves in terms of creating hand wash stations at every place with running water and soap, masks distributed, sanitizers distributed, disinfectants spread in the plants on the vehicles and movement with the same precautions everywhere at office level, market level are planned. So we are very happy to declare we have been able to protect ourselves from this virus. Coming to this entire supply chain is intact right from village to consumer distribution we have procured 14.33 Lakhs liters of milk from our farmers during this period post lockdown rather it increased by 13% approximately, our procurement operations were going on very smooth. We have taken all the permissions required as milk and milk products are declared as essential commodity in every state government and at the central government level also, so all over the operational areas we have secured passes for operating our plants, vehicles, staff movement, etc., so no disturbance except for first four, five days of the initial period March 24, 2020 to March 30, 2020 when system was not ready to accommodate this request they themselves were taken by surprise we had difficulty in the first four, five days, but overall at the end of it now after two months I would say we have not lost a liter of milk from our farmers, all the famers have given more milk than what they were giving earlier and we have been able to make timely payments all through this period whether it is weekly or 10 days or 15 days, we have different areas, different practices, in certain areas we make payments once in a week, in certain areas we make once in 10 days, in certain areas we make once in 15 days going by the local practices, money transfer has happened to all the farmers who have supplied milk. So coming to the clients all 18 milk processing plants we have, every plant was functioning on all the days not even one shift we have closed the plant, it is a continuous 24-hour operation and all the packing stations and dairy factories there was no impact of any nature except as I said initially first four days we had some difficulties in vehicle movement, milk tankers for waiting for longer time, the traffic issues and the unloading issues, driver issues, but four, five days we recouped everything and operations got normalized and all the milk is processed immediately and distributed. Certain days, certain areas we had excess milk we converted that excess milk into milk powder and butter and stored for the usage in the future months as its shelf life is one year so we have no problem in terms of the excess milk refreeze we have converted and stored for our captive consumption purpose. Coming to the sales all the markets we have been able to service, inside home, at home consumptions we have been able to ensure uninterrupted supply to all our consumers and distributors and the parlors, modern retail stores. We have lost some sales in the out of home consumptions in the malls, hotels, restaurants, railway stations, bus stations, whatever impulse products, ice creams, flavored milk, these are the value added products we sell in the points of say consumption outside home those volumes have dropped, some items like ice creams dropped significantly, certain items dropped somewhere, but now things are looking up and even ice creams are picking up, otherwise milk distribution, curd supplies there were no issues at all. We have some setback of value added product sale volumes. Talking about the way forward from now our milk procurement no issues, sales are picking up, demand is reviving even outside home, in most of the markets the shops are open, the railway stations are open, bus stations are open, except restaurants and malls, all other places consumption started happening outside home, so we do see in a few weeks time we will see the full revival of the demand for these essential products.

Nitin Ghosal: On pricing are we getting the right price or are we still running a gap on the pricing of the product?

M. Sambasiva Rao: Sale prices there is no issue they are continuing at the same level, procurement prices there were some drops in certain milk shed areas where there is a surplus milk and many people were not able to dispose that benefit is coming to us and that surplus milk we are converting into powder and power is now at a lower price compared to what it was in the month of March, so that would help us in recovering the margins also in this quarter and the later.

Nitin Ghosal: Second question was pertaining to the aspirations that we have taken how should we see it from the outside we have seen in the last three years two milk cycles the low milk and high milk cycles and now we have COVID should we assume that the larger sales helps you or the quarter sales helps you or much more better half in the last three years in terms of growing from here on and in terms of capital because of the encashment opportunity we have with one of the financial assets, which we could have sold off and could have funded our capex do you think that opportunity not visible right now or you can say something with the capex program that we have laid out earlier?

