



**LT Foods Limited**  
**Q1 FY19 Earnings Conference Call**  
**August 14, 2018**

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**Moderator** Ladies and gentlemen good day and welcome to the LT Foods Limited's Q1 FY19 Earnings Conference Call. As a reminder, all participants' 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you and over to you sir.

**Nishid Solanki** Thank you. Good morning and welcome to the LT Foods' Q1 FY19 Earnings Conference Call for Analysts and Investors. I welcome the entire Management Team of LT Foods, who will address you today on the strategic and operational progress of the company and they will also take queries from the participants after that. I would now like to hand over to Ms. Monika Chawla Jaggia – Vice President Finance & Strategy to take the call forward. Thank you and over to you.

**Monika C. Jaggia** Thank you. Good morning everyone and thank you for joining us on LT Foods' Quarter 1 Financial Year 2019 Earnings Conference Call. My name is Monika and I'm part of the investor relations team at LT Foods Limited. Joining me today is Mr. Ashwani Kumar Arora – Managing Director and CEO, Mr. Vivek Chandra – CEO, Global Brand Head Business and Mr. Sachin Gupta – General Manager (Finance).

We will begin the call with opening remarks from Mr. Ashwani Kumar Arora followed by an interactive question and answer session. I would like to clarify that certain statements made or discussed on the Conference Call today may be forward-looking statements and a disclaimer to this effect has been included in the results presentation shared with you earlier. Results documents are available on the company's website and have also been uploaded on the stock exchanges. A transcript of this call would also be made available on the investor section of LT Foods website. I would now like to invite Mr. Ashwani Kumar Arora to share his perspective with you. Thank you and over to you sir.

**Ashwani K. Arora** Good morning everyone and thank you and very warm welcome to everyone present on the call today. I wish to take you through the business and financial performance of LT Foods for the first quarter of fiscal year 2019.

Revenue improved by 12% to Rs. 853 crore resulting in strong 13.4% increase in PAT. Quarter 1 has marked a healthy start to the new financial year with the growth coming in across all of LT Foods brands Daawat, Royal, Indus Valley, 817 Elephant and EcoLife. Contribution of branded business to this growth remains vital. In Quarter 1, 69% of our overall sales came in from the strong brands LT Foods versus 66%

last year. The corresponding branded sales in Quarter 1 financial year 2019 stood at Rs. 587 crore, thus representing 18% increase year-on-year basis.

LT India's business is further strengthening and stood at Rs. 241 crore. India branded business has seen a growth of 5% in volume terms and 8% in value terms on year-on-year basis. The realization has improved to Rs. 54 per kg. LT Foods has successfully implemented the transition to GST regime in the HoReCa Segment which has grown by 27%.

Let's look at the key trend in our branded sales. With a clearly differentiated strategy for driving respective brands, LT has strengthened its market position for its key brands. AC Nielsen has recorded an increase in the market share for LT Foods at 28% versus 26% last year. This 2% increase reflect the strength of LT Foods brand. I am pleased to highlight that LT has sharply increased its market share in the modern trade category to 30%, rural category to 45% as well as metro to 25.5%.

Important international markets where LT Foods is already present too showed good performance as planned. LT's international business has grown by 18% in value terms and stood at Rs. 481 crore. The overall realization has also gone up by 14% at Rs. 98 per kg versus Rs. 86 per kg last year. International branded business has seen a growth of 14% in volume terms and 25% in value terms on year-on-year basis. The realization has improved by 10% at Rs. 103 per kg.

The North America business was the key driver of LT's overall International branded business contributing 45% to its branded revenue. In this region, the volume was up by 22% and revenue was up by 29% on year-on-year basis. The two-minute retort rice facility at the US is under rigorous testing mode and will mark a foray into the high potential category. Let me highlight that LT has started receiving orders from some of the large supermarket chain in North America and we will soon be shipping the products.

The EU processing facility is ramping up as per the plan and will service demand across the continent. Given the orders in hand, we are looking at scaling up this venture strongly in the coming month thereby increasing the contribution from this geography. Rest of the globe is also delivering as per the plan through its brand power and the strategic private label business is also performing well.

