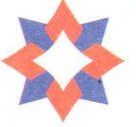




A Govt. Recognised Trading House

SANWARIA CONSUMER LIMITED

(Formerly known as Sanwaria Agro Oils Limited)



SANWARIA GROUP
Serving society through Industry

CIN - L15143MP1991PLC006395

Date: 01/12/2018

Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001. BSE Scrip Code: 519260	National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Plot No. C/1,G Block Bandra - Kurla Complex, Bandra (E) Mumbai-400051. NSE Scrip Symbol: SANWARIA
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Re: Transcript of Earning Call Conference for Sanwaria Consumer Limited, Q2-FY 2018-19 Financial Results.

Dear Sir,

Please find attached the transcript of Earning Call Conference organized on 27th day of November, 2018 post declaration of Financial Results for quarter and half year ended 30 September, 2018, for your information and records.

Thanking you,
Yours faithfully

For Sanwaria Consumer Limited

Company Secretary



Encl: As above



“Sanwaria Consumer Limited Q2 FY19 Earnings Conference Call”

November 27, 2018



MANAGEMENT: MR. ANIL AGRAWAL – MENTOR
MR. ANIL VISHWAKARMA-CFO
MR. SHIV PRAKASH CHAURASIA – SENIOR FINANCE MANAGER
MS. RINKAL PUNJABI – FINANCE MANAGER
MS. KOMAL MADHYANI – COMPANY SECRETARY

MODERATOR: MR. SONAL KUMAR SHRIVASTAVA – KIRIN ADVISORS



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Moderator: Ladies and Gentlemen, Good Evening and welcome to Sanwaria Consumer Limited Q2 FY19 Earnings Conference Call hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Any assistance needed during the conference call, please signal the operator by pressing “*” then “0” on your touchtone phone. Please also note that this conference is being recorded. I now hand the conference over to Mr. Sonal Kumar Shrivastava from Kirin Advisors. Thank you and over to you, sir.

Sonal Kumar Shrivastava: Good afternoon everybody. On behalf of the management, I welcome you all to Sanwaria Consumer Limited Q2 FY19 Conference call hosted by Kirin Advisors. The call will be initiated with a brief management discussion on its business and earnings performance followed by question and answer session. Today’s call the management team is represented by Mr. Anil Agrawal – Mentor, Mr. Anil Vishwakarma – CFO, Mr. Shivprakash Chaurasia – Sr. Finance Manager, Ms. Rinkal Punjabi – Finance Manager and Ms. Komal Madhyani – Company Secretary. Over to you sir, Mr. Anil Agrawal please.

Anil Agrawal: I welcome all the investor and all the participant to this con=call of Sanwaria Consumer and I handover now to Mr. Shivprakash Chaurasia – our Senior Finance Head for the introduction part for the new comers.

Shivprakash Chaurasia: Good evening this is Shivprakash Chaurasia – Chartered Accountant and joined by Rinkal Punjabi – Chartered Accountant and Company Secretary – Komal with me. I welcome you all for the Q2 FY19 Earnings Call of Sanwaria Consumer Limited. At the outset Sanwaria Consumer has predominantly achieved the business of edible oil and agro-based production. The company current operates in the heartland of Soya, paddy and wheat belt of India. Giving the company substantial saving on logistical cost by way of its location advantage. Additionally the strategic location also helps the plant to benefit from uninterrupted power supply at Madhya Pradesh being the heart of India. It is also one of the power surplus state. In search for operational excellence here from being a soya processor the company turned itself into FMCG players with a range of agro-based products since our journey of 25 years. We extended our edible oil portfolio by launching Sunflower, Mustard and rice bran oil. Since 2014, our product portfolio saw several additions like Suji, Maida, Daliya, Besan, Chakki Fresh Atta, Poha, Soya Flour, Sugar, Pulses and Package Foods. These newly launched products now cater to the taste of global consumers.