M. Sambasiva Rao: Yes coming to the last point encashment opportunity was not there we are still in the lock-in period as far as the shares are concerned. Three years lock-in period would be over in the next month. There was no opportunity earlier in case we wanted to encash, but now we see things may shape up and that might revive itself, that is something we have to watch out. Coming to the funding for the capex we never depended on this for capex, what we have been planning for the last two years and we planned for the next three years also around 100 Crores capex per annum was what we anticipated to achieve our volume ambitions that 100 Crores was coming to debt funding and internal accruals that if you want to pursue the same level of investment capital is not going to be constraint without increasing of debt equity ratio it would not be currently it may be around 0.35 or so or ratio it would not be altering much with our debt repayment and borrowings would be always matching our little plus or minus 10%, internal accruals from debt funding model can support our growth plan. There is no need to look for the encashment of the investments that is not going to be an issue for the growth. As a sector yes we are better placed because our supply chain infrastructure cold stores, cold chains and the brand strength is there to ensure inflow of milk whatever milk we require. Last financial year was the most difficult year in terms of milk procurement because the production was low, availability was low, we were repeatedly representing the Government of India from December to March for import of milk powder duty free to meet the shortages in the country that was a scenario we went through so that low production cycle is over by March and this year of course because of this change in the public health scenario the shortage is now disappeared it is now balancing the milk availability and milk sale is balancing now. Another two, three months we will go through the lean season of summer there again the deficit scenario may appear again if the demand revive, but from October there should be normalcy in milk production and availability as we went by a deficit year we may come back to a normal year or even a surplus year for the next milk cycle commencing from October.

Moderator: Thank you Mr. Ghosal, request you to join the question queue for any followup as we have several participants waiting for their turn.

Nitin Ghosal: Sure, thank you.

Moderator: Thank you. The next question is from the line of Bhargav from Kotak Mutual Fund. Please go ahead.

Bhargav Buddhadev: Sir first of all just wanted to clarify did you mention that the milk procurement has increased by around 15% YoY I could not hear that properly?

M. Sambasiva Rao: Yes.

Bhargav Buddhadev: On a YoY basis the milk procurement so far in the quarter is up 15% right?

M. Sambasiva Rao: Yes.

Bhargav Buddhadev: Secondly what could be the average milk procurement price and milk selling price so far in the quarter is it possible to share?

M. Sambasiva Rao: Q4?

Bhargav Buddhadev: No, Q1.

M. Sambasiva Rao: Q1 it is a bit early now we will come back later.

Bhargav Buddhadev: Sure, but is it fair to say that…

M. Sambasiva Rao: I have the data only thing regulations do not permit us to talk.

Bhargav Buddhadev: Sure. So is it fair to say that milk spreads should now sort of improve on a Q-on-Q basis meaning in 1Q the spread should be better as compared to 4Q or it still will be there?

M. Sambasiva Rao: It will be better.

Bhargav Buddhadev: Couple of more questions one is that is there any sort of seasonality in 1Q or do you have any dependence on marriage or HoReCa demand in this quarter?

M. Sambasiva Rao: For the value added products yes there is a dependence on the markets to be normal like there used to be lot of consumption for weddings, functions, congregations, all that disappeared now for the value added products.

Bhargav Buddhadev: How much of the business would be that Sir for us?

M. Sambasiva Rao: At least around 30% of the volumes are value added products depended on these market openings.

Bhargav Buddhadev: Okay Sir I will come back in the queue.

Moderator: Thank you. The next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

Prashant Kutty: Firstly just a clarification is that 30% of the volumes of value added product is impulse and out of home is that the right assessment?

M. Sambasiva Rao: Yes, correct.

Prashant Kutty: So it also includes the ice creams and all of that Sir?

M. Sambasiva Rao: Yes.

Prashant Kutty: So how much of this would have come back because you said that except for restaurants and let us say malls and most of them if it is come back so what part of it would have come back?

M. Sambasiva Rao: Maybe 5%.

Prashant Kutty: For the 30% about 5% would have come back?

M. Sambasiva Rao: Yes.

Prashant Kutty: The first question is basically in terms of you said that the volumes in the quarter was impacted could you probably site us the reason for the same as to why volumes impacted in the quarter is it because it is a daily essential product there is nothing like a holding, which happens or something towards the last 10 days or something of that sort, any reason as to why volumes were weak?

M. Sambasiva Rao: Broadly two reasons we can say one the weather conditions of this year compared to weather conditions of last year, last year February, March were very hot month summer was early this year March there was no summer at all it was a very normal month even in April there was no temperatures rise outside only in the May month we could see so there was a delay in the arrival of summer this year and the temperatures were low so the consumption of this summer oriented products was low. Second the last seven, eight days of March there was dislocation due to the lockdown, so there was drop in the sale in the last week of March. Last week was most affected because we were not organized for meeting the overnight lockdown imposition it took three, four days even to realize how to organize how to get into markets and by the time we realize markets were shut so the one week had a impact in the month of March it is 7 days out of 90 days.