Our organic business continues to maintain the momentum of growth as we complete the modernization of our Sonepat facility. We are working on scaling up the distribution in the target markets internationally and in India. Kari Kari, the Japanese premium rice based snacks is today available across 120 modern trade stores and will soon be visible on e-commerce website and we are getting very good response for that. We intend to support growth by developing local facility for this product. The construction for the same will commence from the end of September. I would also like to add that we are gearing up for the national launch of Rice Sauté sauces. We will be launching this nationally with the new packaging and design in 10 cities in 200 modern trade stores by September this year. In addition, we have added two new variants to the portfolio based on consumer research. The overall feedback has been encouraging so far and we believe this will further help us to expand our presence in the market.

Let me now discuss the key financials of the company for the quarter ended 30<sup>th</sup> June, 2018.

For the first quarter of the fiscal year 2018, LT's total revenues stood at Rs. 853 crore as compared to Rs. 762 crore in the same period of last year, representing a growth of 12%. This was driven by better branded sales contribution to the overall revenues.

The gross profit for the period was Rs. 228 crore, EBITDA has increased by 2% to Rs. 106 crore translating to EBITDA margin of 12.48% and if we normalize EBITDA including the negative impact of the Europe expansion, it stood at 13.4%. The profit before tax was at Rs. 59 crore, an increase of 6% over Quarter 1 financial year 2019 while profit after tax stood at Rs. 40 crore, a growth of 13% over the corresponding quarter of last year. The EPS stood at Rs. 1.16 per share.

Coming to the geographical revenue and realizations breakup; branded India sales stood at Rs. 227 crore, growing by 8% year-on-year and contributing 39% to the total branded revenues. The average realization during the year stood at Rs. 54 per kg. International branded sales came to Rs. 360 crore, higher by 25% and contributing 42% to the total revenue. The average realization stood at Rs. 103 per kg, up by 10%.

That concludes our opening remarks. I would now request the moderator to open the forum for question and answers. Thank you.

- Moderator** Thank you very much sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Dhruv Agarwal from Crescita Investment. Please go ahead.
- Dhruv Agarwal** If you could give me a breakup of your inventory as on date, if you could give the paddy inventory and the stock volumes and the rice inventory and the stock volumes?
- Ashwani K. Arora** Paddy we have 97,000 metric tonnes and rice we have 130,000 tonnes.
- Dhruv Agarwal** And the paddy price would be?
- Ashwani K. Arora** Rs. 32.6 and rice is Rs. 55.
- Dhruv Agarwal** Rs. 55 per kg?
- Ashwani K. Arora** Yes.
- Dhruv Agarwal** I missed the growth numbers in the modern trade, rural market and the metro market if you could give that again
- Ashwani K. Arora** Market share in modern trade is 30% and the rural is 45%.
- Dhruv Agarwal** And the metro?
- Ashwani K. Arora** 25.5%.
- Dhruv Agarwal** What is the trend in the paddy prices, has it increased recently?
- Ashwani K. Arora** It depends on variety to variety. At the moment, the Paddy prices is moved little bit up because this is end of the season and there is a little bit of shortage so there is increase in the paddy prices at the moment.
- Dhruv Agarwal** So the variety which you procure, what are the average prices which are up, how much are the prices up by?
- Ashwani K. Arora** Average you can say 34-35.