Coming to our retail:

We are fortifying into direct retail by opening retail outlet under the brand name Sanwaria Shoppe. We have recently unveiled 50 stores in Madhya Pradesh and additionally 2 stores in Maharashtra and planning to open 100 more stores in Madhya Pradesh and Maharashtra. The aim of the company is to take our offering to every nook and corner of the country and we believe that we will succeed in the same in the coming years. In the last quarter we embark upon several new initiatives one of which was our association with Patanjali Ayurved Limited by becoming their official manufacturer and supplier of soya chunk, soya bari under the brand name of Patanjali. Looking at the recent tie-up with Patanjali and with online platform our basket will now be available on the virtual marketing network of Flipkart, Amazon, BigBasket, Grofers, etc. Further considering the leadership position of Patanjali in FMCG sector of India our



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association with them we are confident of the favorable impact on the overall top line and bottom line growth in the coming quarters.

We personally believe that this tie ups with Patanjali will give us better revenue and help boost the margin. Now I hand over to Rinkal Punjabi to run through the financial performance for the half year ended September 2018. Over to you, Rinkal.

Rinkal Punjabi:

I am CA Rinkal Punjabi. On behalf of Sanwaria Consumer Limited I would like to highlight about the performance in Quarter 2 covered by us. We have almost achieved growth in all the areas, defining the different areas talking about revenue growth we have a growth of 6% that is amounting to Rs. 1292.78 crores as compared to the previous quarter that was Rs. 1221.47. Coming to EBIDTA growth we have 67% growth amounting Rs. 75.08 crores as compared to the previous quarter that worth 44.98 crores. Coming to EBIDTA margins, we have improved significantly 213 basis point to 5.81% during the quarter as compared to previous quarter which was 3.68%. Talking about profit before tax of the company we have increased at 106% which is a high increment as compared to the previous quarters. Coming to the net profits of the company which has increased to 105% amounting Rs. 43.09 crores as compared to the previous quarter Rs.21.05 crores. Talking about the earning per share of company we have Rs.0.59 per share of the quarter significantly compares to the previous quarter that were Rs.0.29 per share. This was all about the performance highlight of this quarter for our company. Now I would like to request all the investors to ask their questions.

Moderator:

We will now begin with the question and answer session. We have the first question from the line of Nilesh Karani from Magnum Equity Broking. Please go ahead.

Nilesh Karani:

So just to understand do we manufacture our own products or just mark them as white label like Patanjali?

Management:

We are a manufacturing company. We manufacture most of our products 70-80% product and balance product like the salt and sugar we outsource. All other products are manufactured by us.

Nilesh Karani:

Just to understand what would be our manufacturing capacity if you say product wise and what would be our capacity utilization

Management:

We have large manufacturing capacity of solvent extraction being a solvent extraction plant earlier and that capacity is around 2,500 metric tons per day of the soya bean crushing and for the basmati we have capacity of 500 metric ton per day, for soya flour we have capacity of 10 metric ton per day, for soya bari also we have capacity of 10 metric ton per day, for the wheat flour we have the capacity of 100 metric ton per day, for atta, Maida, rava, suji we have 100 metric ton per day. These are our main capacities.

Nilesh Karani:

How much we utilize out of this for production?

Management:

For rice we are utilizing around 75% to 80% capacity, for soya bean section 25% to 30% capacity and for flour capacity 75% to 80% capacity.



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- Nilesh Karani:** So can we expand this capacity further or this is a deadline or that is maximum what we have reached till now?
- Management:** We are planning for expansion in capacity of rice, wheat flour, soya flour, soya bari and adding up some capacity for new products. We are also looking for the Brownfield expansion in addition to the Greenfield expansion.
- Nilesh Karani:** So then there would be a CAPEX incurred on that?
- Management:** Yes, there will be Rs.250 crore of CAPEX we have planned and there will be requirement of Rs.250 crore for the working capital after expansion.
- Nilesh Karani:** So total 500 crore.
- Management:** Yes.
- Nilesh Karani:** So how are we planning to execute for this amount-Rs.500 crores.
- Management:** We have passed the resolution for up-coming QIP or some private placement or some GDR but firstly we are still in process as market is not conclusive right now and secondly the price is not suitable for dilution because our fair price is around Rs.24, so we are in process of raising fund.
- Moderator:** The next question is from the line of Shubhabrata Naha from Oracle. Please go ahead.
- Shubhabrata Naha:** I want to ask the QIP is awaited since July-August, 2018. We are hearing about the QIP, but is there any progress as you have conducted lot of meetings with the finance and other good company and also any progress on that? What is the deadline for the QIP.
- Management:** We have met with number of agencies, merchant banker, analyst and we have also calculated the interest of the potential institutional investor particularly. So the appetite is there but the main question is that the price at which the company wants to dilute the holdings is not appropriate as we are far from the fair price of the share which is about Rs.20. So we are just working on the things to get the desired price then we will go for the QIP.
- Shubhabrata Naha:** Since the price has gone down, if the promoter is very confident about business and future growth including this CAPEX and all, than why the promoters are not buying from the market as the given price is almost 50% of the fiscal pricing?
- Management:** We cannot simultaneously go for the buying back of the shares and the QIP raising the fund, so there is some confusion in the mind of some people, so just to clarify we can either go for fund raising or for the buyback of the shares from the market.