Prashant Kutty: The reason as to why I ask this is Sir because one product which probably did not face any supply constraints even during the lockdown has been actually milk so I was just wondering as to why should have milk probably seen a…

M. Sambasiva Rao: Milk impact was related to out of home consumption, home consumption was normal, out of home also milk consumption happens in offices, restaurants, tea shops, functions, railway stations, airports, bus stations everywhere milk consumption happens through beverages so all offices were closed suddenly so the entire milk consumption in the office is down and that much consumption do not happen at home, so that is the impact of milk. Home consumption absolutely no issue actually it increased home consumption increased, but it did not substitute the lost consumption out of home. Imagine out of home how many times people take tea, coffee a day either at one place or shops or markets wherever you are so that is what has affected.

Prashant Kutty: So as per your estimate Sir like you said 30% of volumes in value added products, which is out of home consumption how much would that be for milk as per your estimate?

M. Sambasiva Rao: It will be around 10% for us, but for some people it will be more, those people who depend on HoReCa segment and bulk suppliers, etc., like a factory for example a planetary is having 1000 workers there is a caterer who supplies food for them there is a brand, which supplies milk to the canteen so that has gone because factories closed. Like that in all entire country all the production points are closed, market points are closed, the milk get consumed there also in a different form it can be curd, it can be buttermilk, it can be supplied as milk, tea, coffee, everywhere that out of home consumption points have disappeared, some companies depend more on that segment some companies depend less on that segment, we depend less on that segment therefore our impact would be lower on the milk, some people depend more on that segment their impact will be higher, but impact is similar on all the out of home consumption products.

Prashant Kutty: For us that you said is about 10%?

M. Sambasiva Rao: Yes.

Prashant Kutty: My second and last question is on the EBITDA margin profile Sir what was the EBITDA margin profile for the fourth quarter or let us say for the year 2020 in milk as a productive segment and what is the outlook on that product?

M. Sambasiva Rao: Mr. Prabhakara will answer to you.

Prabhakara Naidu: EBTIDA margin for Q4 2019-2020 milk 1.58%, for full financial year that is let us say 2019-2020 is 3.76%. Value added products Q4 2019-2020 is 10.86% and for full financial year 11.12%.

Prashant Kutty: What would be the PAT losses Sir?

Prabhakara Naidu: PAT losses for Q4 12.56% and for full financial year 9.63%.

Prashant Kutty: What is the outlook on the margin Sir because while you said that procurement prices might come up a bit retail prices have been up so what is the outlook going forward on both milk and value added products because why I am asking this is also because while you said that out of home consumption is impacted is there a case that your margin profile could be slightly better because of COVID-19 impact.

Prabhakara Naidu: Margins would be better during this quarter this year for two reasons one the milk procurement prices are a bit down after the lockdown in certain markets and the sales are improving in value added products from last one week 10 days that will improve the margin profile of the quarter. SMB price also has come down so that also has a cost of raw material for us is down.

Prashant Kutty: Thank you.

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

Percy Panthaki: First question is during the quarter your milk procurement volumes were down around 10% so can you just tell us what is the reason for this decline?

M. Sambasiva Rao: There is a shortage of milk availability as I explained earlier during this year it is one of the lowest production and availability year wherein all the companies in the country represented Government of India for import of milk powder because we were not able to source milk and one or two situations Government of India also had convene meetings of all dairies in the country and about to take a view on the imports for the summer then this lockdown happened and the situation has changed so the whole issue of the financial year was less availability of milk due to various factors.

Percy Panthaki: Understood and while you said that after lockdown the procurement prices have come down, but as the stand today are they actually lower on a YoY basis that means 12 months ago the price that was there for procurement versus what you are saying today is today's price actually lower?

M. Sambasiva Rao: Yes.

Percy Panthaki: So just put the two ends together if basically your final output price is going to be higher YoY and your procurement prices lower YoY you should see a gross margin expansion YoY for Q1?

M. Sambasiva Rao: Yes.

Percy Panthaki: Secondly just wanted to understand this Future Retail share what is the status on that?

M. Sambasiva Rao: We have 1 Crores 78 lakh shares in that company, the lock-in period of three years will be ending in the month of June so we will have freedom to sell from the July onwards we have not taken any view on that because of the current price scenario of the script.

Percy Panthaki: I thought the lock-in ended on April 1, 2020 that is not the case is it?

M. Sambasiva Rao: There are certain formalities for completing the closing date so there are some limited issues were there it extended up to June. Earlier 2017 June we completed all the requirements to fulfill the definition of the closing date though technically it was March 31, 2020 we handed over the business April 1, 2020 onwards it would be three years so this April 1, 2020 would be the completion of three years, but the definition in the agreement is closing their formalities of the listing of shares and allotment of shares, registration of certain properties, etc., that was over in June, so therefore we have to take reference date from June to this year June.

