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Globus Spirits Limited's Q1 FY13 Earnings Conference Call Transcript Held on August 13, 2012 at 4:00 p.m. IST

Moderator: Ladies and gentlemen good day and welcome to the Globus Spirits Q1 FY13 earnings conference call hosted by IDFC Securities Limited. As a remainder for the duration of this conference, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. At this time, I will like to hand the conference over to Mr. Harit Kapoor of IDFC Securities. Thank you and over to you sir.

Harit Kapoor: Thanks Inba. Thank you all for joining us for the Q1 FY13 call for Globus Spirits. We have with us today, Mr. Ajay Kumar Swarup – Managing Director; Mr. Shekhar Swarup, Executive Director and Dr. Bhaskar Roy – CFO of the Company.. I would now like hand over the line to Mr. Ajay Swarup to make the opening remarks, over to you sir.

Ajay Swarup: Good afternoon all and a very warm welcome to Globus Spirits' Q1 FY13 earnings conference call. I will take this opportunity to share with you our perspectives on the Company's operational performance and plans following which Dr. Roy will take you through the financial highlights of the Company for the first quarter ended June 30, 2012.

Allow me to restate that GSL is the only Company in the alcobev industry to have a 360 degree business model that straddles across all segments of the spirits value chain right from manufacturing i.e. bulk alcohol and franchise bottling to a consumer portfolio which is spread across value segment right from the economical IMIL to regular and semi-premium categories of IMFL. Our focus is on value enhancement and in that regards we continue to explore for opportunities which meet our desired vision.

Before I move on to segmental results, I would like to highlight that while operationally we are on track, the last quarter saw an unanticipated pressure on performance primarily due to rising raw material cost and subdued growth in the IMIL industry. Decline in off-take of IMIL products is primarily because of low spends by the rural consumers consequent to compressed incomes largely due to deficit rainfall and general inflationary trend across. Additionally, the government permitting export of broken grains, our key input of manufacturing bulk alcohol has resulted in a 25% – 30% increase in our raw material prices. We expect this trend in raw material prices to sustain over this quarter and this should be factored into our performance.

Let me now take you through the segment-wise performance.

To begin with the manufacturing part of the business, GSL is a significant player in the bulk alcohol segment with one of the largest distributions in the country at 84.4 million liters per annum. This capacity secures access to alcohol for branded operation in a scenario where demand supply gap for bulk alcohol is expected to widen considerably going forward. Hence, we are in the process of establishing ENA plants having 35 million liter capacity at our units in Behror and Samalkha. The added capacity should be operational by Q3 of the current financial year. Further, the Company has obtained licenses to setup Greenfield distilleries in Jharkhand and Bihar, which in our view are high potential markets due to the limited penetration. By adding these two portfolios, we plan to extend our 360 degree play into eastern India. Although, the plants are still in a planning stage, we expect to take firm steps towards their implementation in the very near future.

As you are aware, GSL has also established deep relationships of franchise IMFL with leading liquor companies i.e. United Spirits, Jagatjit Industries Limited and ABD Limited. We are presently bottling over 3 million cases of high quality bulk IMFL for their key brands per year. This business is proxy play on growth branded IMFL business as it is a sticky business with limited investment and consistent margins. The arrangement strengthens GSL alliances in the franchise bottling segment and will enable improved utilization of capacity while delivering high margins compared to sale of bulk spirits.

Overall, the manufacturing business not only ensures reasonable assured off-take and steady growth but provides free cash flows for augmenting growth of branded businesses.

The consumer facing business, as mentioned earlier, comprises of two divisions, IMIL and IMFL. In the IMIL space, we continue to be an undisputed leader in north India with a strong marketing and distribution network and volumes of over 12 million cases per year. The subdued performance of this segment in the quarter gone by is reflective of the challenges faced by the rural population in terms of deficit monsoon which has had an adverse impact on off take of our IMIL products. Besides, the prolonged summer which resulted in shift in consumption from IMIL to Beer also weighed on the performance of this business. This has resulted in flat volumes across our regions of operations. Nevertheless, we expect to outperform industry by leveraging our strong positioning through introduction of innovative products. Further, we are exploring opportunities of entering new states with IMIL either directly or through franchising our strong brands like Nimboo to garner market share from companies who continue to rely on the commoditized approach.