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Shubhabrata Naha: I am not talking about the buyback I am saying that buying from the open market. So promoter can buy from the open market?

Management: We will not buyback from the market neither the promoter will buy, if somebody else buy then it is okay.

Shubhabrata Naha: So even the promoter cannot buy from the market given the QIP in progress?

Management: Yes.

Shubhabrata Naha: My third question would be around the growth in marketing. You have launched the ecommerce website and then also I do not see any marketing efforts on that like by marketing I mean not in the television which is very costly might be company cannot effort. But the same can be done through Facebook or Instagram or the social networking site as it is very dilute and very affordable. Nowadays the startups are gaining lot of obstructions by doing this kind of marketing like Google or Facebook for example I have worked for Tata which gone 30x in the ecommerce sale like traces and all this is done in just half an year. So why there is not enough push in the marketing and what is the target for the growth emphasizing on e-commerce and how do you access that?

Management: There are two, three points I would like to highlight. Firstly we are searching good option for the digital marketing as you said earlier you are open for all the digital marketing option and we will finalize amongst them, as you already told that it is affordable and secondly we believe in mouth to mouth publicity so we are opening more and more ATM size small store now. We have opened 50 store in MP and 2 in Maharashtra. And also looking for more and more stores and planning to associate with the E-website like Flipkart and other online website. We are promoting our own website also for marketing strategies.

Shubhabrata Naha: Follow up question would that in last quarter conference call you told that in the progress of connecting with Flipkart and Big Basket kind of online ecommerce, do have we progressed anything on that. What is the outcome from the retail stores that you opened recently in Maharashtra and MP?

Management: We are getting very encouraging response from our online ATM size store that is why we are replicating it very fast. Earlier in 1.5 years we have opened 15-20 stores due to huge response in last 6 month period we have doubled the number of stores and now we are opening at a very fast pace and for this online sell we are in process of tie up with the various sites.

Shubhabrata Naha: How long it would take as it has been 3 months still no progress in marketing aggressively. Revenue actually up because in the last quarter revenue has increased, but it has not shoot up as expected from the Sanwaria Consumer as it is a very fast growing company. Now how are we planning to the grow as the goods startups like Flipkart have reach high in such a short period, similarly what is our plan? Do you have the strategy to grow 5% revenue per quarter or faster?

Management: No, the plan is in place and we are approaching all these online sites, but you have to observe difference between other players and our Company because we already have bulk sell. Most of our sell are bulks



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which we are converting into retail. The issue is to convert into retail and for that we are moving towards these online website as well as for our stores also and we are expecting a substantial increase in our store and our online presence in coming one quarter.

Shubhabrata Naha: So regarding the share price has gone down around 10 approx and there are number of people who are misguiding and trying to convince that there are some issues in the company. All these is going from last six months. Have you taken any strict action against them? I can also give you the proof of whoever misguided me. So the point is that is this still going on, what should we do in this situation?

Management: We have recently appointed investor relation Agency and enter in deal with Kirin Advisor. Earlier for our IR there was nobody. You will now find Companies more concern will be laid on investor issues and solving them within limited time. And for negativity which is being spread on the money control that we find on the online forum, we mostly answer through Facebook page and Twitter also. Even if after this anybody can send questions to our company secretary also and we ensure the response.

Shubhabrata Naha: And any other companies which show interest in the QIP like you met lot of companies including JM Finance and others. So is there any company who show the interest till now?