Percy Panthaki: Just one book keeping question your overall sales growth is 3%, your volumes are down 2%, which could mean that pricing is around plus 5, but actually your pricing at least for liquid milk is plus 14 so why are these numbers not adding up?

M. Sambasiva Rao: You have to see the period of comparisons which period to which period you are comparing this issue.

Percy Panthaki: All three numbers which I spoke about are YoY numbers so your volumes are down 2% YoY is that right?

Brahmani Nara: No, volumes are not down 2% YoY that is Q4 of FY2020.

Percy Panthaki: Q4 of FY2020 is compared to Q4 of FY2019 right?

Brahmani Nara: Yes.

Percy Panthaki: So that is down 2%, your sales was 3% and this pricing is up 14% so these three numbers are not sort of matching I think the missing item is the fat sales so if my calculation is correct the fat sales versus Q4 2019 would be down quite materially then this would tally so is that correct and if so can you give me the numbers?

Brahmani Nara: If we could put it this way that the milk procurement price for the fourth quarter in the last financial year increased by 17.11% compared to the year before, our realizations increased only by 13.66% so the gap according to these numbers would be 3.5% something of that.

Percy Panthaki: Thank you.

Moderator: Thank you. The next question is from the line of Sivakumar from Unifi Capital. Please go ahead.

Sivakumar: Sir in Q4 we saw that the liquid milk sales were down by 2% I am talking about the volume number the curd sales were down by 7% in Q1 we have a higher bar if you take Q1 FY2020 do you think you can match last year's Q1?

M. Sambasiva Rao: Last year's Q1 has a different set of factors compared to this year, last year Q1 temperatures were very high we had a extended summer till June end monsoons came in July this year's summer Q1 we have pandemic around us and monsoon is announced by June 1, 2020 one month early arrival of monsoon compared to last year, so the last year's volumes this year volumes will not be comparable mainly because of this lockdown issue and the weather factors.

Sivakumar: Are you seeing the better offtake because weather has turned adverse for the last few weeks in May?

M. Sambasiva Rao: But the people are not outside.

Sivakumar: Can you give the procurement price at which you exited March because obviously you are saying you cannot give the current price but you can give the exit price as on March 31, 2020 because 38.46 is the average for the full quarter?

Brahmani Nara: We can give you the average number for milk procurement price.

Sivakumar: So the reason why we are asking this is because obviously the exit rate should be much lower than the average that we are sharing it and we should help us calculate how the scenario would look like in Q1 that is the reason why we are asking the drop in procurement price.

Brahmani Nara: I do not have the average numbers currently available, but I think our team will have to come back to you on the exit numbers.

Sivakumar: Sure I will reach out to them and coming to the Future Retail shares would you continue to have that derivative instrument, which would continue to offset the movement in the underlying shares?

Prabhakara Naidu: Can you repeat the question please?

Sivakumar: So basically till now we are offsetting the movement in the underlying shares using the derivative instrument right post this MTM loss, which we took would you continue to offset that movement in the MTM of the shares?

Prabhakara Naidu: In the fourth quarter the entire upside sharing actually has been returned back so there is no upside sharing because if the price comes down below Rs.240 so till Rs.240 there is no P&L of account impact, the price comes from below 240, as on March 31, 2020 the FRL price is Rs.78.30 so last year the derivative liability that is related to upside sharing is 294 Crores that have been reversed actually in this financial year because the price has come down to Rs.78, last year the price was Rs.40, Rs.50 now the price is Rs.78 the difference is Rs.375 so the Rs.375 multiplied by 1 Crores and 33 lakh shares, which is any paid value change is on 1 Crores and 33 lakh sales should be routed through P&L so then investment price difference is 511 Crores then offset is 294 Crores, net is 217 Crores is recognized in the P&L as expenditure in the P&L profitability.

Sivakumar: So till the price of 240 it will be open right?

Prabhakara Naidu: Below 240 it affects the P&L above 240 does not affect the P&L only OCI is going to be affected.

Sivakumar: From now on would you take MTM on a quarterly basis assuming it moves?

Prabhakara Naidu: Suppose now this Rs.78 it increased to Rs.80 or Rs.85 P&L is going to be with positive number.