The IMFL segment on the other hand continues to be a peripheral play for our Company, given its current size but is a promising constituent of the 360 degree model. We are conscious that the volumes in these segments have been lower than anticipated, but this is by design as we do not want high investment/risk in the brand building initiatives. Our focus is on value enhancement aimed at profitable, sustainable growth.

To close, while the challenges in the macro environment continue to hurt consumer sentiment, our focus on establishing manufacturing capacities and emphasizing on value enhancement across our consumer facing portfolio combined with strengthening our marketing and distribution network will hold us in good stead to leverage growth opportunities across segments and report better financial as the environment improves. This brings me to the end of my discussion. I will now request Dr. Roy to take you through the financial performance for the quarter ended June 30, 2012.

Dr. Bhaskar Roy: Good afternoon everybody. I hope you had a chance to go through our results for Q1FY13. I will briefly take you through the financial following which we will be open to any questions that you may have.

For the quarter, net income was higher by 24.4% versus Q1 FY12 at Rs. 143.9 crore. EBITDA stood at Rs. 18.8 crore and EBITDA margin stood at 13.1%. PAT stood at Rs. 9.5 crore translating into a non analyzed EPS of Rs. 4.14.

Let me now give you a segmental breakup.

During Q1 FY13 we sold 102.19 BL of bulk alcohol translating into a revenue share of 21.2%. In the IMIL segment we clocked volumes of 26.3 lakh cases translating into revenue share of 43.1%. Our branded IMFL sales stood at 1.12 lakh cases including sales from tie-ups forming 4.2% of the total revenue shares. Franchise IMFL sales volumes stood at 4.1 lakh cases contributing 19.1% to the total revenue share. The sales from other segment contributed 12.3% to the total revenue share.

This brings me to an end of my discussion. Thank you once again for joining us on this conference. We will be happy to answer any questions that you may have now.

Moderator: Ladies and gentlemen we will now begin the question and answer session. Our first question is from Abneesh Roy of Edelweiss Securities. Please go ahead.

Abneesh Roy: How is the underlying demand for IMIL in the different states? Secondly, what is the reason for this slowdown IMILand by when do you see the growth coming back across the segment.

Ajay Swarup: Globus Spirits operates the IMIL business in Delhi, Haryana and Rajasthan. Yes, as mentioned in the opening remarks, there has been a slowdown in the IMIL segment in this quarter as compared to the previous year due to inflationary pressure in terms of disposable income going down for the SEC in question and also the bad monsoon which might be taking its toll. Going forward, while we do see that may be another quarter will have the same kind of pressure, but basically there is no shift in demand. It is just a reduction caused by reduced spending. We do believe that this should change in Q3 or Q4 of the current financial year.

Abneesh Roy: So are they down trading to unbranded? Also, based on our understanding, the deficit in monsoon will have a higher impact in the second half of the financial year because of the lag. So what is the reason for our belief that in second half the underlying growth will pick-up?

Ajay Swarup: We do believe that the growth will come back in the second half. In fact, what we believe is that with purchasing power coming down, the IMFL consumer may down trade into IMIL. So that is something which we expect to happen, but no the IMIL consumer is not down-trading into an unbranded liquor because there is no such product.. So the cheapest available liquor in the market is IMIL and hence we do not see a risk of down-trading from IMIL at all.

Abneesh Roy: Are there different price brackets in IMIL or normally there is parity in the pricing?

Ajay Swarup: There is parity in IMIL prices.

Abneesh Roy: If you see the largest players in IMFL, they are focusing more on the higher margin businesses and their logic is that because price hikes have been a bit difficult, there is hardly any margin to be made in the lower end of the segment. So, while we know your IMFL business is at a nascent phase, but are you also witnessing this kind of a trend?

Ajay Swarup: This is totally an issue which we are grappling with ourselves that margins in the lower priced IMFL business are in fact extremely low if at all there. So, we ourselves are going through this process of understanding and systematically reducing our presence in states and in products where the margins are possibly reduced to almost zero and while we do that, we are developing new products side-by-side in the premium or the semi-premium categories where margins are better.

Abneesh Roy: With regards to your IMFL entry into new markets etc., how are they faring in terms of your long term targets and any change in the IMFL in those specific states?

Ajay Swarup: We are adding Bihar either in Q2 or Q3 and then the off-take in CSD should happen soon. Other than that; we recently launched our products in Delhi. So, these are the few additions to our distribution.

Abneesh Roy: How is CSD looking from FY13 full year perspective for GSL and do you see any recovery in CSD in the balance quarters.