Management: It is in the process, as the investor appetite is there but the issue is that the price at which we are suppose to dilute the shares. It is in the interest of all our shareholders because our reputation of last 25 years is creating value for the shareholder. And if you compare 1993 price then it was Rs. 4 crore public issue and now it is Rs. 800 crore this time, so we always concern for our investor and stakeholder and we are looking from that angle.

Shubhabrata Naha: So it means that it will done whenever price goes around the fair value. I may assume like 6 months or 8 months' time it goes around fair value then QIP will be on track right?

Management: Yes we have set a deadline of say 31st March or by 31 July. We are trying very hard to increase the visibility to meet the present requirement. Our company is more towards visibility so as to raise the interest of institutional investor and FII and all those company towards our company.

Moderator: The next question is from the line of Vikalp Bansal from Reyaana Food & Beverages. Please go ahead.

Vikalp Bansal: One thing I am still not clear what your CA manager brief about, he was focusing on Patanjali again and last time you said that there is no difference in the revenue from Patanjali it is a small work. It is buying soya chunk and that too in a very small quantity?

Management: What they said was about future perspective, what we are trying right now. Currently we connected only for soya chunk.

Vikalp Bansal: In Patanjali there is no new contract?

Management: New contract it has not been done now, but our discussion is going on for 4-5 products.



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- Vikalp Bansal:** Sir I am not understanding about the QIP, how do you finalize the merchant banker or not? Because QIP time has passed there is no visibility, no update or no release about the investor meet for QIP. Have we done finalization of merchant banker?
- Management:** Thing is that for QIP price, we have to do dilution at certain level then only things can move further. Suppose I have investor and if I sell them at Rs. 12, our existing shareholders will not receive any benefit from it as there will loss. If at such low rate we will do the QIP finalization than this would lead to loss.
- Vikalp Bansal:** As the price of company shares are reducing, is there any promoter involve for same?
- Management:** I do not see any operator right now. Right now whosoever is there are our retail shareholder. They have all the shares in market, due to which there is more liquidity that is one issue. When the institutional investor will come then the liquidity will reduce and we are trying when the liquidity will decline in market then price will increase.
- Vikalp Bansal:** For increasing the price what you are doing from your end?
- Management:** For increasing the price, we cannot do anything. We can run the company well, we can bring the good results. We are increasing the visibility and for that we are doing everything.
- Vikalp Bansal:** From last five quarter, you are getting a good profit even some big revenue company are also not able to attain good profit, but this profit has no impact on our market position as whatever image was build earlier in person's mind is still same. Whosoever you ask about Sanwaria, they suggest to stay away from the Company
- Management:** If you will study yourself then you will get to know from last 25 years what result the company has given through its performance.
- Vikalp Bansal:** I have done thorough study and do the recording too. I have invested around 2 lakh to 4 lakh share on that basis only. But still I have concern about rumors for company?
- Management:** Just one lacking was there that no investor relation was placed before. We have appointed now and will go forward with investor relation. Fair value will not remain far for longer period.
- Vikalp Bansal:** Sir, the store you have opened, what revenue figures are coming from the stores i.e. average figure we are earning from 50 stores till now?
- Management:** See what result we have got according to that there is sale of upto 1Lac per day in some stores and it is very high, the way we are increasing our number of products, the same will be increased automatically. Now 15 more products are in pipeline which we are going to launch very soon.
- Vikalp Bansal:** I mean there would be some impact in revenue from the store, suppose in a month from one store there would be around 20-25 lakh sale approx.