Sivakumar: Are we having any high cost SMP on our balance sheet?

M. Sambasiva Rao: There is nothing called high cost SMP because it gets valued quarter-to-quarter.

Sivakumar: Thank you.

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

Satheesh Kumar: I have a few questions. I am just reframing the previous question if we can get QoQ change in our milk procurement price if you are in a position to reveal that, that will also be very helpful?

M. Sambasiva Rao: Sorry how do you like to know?

Satheesh Kumar: Q-on-Q change in our flavored milk procurement price Q1 FY2021 versus Q4 FY2020 average.

M. Sambasiva Rao: We are also in the market is it right to talk Q1 numbers today?

Satheesh Kumar: What I mean Sir Q1 so far not exactly complete Q1 till date whatever has been average procurement price?

M. Sambasiva Rao: Even as of today also I have been guided not to talk Q1 numbers.

Satheesh Kumar: Then it is okay so today I can understand.

Brahmani Nara: What we can give you is full year last year versus Q4 last year since those numbers are available and we are able to share so the full year of FY2020 procurement price average was Rs.35.55 per liter just in Q4 was Rs.38.4.

Satheesh Kumar: If you could explain this other comprehensive losses what portion of the investment have been rated through this other comprehensive losses and what was the normal P&L?

Prabhakara Naidu: To explain that in 2017-2018 the company policy whatever the shares they have allotted FRL has allotted 1478 flagship out of it 75% of shares that is actually 13384000 shares any paid value change in this share it is to be routed through P&L and remaining shares 4452000 shares any paid value change between the reporting period that is routed through OCI, so in the full financial year 2019-2020 P&L is impacted with 217.12 Crores and OCI is impacted with 170.59 Crores.

Satheesh Kumar: What has been the advertising expense for FY2020?

Prabhakara Naidu: FY?

Satheesh Kumar: 2020 the year gone by.

Prabhakara Naidu: That is 2019-2020 for the full financial year P&L is impacted 217 Crores and OCI is impacted 170.59 Crores, this is for full financial year, but fourth quarter also because up to third quarter there is no P&L impact so the entire P&L impact has resulted in fourth quarter only that is for the full financial year 217.12 Crores, but OCI for full financial year 170.59 up to third quarter there was some positive number so that is the reason in fourth quarter OCI figure has come down from 170 Crores to 117.99 fourth quarter.

Satheesh Kumar: What has been the advertising expense for FY2019-2020?

Brahmani Nara: Expense was 0.3% of the turnover for marketing expenses overall, which includes our point of sales material, promotions and retain our shift for agencies, advertisements if any and all of these things anything that digital marketing expenses, etc., so overall marketing expenses were at about 0.3% of the turnover.

M. Sambasiva Rao: About 8 Crores in rupee value.

Satheesh Kumar: So we expect this number to hold for FY2021 also?

M. Sambasiva Rao: It might go up and we will monitor after the markets open up, now the campaigns are not possible anywhere except online so once the markets open up we will have to review the situation to rebuild demand we may have to spend some resources on that.

Moderator: Thank you. The next question is from the line of Vishal Chopda from UTI Mutual Fund. Please go ahead.

Vishal Chopda: As you said that last seven days the business was dislocated possible to share what was your milk volume growth and the value added products growth in say January and February if you do not consider March just for January and February?

M. Sambasiva Rao: January to January, February to February the data points are not readily available month wise we can give later.

Vishal Chopda: Exact numbers if it is not there it is okay, but was the value added product growth in January-February in double digits they reported 6% fall?

M. Sambasiva Rao: Usually growth comes in February-March for value added products after the winter season is over, in the markets we operate January is still considered as winter only, February March are the two months where we really get the growth, these two months this year this last period the temperatures were not high the summer was late so that is why we could not see any growth in that.

Vishal Chopda: Anyways we are looking at all numbers on YoY basis if it is January it is on January of last year but anyway I will take those number offline if you do not have that readily available.

M. Sambasiva Rao: Yes readily month-by-month we do not have.

Vishal Chopda: Yes, I just wanted to check that the January-February combined numbers still have decent growth like we had earlier in value added products and all, so I will take the numbers later. Secondly I think this was asked earlier also so in the fat revenue the fat sales we do how much of the fat sales in this quarter and if you could give the corresponding number in the same quarter also Q4 of last year?

M. Sambasiva Rao: Fat turnover you are talking about Sir?

Vishal Chopda: Yes.