Ajay Swarup: Well, our product has been approved by CSD; we are only awaiting a formality which is known as the price negotiation committee which is in fact slated for later this month and post that we expect to start getting orders from them. So, yes in the current year possibly the second half we will actually start getting business from the CSD.

Moderator: Thank you very much. Our next question is from Naga Brahma. He is an individual investor. Please go ahead.

Naga Brahma: How is the demand for bulk alcohol?

Ajay Swarup: The demand for bulk alcohol is really based on the demand from the big buyers of alcohol which in our case are the big liquor producers; we have alliances with United Spirits, Jagatjit Industries, Seagram as well as with ABD and as a combination, these four liquor companies will constitute 80% of the IMFL market. So with our strong alliances with these companies, the demand for bulk alcohol or ENA is extremely robust and it is based on that, we expect to get close to 100% utilization of our ENA capacity.

Naga Brahma: The capacity utilization given in the presentation is around 70% in FY12. So, is that for the bulk alcohol or ENA or is it for different product?

Dr. Bhaskar Roy: 70% utilization is for the total capacity. This is because, while we are running the new plant, which is ENA, at about 90-99% capacity, the old plants i.e. Rectified Spirits, are operating at lower utilization rates given subdued demand.

Ajay Swarup: Let me just explain to you the difference between ENA and Rectified Spirit. So, when we talk about bulk alcohol it could either be ENA or it could be RS. In the current market situation, the demand for RS is subdued; however the demand for ENA is very robust and that is because of the fact that it is demanded by the IMFL producers. So, what Dr. Roy was saying is that since RS demand is subdued we are currently not running the RS capacity, but running the ENA capacity to 100% which on a total capacity basis comes to a capacity utilization of 70%.

Naga Brahma: Sir, another small clarification you have mentioned in the earlier conference calls that whatever the new capacities that we have added, we could produce the ENA directly without going for into RS.

Ajay Swarup: That is absolutely correct.

Naga Brahma: So, out of the total capacity, how much would be RS?

Ajay Swarup: Out of the 120 million liters, which is post the brownfield expansion of 35 million litres, approximately 90 million could be produced directly from without going to rectified spirits.

Naga Brahma: So when you say 100% capacity of utilization of ENA means it is for this 90 million only.

Ajay Swarup: Yes.

Naga Brahma: You also mentioned that there is a Brownfield project of 35 million litres of wash to ENA plants. What is this?

Ajay Swarup: These are the additional 35 million litres of ENA capacities that we are adding which will come into operation in Q3 of the current financial year.

Naga Brahma: I just read an article yesterday about cabinet meeting on the ethanol pricing. In case if the government finally decides about the pricing; will it further boost the demand for ENA?

Ajay Swarup: Certainly. You see ethanol pricing issue has been persisting for the last one year and as a result of that the oil companies are in limbo and they are not able to take decision on how much to procure and the sugar companies and other companies on the other hand are not sure about how much to produce. The moment this issue is resolved, we are going to see a huge upsurge in demand for ethanol which in turn is going to put pressure on the availability of ENA in the market and this is something which is likely to happen very soon.

Naga Brahma: With the increase in the demand for ENA and of course for ethanol, will the raw material cost also go up?

Ajay Swarup: Well, the raw material for ethanol is molasses and whereas the raw material for ENA could either be molasses or grain. We don't see the impact of ethanol production increasing having any impact on the pricing of grain, which is our raw material.

Naga Brahma: Is there any particular reason as to why IMFL and franchise bottling haven't picked up since last two to three quarters?

Ajay Swarup: Franchise bottling is on track and as per plan. The reduction in volume in branded IMFL has been due to the fact that we are reducing our presence in certain markets which have a reduced margin and we are introducing new market where margins are a lot better. So Q1 was the process of adjustment and possibly Q2 will also see a bit of that adjustment of moving from one market to other.

Naga Brahma: Also, the quantity in bottling are not much compared to last year same quarter.

Dr. Bhaskar Roy: The numbers have increased. In the franchises IMFL, we had bottled 4.07 lakh cases in Q1 FY13 compared to 3.52 lakh cases in Q1 FY12 . Now, it will further increase because of our recent tie-up with USL and revival of Jagatjit.

Naga Brahma: Is the increase in raw material price the key reason for EBIDTA margins to decline to 13% or so?

Dr. Bhaskar Roy: Yes that is the main reason. However, if you see, the EBITDA margin has improved from Q4 FY12, but further improvements were difficult because of the pressure of raw material prices.