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- Management:** Yes, we can attain the same in near future.
- Moderator:** The next question is from the line of Nitin Singh who is an Individual Investor. Please go ahead.
- Nitin Singh:** Actually, I want to know about the export as we are not clear regarding how much export we are doing currently or what is the revenue of export? So can you give some idea over this.
- Management:** See whatever direct export we are doing every year it is around Rs.100 to 150 crore and if we include indirect export then it reaches around Rs.300 to 400 crore.
- Nitin Singh:** So our margin basically in export is good as compared to domestic?
- Management:** Product wise if you compared than in rice we are establishing the market right now as we do not have market in rice. For soya we have a very old market and for all other product we have market established.
- Nitin Singh:** Like recently government have given 5% benefit on export on basmati rice, so it that beneficial for us?
- Management:** Yes that will be beneficial for us because we have got the US FDA and after that Quarantine approval is under process. After Quarantine approval we can export to US and after US export we can cover the market as after US establishment, it will have a big impact in profitability.
- Nitin Singh:** Because our revenue is in basmati rice right?
- Management:** yes but we are selling more in domestic and less export.
- Nitin Singh:** Like we are doing the tie up, what are the products you would say are in pipeline that are in the discussion?
- Management:** Whatever discussion has been done it about rice, soybean oil, rice bran oil.
- Nitin Singh:** Whatever continuous margin is improving that is improving because of retail outlet or we are doing the price hike?
- Management:** Our thrust on retail particularly is driving by that and it has also been driven by basmati rice sales.
- Nitin Singh:** But the main concern is that continuously profit is increasing then also price is not reflecting that?
- Management:** Yes, we are fully concerned about it because we have around 70,000 crore family.
- Nitin Singh:** Last time you said that whatever promoter has to sell they have already done the selling then also we are seeing some decrease in the promoter holding?
- Management:** Non-core promoters have sold 0.5 and promoter has not sold anything.



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- Nitin Singh:** Last time you also said that like promoter are also interested in buying instead of selling?
- Management:** We are interested but once our QIP is done, right now we cannot do the buyback till we are into the fund raising.
- Nitin Singh:** We are generating a good profit almost Rs.44-45 crore per quarter and in future it will be much better. We are dependent on QIP because if we do the QIP in than for coming three, four year as we will using that fund for expansion, so is there any possibility that we can manage to do from our profit earned?
- Management:** If you have read the company history in 1993 whatever issue has come of Rs. 4 crore after that company has not raised any fund this is the first time the company is raising the fund.
- Nitin:** Because as per my knowledge that there was some failure of QIP.
- Management:** Everybody is trying for the fund raising, when banks are facing many problems in raising fund so than we are the company.
- Moderator:** The next question is from the line of Vishesh Kulkarni who is an Individual Investor. Please go ahead.
- Vishesh Kulkarni:** Sir I want to know what is the recent status of debt reduction?
- Management:** That debt has been reduced; if you look to the half yearly balance sheet filed by us debt has reduced by good amount.
- Vishesh Kulkarni:** That means by the end of this year that is March 2019 when the Yearend report will be published by you, so can we expect debit to be near about 750 crore or 800 crores?
- Management:** You are talking of secured loan bank borrowing?
- Vishesh Kulkarni:** Yes bank borrowing.
- Management:** Bank borrowing will be in the range of 800-900 crores.
- Vishesh Kulkarni:** So as you have said that we have reduced some debit so can we expect that from next year in 2019?
- Management:** We always look in percentage terms you are looking in the absolute terms. So our business is going to increase say next year we attain 6,000-7,000 crore of turnover and in the absolute term the debt will be increase but if you count on the percentage terms the debt will be reduced.
- Vishesh Kulkarni:** Can you comment on what is happening actually in the share price like it is range bounded between 10 to 12 range and hardly it moved about 12, can you comment on this?
- Management:** So many part of discussion had on this. Have you join late on this concall.



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- Vishesh Kulkarni:** No I was on time, but I want clear view of management like what they think. Are you thinking to buy again? Like promoter has reduced holding from 70% to 65%, so the noncore promoters have reduced the same. And our core promoters are planning to increase their holding? I am not talking in terms of buyback.
- Management:** They want to increase but after our QIP, as it in process and the promoter intention towards the QIP price is very clear, the price should be near the fair price. The fair price of this share is Rs. 24 per share. We are doing all efforts to get that level of company share price.
- Vishesh Kulkarni:** Actually, due to liquidity I feel that it is range bounded and retailers or may be some are selling continuously from last two or three quarters so I feel that it is range bounded.
- Management:** We are trying to bring some institutional investors so this liquidity they can suck this liquidity from hedge funds or some long-term investors.
- Vishesh Kulkarni:** Can we expect some new SPL or some new fund houses in our group?
- Management:** Pardon.
- Vishesh Kulkarni:** Can we expect some new fund houses in our group?
- Management:** There is a big appetite for the FMCG companies shares and FMCG companies, but the real issue is that the desired price level can only increase more feasibility and for getting more long-term investors, institutional investors.
- Vishesh Kulkarni:** Can you tell me more about your advertising fund because I am situated at Delhi and basically nobody knows Sanwaria, so are you planning to expand here also?
- Management:** Delhi is a hub of products which we are marketing like if you say Delhi is the hub for oil, basmati, so there are so many suppliers in Delhi. We are not focusing on Delhi or northern part of India. We are focusing on eastern and western part of India.
- Visheh Kulkarni:** So that is your expansion plan?
- Management:** Yes.
- Moderator:** The next question is from the line of Rajesh Gupta from SBICAPS Securities. Please go ahead.
- Rajesh Gupta:** Just wanted to check with you the business model of your rice business I mean how you procure the paddy and process it and how you brand the product and all?
- Management:** Rajesh ji the process is that we procure paddy from the farmer as well as the AMCR and also from the adadhias, then we keep this paddy into go down in open areas and mature that paddy and then make the rice out of that as per our requirement.