M. Sambasiva Rao: 23.59 Crores is Q4 of current year and last year it was actually 64.36 Crores.

Vishal Chopda: That is a big decline in that, which is what actually explains.

M. Sambasiva Rao: That is because there was no surplus milk for this year compared to last year.

Vishal Chopda: Correct and lastly I understand obviously we have constraints in telling the Q1 number, but as a trend what we saw liquid milk volume decline in Q4, in Q1 at least are we seeing growth or are we still in degrowth?

M. Sambasiva Rao: Discuss Q1 later if you do not mind. Each one of you are trying differently.

Vishal Chopda: Thank you.

Moderator: Thank you. The next question is from the line of Viraj Mehta from Equirus PMS. Please go ahead.

Viraj Mehta: Sir just wanted to understand that the shares that we have of FRL 400 Crores need not suppose to split the profits 50:50 till 500 Crores and post 500 Crores the profits belong to the Future, now what I want to understand is the decision and the price at which we could tell is it only in our control or does the contractual agreement say that they will have a say in our selling price and time because they also have a percentage of profit after a price?

M. Sambasiva Rao: No, they have no say, it is freedom of Heritage to time it whenever Heritage wants to sell at whatever price.

Viraj Mehta: The second question I wanted to ask was is the margins in HoReCa segment for us lower and our percentage of HoReCa both if you can quantify?

M. Sambasiva Rao: We do not have HoReCa sales directly our sales are point of sale consumption and talking that is the malls, hotels, restaurants, shops, street sides, all these sales have disappeared, but some of our distributors do sell small quantities to these hotels and restaurants nearby, our margin structure remain same wherever they sell. There is no difference in the margin structure for company, some of the distributors do undertake supplies to some canteens some hotels in their localities, but we do not have a direct HoReCa activity with the company.

Viraj Mehta: Got it thank you.

Moderator: Thank you. The next question is from the line of Shrish Pardeshi from Centrum Broking. Please go ahead.

Shrish Pardeshi: Just two questions if I do the arithmetic difference between your procurement price is 3846 and milk sales is Rs.4626 so I get a difference of 5.8 for Q4 so is the spread is large in the positive territory for Q1 or it is lower than that number?

M. Sambasiva Rao: This quarter?

Shrish Pardeshi: Yes Q1 of FY2021.

M. Sambasiva Rao: Current quarter we are not discussing Sir.

Shrish Pardeshi: No, I do not want the number I am just saying is it positive or it is lower than 5.8%?

M. Sambasiva Rao: I will read the rule book again somewhere I have lost the rule. I will get the rule book once what is permitted with the trends…

Shrish Pardeshi: Mr. Rao it is okay fine no problem. We are more curious because the competition...

M. Sambasiva Rao: I really agree with you I wish I have all the freedom to talk.

Shrish Pardeshi: This is how is the reason why I am asking your competition has declared this numbers and they said that they have a lot of benefit now you are being a listed entity you are running by the rule book I have no issue on that. So let me ask the other questions, you said that in Q4 we had the run rate of 165.5 for value add this number looks a bit more if I look at the past can you breakup which segment is or what is our segment growth is lower?

Prabhakara Naidu: Curd from 126 Crores of last year Q4 to 138.34 Crores and main product is that because there are other products are also there can I read it?

Shrish Pardeshi: Yes please.

Prabhakara Naidu: Then buttermilk there is a slightly degrowth from 4.34 Crores to 3.03 Crores then paneer has gone up from 6.4 to 8.68, there are other small products are there from 155 to 165 Crores.

Shrish Pardeshi: Just follow up on that what is the ice cream sell if you can provide Q4 versus last time?

Prabhakara Naidu: 4.54 Crores current quarter Q4 2019-2020.

Shrish Pardeshi: Last year?

Prabhakara Naidu: Last year 5.72.

Moderator: Thank you. Ladies and gentlemen due to paucity of time that would be the last question for today. I now hand the conference over to Prabhakara and Sambasiva Rao for closing comments. Thank you and over to you Sir!

M. Sambasiva Rao: I once again thanks all the participants for showing interest in our brand and company and assure you as much information as possible I would be sharing. I will also recheck how much more I can definitely I can pass on during these running quarters. We would like to give certainly every information that is permissible we as transparent as possible we as a company believe in transparency and accountability we will see both aspects and come back in future months future calls. Thank you once again for participating in spite of the regulations around on working timings and movements, etc., and wishing you all a good health and take all precautions from this fast spreading virus in India. Thank you very much.

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