Naga Brahma: Are we able to pass on the hike in raw material prices to the customers?

Dr. Bhaskar Roy: As you would be aware, 50% of our product is consumer facing business and about 30%-40% constitutes of sale of bulk spirit. In case of bulk spirits, you have the ability to pass on the costs to some extent. However, in case of branded product, as the prices are fixed in the beginning of the year, it is difficult to pass on the costs immediately and you have to wait until the end of the year for the government to consider a price increase.

Naga Brahma: Is there any other CAPEX plan for the current year?

Dr. Bhaskar Roy: There is no major capex planned in the current year.

Moderator: Thank you very much. Our next question is from Kushal Sanghrajka of HDFC Securities. Please go ahead.

Kushal Sanghrajka: The margins have been fairly low for the past 5 odd quarters and in every quarter we see a sort of different trend in the price or pressure being on the raw material and sometimes other expenses going up. Before five quarters if you see the margin used to be 17% to 19%. Can we assume that now these lower margins are here to stay?

Ajay Swarup: No, it is not. Let me answer that question in a slightly different way. Firstly, you must understand that our revenue is made up of four different verticals viz. bulk alcohol, IMIL, IMFL and franchisee IMFL. The increase in capacity of producing bulk alcohol has come-in in the last couple of quarters. As a result, there is a surge in the share of revenue which comes in from bulk alcohol. Bulk alcohol is a lower EBITDA margin piece which is well-accepted. So, mathematically the weighted average comes down. So part of this is due to the simple readjustment of the revenue pie so to speak.

Let us now go to the changes which have happened; the changes currently which we are facing and as I said in the introductory remarks, basically the pressure in agricultural commodity which is spilling on our bottom-line as well. So, grain being our basic raw material and grain witnessing an increase in prices over the last one quarter is something which has hit us directly. We believe that this will continue for another quarter and we do believe that come the new season of the crops which happens around early Q3, this pressure will ease of along with the fact that the government has now announced a ban on the export of rice which again was putting pressure on prices. So going back to your question I do believe that going forward margins will go back to where they were, possible not 17% but certainly inch upwards of 13% and get closer to 15% and that is what we see going forward; but then the way commodity prices go sometimes one can’t tell.

Kushal Sanghrajka: What perception most of us have is that, people downgrade during bad times from a higher brand to a lower brand and from a lower brand may be to IMIL. So this is what you mean, indicating a slowdown in sales of alcohol across the country?

Ajay Swarup: Firstly, yes one can make predictions about consumer purchasing behavior but at end of the day, the consumer decides how he would spend; having said that if we are going to see exactly what happened in the last quarter, I can tell you for the three states where we operate; Haryana there is a sharp decrease in volumes of IMIL sales across; Rajasthan in fact has an increase though not too big but there is an increase and Delhi is completely flat. So all in all, for us, because Haryana is actually a much bigger market than Rajasthan, so we saw the industry for us come down as compared to last year. Now going forward, we do hope that there will be down-trading and hence whatever we lose because of the lower disposable income may be offset by the fact that the consumer downgrades from a more expensive product. But like I said, these are conjecture and we can only wait and watch. I know that other consumer product companies are also witnessing lower rural demand. So it may be a generic phenomenon across the country. So we got to wait and watch and see what happens.

Kushal Sanghrajka: Just a quick clarification, we always talk about Haryana, Rajasthan, and Delhi. I know that Chandigarh is very small in terms of comparison but we still do have sales in Chandigarh right?

Ajay Swarup: We did till two years ago. It became an extremely low margin market and they gave preferences to bottling plants that were located within the union territory of Chandigarh, so Globus exited Chandigarh two years ago.

Kushal Sanghrajka: While we have a 360 degree presence for the past couple of years, we have been trying to move towards the branded part of the business, including IMIL, in an attempt to improve margins. However, IMIL in the past few quarters, it has been little difficult especially in terms of moving to IMFL sales and especially this quarter where we can see that bulk sales have gone up significantly. What is the indication you have for your IMFL sales going forward? In the past year or so they haven't grown significantly per quarter. So, where do you see that going in the next couple of year?