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- Rajesh Gupta:** So generally these are basmati Pusa or 1121 and are basically meant for mass consumption?
- Management:** 1121
- Rajesh Gupta:** And which are the regions you export, can you just give some view on that?
- Management:** We export in Iran, South Asian countries and we are now starting export in USA also.
- Rajesh Gupta:** Now with the recent US sanction Iran, how do you see export affecting? I mean in Iran I am assuming that you have a good amount of quantity being exported to Iran. So what is that your view when these sanction get effective in that country and how does it affect?
- Management:** Under the ACU mechanism the cargo will go to the Iran and there is big demand for the Indian basmati rice and for the soya product because of the US sanction, the Iran till now is buying from Brazil, Argentina and USA so now they will import from India.
- Rajesh Gupta:** Sir in the retail side you said you are going to open some 100 plus stores in the near term especially in Maharashtra and Madhya Pradesh and you are going to further expand it right?
- Management:** Yes in Maharashtra, MP and Gujarat.
- Rajesh Gupta:** Which are the areas that you are looking to operate? is it that Tier 3, Tier 4 or Tier 1 cities?
- Management:** Tier 3 and Tier 4 cities mainly, but for present and for the brand recognition in big cities, we have opened in Indore and Bhopal (MP) and Maharashtra and will be opening in Mumbai and Ahmedabad in near future.
- Rajesh Gupta:** Promoter Pledged shares has now gone up, how you look to release these pledged shares because that is also some kind of overhand on the stock prices. so can you give some view on that why this pledged has been created?
- Management:** These are with SBI and from the starting it remain same, it is increased only because of bonus issue and that is against working capital limit.
- Rajesh Gupta:** And whatever funding you will do of new retail stores that will be mostly funded through the internal accrual or will be through the bank borrowing. I think you said you are going to raise some money that is Rs. 250 crore CAPEX line up so the debt level will further go up, but what is the leverage you are looking in the near term?
- Management:** That does not include the stores because store is franchise model asset light model. We require funds only for the CAPEX for funding and acquiring new capacities.



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- Rajesh Gupta:** And are you also planning to have brand ambassador to promote your brand as you said you want to spend money on enhancing the brand of the company?
- Management:** We are looking for because we are planning to increase the number of products coming into our portfolio so certainly we require brand ambassador. We will require for the same.
- Rajesh Gupta:** So how this tie up with Patanjali going to impact your margin in the near term. As said you are going to contact Patanjali for lot of other products as well to really ramp up your production capacity or supply larger number of volume to Patanjali, so how this is going to impact the margin or let say profitability in the near term?
- Management:** As I told we are trying to supply them around 4-5 products, once we get agreement done on all 4-5 products then it will be a big significant part of profitability in coming times.
- Moderator:** The next we have the follow up question from the line of Nilesh Karani from Magnum Equity Broking. Please go ahead.
- Nilesh Karani:** Sir Couple of question just like you said about the deal with Patanjali, you will have the sole rights to sell on ecommerce sites or they will also sell and some other fellows will also sell and what will be strategy. Second is your franchise strategy what you have given so you cannot record footfall of franchise or can we record that footfall and per square feet income of our that franchise will have some other products of some other brands also can you just explain broadly on that please?
- Management:** I cannot understand your first question, but the second question I could understand. Answer to Second question is we have a very small ATM size store if you know that it is 100 to 150 square feet only and that stores only our existing 35 products.
- Nilesh Karani:** How will you count that footfall or per square feet business we are getting out of that because it is a franchise so it is a franchise operated model not a company operated.
- Management:** Yes.
- Nilesh Karani:** So we cannot get an exact measurement or exact calculations of what is coming out of that store or how do we do it for example 200 square feet how much business one franchise will do or will it depend on different franchise and different locations and the other two locations?
- Management:** Format is different from the D-mart or any other store. So we do not have footfall counting. We have only counting of per day sale which I have told that we have achieved a single day sale maximum of Rs. 1 lakh.
- Nilesh Karani:** So from all the stores it is 1 lakh? And which store is geographically better and how do we improvise on the other parts where the franchise has not grown yet?