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<b>Dhruv Agarwal</b>	34%-35% prices are up?
<b>Ashwani K. Arora</b>	No, against Rs. 32, so the prices in the market is Rs. 34-35, so approximately 7%-8%.
<b>Dhruv Agarwal</b>	Which is the variety that you procure?
<b>Ashwani K. Arora</b>	It's a mix, its 1121 and 1509 and traditional basmati.
<b>Moderator</b>	The next question is from the line of Mangesh Bhadang from Param Capital. Please go ahead.
<b>Mangesh Bhadang</b>	I just wanted to know the revenues and EBITDA number from the EU facility if possible.
<b>Ashwani K. Arora</b>	From the EU facility?
<b>Mangesh Bhadang</b>	Yes.
<b>Ashwani K. Arora</b>	So you mean the revenue or EBITDA?
<b>Mangesh Bhadang</b>	Revenue and EBITDA both.
<b>Ashwani K. Arora</b>	Revenue is Rs. 31 crore and EBITDA is minus Rs. 4 crore.
<b>Mangesh Bhadang</b>	When you said it is ramping up what kind of utilization you would be looking at here now and how much it can go up?
<b>Ashwani K. Arora</b>	The plan is to be in this year to do around Rs. 250 crore and the full capacity of the plant is around Rs. 400 crore.
<b>Mangesh Bhadang</b>	Just with the MSP price hike, will it have an impact on our basmati as well and how has been the procurement season for you till now?
<b>Ashwani K. Arora</b>	The procurement will start in the month of October, so definitely it should have an impact because farmer when grows, so he sees the realization between both, so definitely the basmati prices in the coming years will have an impact of MSP price hikes.
<b>Mangesh Bhadang</b>	We have heard some news articles on China starting to import basmati rice from India, so have you contacted any dealers or distributors there and is there any off-take from our side in the geography?
<b>Ashwani K. Arora</b>	I am very happy to tell that Daawat is the first brand to get into China market and LT was the part of the delegation which has just gone and we have met the respected people so there is both opportunity for basmati and non-basmati. Basmati, already Daawat is there in China and LT was one of the first Companies to get registered with China to supply rice.
<b>Moderator</b>	We moved to the next question from the line of Subhankar Ojha from SKS Capital. Please go ahead.
<b>Subhankar Ojha</b>	In terms of you gained market share in the branded segment, so who is basically losing market share? And secondly is the gap between #1 and #2 is it narrowing?

- Vivek Chandra** What the market is seeing is actually it is the lower share brands, the smaller brands who are losing share and there is a consolidation if you see at the top end and the gap between the #1 and #2 roughly remains constant. We have gained a little bit but in overall sense it will be roughly constant.
- Subhankar Ojha** I missed out on numbers, what was your average realization for the domestic branded segment?
- Ashwani K. Arora** Rs. 54 per kg.
- Subhankar Ojha** And how has it gone up?
- Ashwani K. Arora** Against Quarter 1?
- Subhankar Ojha** Against Quarter 1 Yes.
- Ashwani K. Arora** 5%.
- Subhankar Ojha** In terms of the European operations, so this Rs. 4 crore EBITDA loss, what is your FY19 expected EBITDA loss?
- Ashwani K. Arora** So, we are expecting as I told in the last quarter, so it will be a loss of Rs. 15 crore which we are expecting in this year. Let me tell you in the Europe side although there is a negative number on the PBT side, but the good news is that in the first year we have got orders from very respected companies, so that's a very good achievement. And we have launched Daawat in Europe with the new packaging and we are getting very good response, so we are very positive as far as business is concerned. But regarding bottom line in the next two quarters there will be a little bit starting thing but overall, we are very bullish on this Europe venture and the retort rice which we have done in America, the new investment.
- Subhankar Ojha** In terms of the balance sheet the overall borrowing number and all that are similar to what you had last quarter?
- Ashwani K. Arora** On the debt level?
- Subhankar Ojha** Yes.
- Ashwani K. Arora** Yes almost same.
- Moderator** The next question is from the line of Alpesh Thakkar from Motilal Oswal. Please go ahead.
- Alpesh Thakkar** Recently there was a news that many Iranian rice importers have defaulted on their payment to Indian rice exporters, what is your take on this, do you have any exposure on that or would there be any pricing pressure in the international market due to this because as I can see that rice exports are down 7.2% almost this quarter?
- Ashwani K. Arora** First of all, as far as LT Foods is concerned, we don't have any exposure in Iranian market and we don't have any plan also. But as far as the industries concerned, I think this year not on quarter but year to date because Iran was open till July, India has grown on exports and whatever Iran has banned, this is a very regular thing they are doing. They put a ban for four months for their own crop but Iran is a very established market as far as Indian rice is concerned so there is no pressure on Indian rice prices because of that.