Ajay Swarup: Let me answer that question in a slightly different way. Firstly, the Company sometime around two quarters ago decided that besides looking at the branded IMFL business we are going to look at doing a paradigm shift in the IMIL business and make it a more consumer facing and a branded play. Towards that end, we launched a couple of very different-from-market kind of product with better blends, with better packages and exactly as we anticipated there was a huge acceptance and traction across Haryana. Now, the same IMIL brand is being introduced in Rajasthan in Q2 FY13 under the same name as we launched in Haryana.

Kushal Sanghrajka: Is the product Nimboo that we are talking about?

Ajay Swarup: Yes. It is called Nimboo. Going forward, Globus is going to be a significant player in the branded IMIL industry which hitherto being a 250 million cases business and therefore being bigger in volume than IMFL, it is going to be a significant differentiating factor from other liquor companies who are not at all present in this. So in this process, we are changing the face of the IMIL business and looking to become industry leaders in these states. Further, if you look at our consumer facing business which includes IMIL, we would be doing volumes of 12 million cases which is hitherto commoditized but is now moving towards being branded. Now coming to the branded IMFL business, yes you are right, we have been attempting to grow this business over the last three years and there have been challenges in the form of low margins in the segments where we entered. The challenges are based on high spends on sales and marketing but we are going about it in a systematic manner and yes, with this systematic approach we are putting in, I see this segment grow gradually. So for us, the consumer facing business is now going to be branded IMIL and there will presence of the branded IMFL business which will grow steadily but really speaking the lead will be taken by the branded IMIL.

Kushal Sanghrajka: So bulk alcohol sales have been fairly high this quarter, one is of course because of added capacity and due to demand from other alcohol companies. Could you let us know if the bulk alcohol this quarter would be largely ENA considering we are running the ENA capacities at full capacity now.

Ajay Swarup: It is only ENA.

Kushal Sanghrajka: So that would mean that other players are in fact doing well in their IMFL businesses if they are buying so much ENA.

Ajay Swarup: They were buying ENA even earlier actually. It is just that now they are buying it from us.

Kushal Sanghrajka: When you say Nimboo is doing well, can you put a number to that and how has it been growing over the last 2 quarters?

Ajay Swarup: Within Haryana, we are close to say 25% of the market and this is largely Nimboo. We are now introducing this in Rajasthan this month and we hope to see significant growth coming out of that as well.

Kushal Sanghrajka: In Haryana you already had a very high market share earlier. So is it fair to assume that largely most of the people have shifted from non-branded GSL products to the branded GSL products now.

Ajay Swarup: You are absolutely right. While we eat others market share, we also cannibalize.

Kushal Sanghrajka: Cannibalizing at a good cost I assume. Are the margins of a branded IMIL better than regular or non-branded IMIL?

Ajay Swarup: Actually there are no differential price points in IMIL. The only difference being that when you are in the commodity play**,** the demand is not sticky; when you are in a branded play you are assured of your business. So that is why it becomes a lot more sustainable.

Moderator: Thank you very much. Our next question is from Grishma Shah from Envision Capital. Please go ahead.

Grishma Shah: What is the cost of your greenfield capacities in Bihar and Jharkhand and when are they expected to come on stream?

Ajay Swarup: Like I said the Company has recently received licenses to set up distilleries in Jharkhand and Bihar. Other than getting licenses from the excise department, there are several other departments which give clearances, specifically this is applicable for the distillery industry and we are in the process of getting all those clearances. They should be done in the next couple of quarter, post which we will embark upon the process of setting this up. Each distillery would be a Greenfield initiative and would cost in terms of CAPEX between Rs. 75 to Rs. 100 crore.

Grishma Shah: That would be somewhere between FY14 and FY'15?

Ajay Swarup: That is right.

Grishma Shah: What would be your current cost of debt?

Dr. Bhaskar Roy: Around 12%.

Grishma Shah: We have seen that the working capital and term loan both have gone up. So what kind of number do we see by the end of the year?

Dr. Bhaskar Roy: While debt has increased from the Q1 FY12, it has gone down from Q4 FY12 by ~ Rs. 3-4 crore and we target it to bring it down considerably by the end of the year.

Grishma Shah: So, by that time probably you would have got some clue on your CAPEX plans.

Ajay Swarup: Yes. What Dr. Roy is really implying is that we are now using surplus cash flows to repay that; however, sometimes when we get clearance to start work on our projects, there will again be need to divert internal accruals and possibly take on a little more debt to set up these projects.

Moderator: Thank you very much. Our next question is from Avinash Wadhwa of M3 Investments. Please go ahead.