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- Management:** The store which we have in MP we are getting better response because in MP people know us due to our visibility as we are based in MP. And for other parts we are under process.
- Nilesh Karani:** Correct I understand your point also we need to understand even location wise position of sales basically when we see you as a FMCG company. The marketing strategy should be in place if the store or a franchise is not doing very well then we will have to focus more on that part of the business rather than which are doing good.
- Management:** We are doing that and also laid our concentration in eastern and western part and central MP part. We are also doing marketing in bulk for South state for Basmati rice and wheat flour.
- Nilesh Karani:** Now coming to the first question of Patanjali, basically we will have a tie up with Patanjali, but then it would be only for your store sell or it would for online ecommerce sell or it will be for some other fellow who is also selling Patanjali, they would be there on the same platform? Please clarify the same.
- Management:** We will be providing products. It is for their store and it will be packed in their own brand Patanjali brand.
- Nilesh Karani:** This will be your tie up for the stores where you are selling your products or you will supply the product and they will sale it?
- Management:** No we are not selling Patanjali Product.
- Nilesh Karani:** You will be selling the product on behalf of Patanjali?
- Management:** We are not selling; we are producing for Patanjali.
- Nilesh Karani:** You will produce and manufacture and give it to Patanjali and Patanjali brand is under them?
- Management:** yes, they will sale our product.
- Nilesh Karani:** Not for any stores or anything.
- Management:** We are just producing and selling them in their brand name. We will be continuing producing for them.
- Moderator:** The next question is from the line of Shubhabrata Naha from Oracle. Please go ahead.
- Shubhabrata Naha:** Actually I was the second person to ask you question I missed a few questions so just have two more questions one is around the export since you have recently got the US FDA approval like how is the preparation going, when you can start export to US and how do you see this impact in the profitability and sales?
- Management:** We are expecting the same very shortly as all the instruction part is over. We are just waiting for the certification from Quarantine department and you will see the same in our coming quarter results this



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export will be reflected. The profitability is high in USA market particularly like other company doing for US export and they are getting very good return.

Shubhabrata Naha: Can you get the number how your profitability margin percentage will impact, like do you see any significant increase in the margins if we do bulk selling like huge amount of selling say export to the US?

Management: I cannot give you the number right now as it is premature.

Shubhabrata Naha: My next question will be around China so recently few Indian company were selected to export basmati rice to China obviously Sanwaria was not in the list, so are you preparing to export to China as well? Is there any plan, because there is a good requirement. Also like other companies are doing it, so do you have any plan to explore China as well?

Management: We are in touch with them and their formalities are still going on and before taking place the actual export it will take more than 3-4 months right now. So this will be done by next season probably.

Shubhabrata Naha: Another question, Will we get these long-term investors or the hedge funds on board? Are you pushing these things up? Has it before the QIP the liquidity is increased by them? any progress on that?

Management: Pardon.

Shubhabrata Naha: I mean any progress on that just getting onboard of the hedge fund or any specific investor or any mutual fund on boarded before QIP, Will the liquidity increase?

Management: As I told earlier we have just started the investor relation, earlier there was no investor relation only the company was doing some analyst meeting. Now we started the investor relation process and like to meet with various institutional investor and hedge fund and FIIs in sometime but we gauge the investor interest and we know that investor has interest in the FMCG sector so we are hoping for getting good interest in our company and our shares and we are also hoping to get the price of share to the fair price level.

Shubhabrata Naha: Sir do you have plan to introduce any good management like you guys being the promoters of the company on boarding any good management who can run the company in a more professional way like other companies does? For example and good Tata like Uber or Facebook they do bring a good management such that it can expand easily. There will be few conflicts etc. but this will lead to increase in future earnings. So do you have any plan to bring in management on board?