Avinash Wadhwa: I was wondering since branded IMIL i.e. Nimboo is doing so well, why did it take so long for you to figure that you need to brand at this stage to drive growth, why did this revelation not strike earlier.

Ajay Swarup: Good point. Firstly, the consumer we realize is becoming a lot more younger and aware. Secondly, we moved to making more ENA than rectified spirit. As a result, we could actually put into the market with the new technology which we had in our plant where we made ENA at the same cost as rectified spirit. We could put ENA into IMIL which is something very few people do. So, a combination of changing taste and preferences of the consumer with the ability on our part to put near Vodka or near whisky like product into the IMIL market, gives us this ability to create a differentiator. It is not just putting a label on the product. It is something that you need to differentiate the product from the competitor. So that is what happens and that is when we were able to do those. Rest it could have been done 15 years ago. But there are circumstances in terms of technology, in terms of changing consumer behaviors and those culminated in us doing this only last year.

Avinash Wadhwa: As you elect to put up new Greenfield capacities, why have you zeroed in on Jharkhand and Bihar as opposed to other states?

Ajay Swarup: When one does contemplate as to where you would like to put up more capacity, firstly the question is why would you like to put up Greenfield capacity not Brownfield? So the first decision was taken based on the fact that in the two states we operate we already have a very significant installed capacity. So then the decision was to grow, you have to grow into new areas and hence it is Greenfield. Within Greenfield you have to look at present demand of alcohol versus present production of alcohol in that state and when we did that analysis that is when the eastern states came up as possible good option for us to set a plant and then of course is the question of who welcomes you most. So yes, these states have welcomed us and the process of licensing, etc., has been quite easy and we do hope that very soon all clearance will be in place.

Avinash Wadhwa: You also said that your current capacities in the states of Haryana and Rajasthan comprised a significant portion of capacities in those states. It is clear that your capacity creation has outpaced demand for your IMFL in these states. So I am just trying to wonder what the logic would be to get so ahead in capacity creation in these states. So far ahead of your own IMFL demand?

Ajay Swarup: We don't setup capacity only to take cater to our bottled spirit demand. We create capacity to cater to the demand of the entire market and like I have said many times we are 360 degree player in the spirit business. We straddle all verticals and of which one of them is bulk alcohol.

Avinash Wadhwa: But if a large part of your volume sales comes out of bulk alcohol. What really could be the thought there? Isn't it a commoditized kind of business or wouldn't the thought eventually be that you know my own capacities get absorbed for my own brands.

Ajay Swarup: Absolutely you are correct in saying that. However, there is a certain capacity in terms of economic size where you have to setup a plant to make alcohol. Now till your own branded play or your bottled play reaches a certain level of capacity you do need to sell the bulk alcohol as a commodity. So over the years in the state where we are present currently there will be a gradual decline in the percentage of sales which go into bulk alcohol and gradually the sales of bottled alcohol is increased.

Avinash Wadhwa: During that the pace of capacity creation in the state has been as brisk as yours, you would certainly have displaced somebody else's bulk alcohol, right? The consumption would not have grown at the pace at which you created the capacity in the recent past.

Ajay Swarup: We displaced imports from other states.

Avinash Wadhwa: So in the foreseeable future where does this process of creating capacity sort of end in the medium term. If this expansion from 84.4 million BL to 120 million BL end in the foreseeable future?

Ajay Swarup: For us, it ends for at least a couple of years, but if we see opportunity we will increase it further.

Avinash Wadhwa: Your other expenditure has outpaced revenue growth significantly. I am just wondering what the heads of these other expenditures are that has led to this outcome.

Dr. Bhaskar Roy: The other expenditure in FY12 was higher as the power and fuel costs were higher due to stabilization of our newly installed capacities. If you analyze the figure over the years, it was 31% on net sales in Q4 FY12 which has now reduced to 27% in Q1 FY13. With the production stabilizing, we are able to control the expenditure to a large extent possible.

Moderator: As there are no further questions from the participants. I would now like to hand the floor over to Mr. Harit Kapoor for closing comments.

Harit Kapoor: Thanks Inba. On behalf of IDFC securities I would like to thank the management of Globus Spirits for taking out their time for this call. Mr. Ajay Swarup would you have some closing remarks?

Ajay Swarup: Thank you everybody for sparing the time to be on this call and it is a part of Globus' investor relation initiatives to be available to investors for giving updates on what happen with the Company and we shall be doing this as a regular feature. Thank you very much.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of IDFC Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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