Management: Yes we are searching for the long term strategic investor and partner and certainly we will bring on the board they are expertise we will welcome them in the board.

Shubhabrata Naha: As regards to Board I understand, but I have been seen that two guys were added with expertise in different field and I appreciate that. In terms of management I mean to say like running the company. Currently whatever you are taking care of the mentor and all, but point is do you have any plan to onboard any management that will ramp the companies and will execute things?



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- Management:** More professional management you are talking.
- Shubhabrata Naha:** Yes.
- Management:** We are introducing more professional management. As we are still the company that is controlled by the family assisting all the professional managers, but we are planning to introduce more and more professional in near future.
- Shubhabrata Naha:** If you can give specific view by when we can see these changes will be done like in another 6Months, 1year or so.
- Management:** We are expecting very shortly to broaden our board by introducing more professionals. As off now we have inducted 2 independent and professional director on the board.
- Moderator:** The next question is from the line of Keshav Harlalkar from BHS Securities. Please go ahead.
- Keshav Harlalkar:** Just wanted to know sir you had given a notice on May 31st 2018 that you have appointed M/S Escort Securities Limited as investment banker advisors and arranger in respect of proposed qualified institutional placement of the company amounting to 400 crores, so can you just give us an update what has happened in this regard sir?
- Management:** Actually, we have appointed Escorts Securities, but unfortunately they could not get the desired set of investor in front of us. So there appointment has been lapsed.
- Keshav Harlalkar:** So are you looking for appointing anyone else? what is the progress in this regard sir?
- Management:** We are looking to appoint new merchant banker who have the long term investor with them. So we are open for appointment.
- Keshav Harlalkar:** And do you have any timeline in place by when are you looking to do this?
- Management:** We have a timeline say till March 31st or by July 19.
- Keshav Harlalkar:** Sir I had a very fundamental question what is the reason for the change of name from Sanwaria agro to Sanwaria Consumer Limited?
- Management:** Earlier our main production was soya oil and all Soya products. In 2014-2015 we have changed our model and converted our business into FMCG food product business and then our revenue become right in FY17-18 53% of our revenue from basmati rice. We have opened basmati rice mills and put up the flour mills, wheat floor mills and maida mills. We have changed totally our production line asearlier we were manufacturing only 4-5 products right but now we are manufacturing 30-35 products.



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- Keshav Harlalkar:** Sir I re-read the question, your margins have gone up like corresponding September last year the margin were 1.5% right now the net profits margin is 3%, so are you having any plans of increasing the net margin to 5% plus and can you give us some timeline when that could happen?
- Management:** We have set up a target of say double digit EBIDTA in next 2-3 years and in proportion the PAT margin will also increase. Our target is to have a 10,000 crore of top line and in a double-digit EBITDA proportionately the PAT the bottom line will also increase as per our set target.
- Keshav Harlalkar:** So just wanted to comment that your September quarter numbers were really very good and thank you so much.
- Moderator:** The next question is from Nilesh Karani from Magnum Equity Broking. Please go ahead.
- Nilesh Karani:** Only one question, the noncore promoter has how much stake as there 64% is already over?
- Management:** See noncore promoter has got nothing, I think they have got 10 lakh share not more than that.
- Nilesh Karani:** Roughly about 1% to 1.5%?
- Management:** For promoter, all over.
- Moderator:** We have a follow up question from Keshav Harlalkar from BHS Securities. Please go ahead.
- Keshav Harlalkar:** Can you give us some guidance for the full year PAT and full year top line?
- Management:** We never give the guidance, but we can only say that in last three year we have a CAGR of around 20% and we like to maintain that CAGR.
- Moderator:** That was the last question in queue. I would now like to hand the conference back to the management for closing comments.
- Management:** I can only say that if you look to Sanwaria house, we always have in mind that if anybody came to us or anybody taking a stake and become an investor with our company, we always work in the interest of all stakeholder and try to unlock values at the best level at every possible forums. We work for the betterment of shareholder and stakeholders.
- Moderator:** Thank you very much. On behalf of Kirin Advisors Private Limited that concludes this conference. Thank you for joining us ladies and gentlemen you may now disconnect your lines.