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<b>Alpesh Thakkar</b>	No Impact on the Industry because of these defaults in payment, I'm not sure but that was in the media articles that many of them are defaulting on their payments, so would it have a negative impact on the export?
<b>Ashwani K. Arora</b>	I have not heard of any default on the payment. As I said, LT Foods is not exposed to Iran market, but I have not also heard of any default on the payments.
<b>Alpesh Thakkar</b>	On the organic side of the business, this time we have grown just 2.5% so can you just throw some light on it because I understand that is a niche segment and that is a fast growing segment for the company.
<b>Ashwani K. Arora</b>	Until now the 5-year CAGR in organic business has been more than 40%. This year is consolidating year and we have plan to grow by 12% this year. So, I am sure this year we will be having the growth of 12%.
<b>Alpesh Thakkar</b>	So mostly the demand is from the North America as far as I understand, right?
<b>Ashwani K. Arora</b>	As far as our Organic business is concerned; the demand is from Europe and America. These are the two major markets for organic.
<b>Alpesh Thakkar</b>	Also there was this media article regarding the use of pesticides in the basmati, so Europe has like certain stringent norms regarding that so does that have any impact on our sourcing strategy and would our cost of raw materials go up because of this?
<b>Ashwani K. Arora</b>	Yes you are right, so they have different norms, but LT Foods per se we are doing backward integration and we have kind of extension program where we make sure that we are a compliant product supplier to the Europe and America.
<b>Moderator</b>	The next question is from the line of Manan Patel from Equirus Portfolio Management Services. Please go ahead.
<b>Manan Patel</b>	In terms of hedging rupee versus dollar, so currently what percentage of our receivables would be hedged?
<b>Ashwani K. Arora</b>	As LT Foods is following a policy where we have a hedging policy where we de-risk ourselves and on the contract, we hedge ourselves on 100%, on the brand side we keep a 50% to 60% hedge ourselves.
<b>Manan Patel</b>	I missed on the part of volume numbers, can you give me the volume numbers for both branded and unbranded business for both India and international?
<b>Ashwani K. Arora</b>	So, the total branded business is 78,000 tonnes in this quarter versus the last year we had done 71,000 tonnes.
<b>Manan Patel</b>	What would be the breakup of that into domestic and international?
<b>Ashwani K. Arora</b>	India is around 43,000 tonnes and export is 34,000 tonnes.
<b>Moderator</b>	The next question is from the line of Jiten Parmar from Aurum Capital. Please go ahead.
<b>Jiten Parmar</b>	What is the consolidated total debt as on June 30 <sup>th</sup> ?
<b>Ashwani K. Arora</b>	Same, its Rs. 1,567 crore.

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<b>Jiten Parmar</b>	This Kari Kari, what is the sales for the last quarter if you may be able to disclose that?
<b>Ashwani K. Arora</b>	As I said, this quarter the whole idea was to before we put up a manufacturing unit, so we wanted to check our assumption, so we have placed in 120 outlets and whatever the assumption we have made for per outlet, so we're getting more than that. But just to highlight, we have done 15 lakh sales out of these 120 outlets.
<b>Jiten Parmar</b>	What is the plan to grow this over a period of time?
<b>Ashwani K. Arora</b>	The plan is when the unit will be in India then the 5 year plan is to reach Rs. 100 crore.
<b>Jiten Parmar</b>	I have seen this organic foods, sales have been very muted just from Rs. 81 crore to Rs. 83 crore, any particular reason for that?
<b>Ashwani K. Arora</b>	As I just said that this organic based business the CAGR growth for the last 5 years is more than 40% and this year we are consolidating, and the plan is to grow by 12% and we will be there by the end of the year.
<b>Moderator</b>	The next question is from the line of Kiran Shankar Prasad from Karvy Stock Broking Ltd. Please go ahead.
<b>Kiran S. Prasad</b>	Could you throw some light on your HoReCa business, how it is doing, whether your institutions are getting input credit or not?
<b>Ashwani K. Arora</b>	As I said HoReCa business is grown by more than 27% and they are not getting the GST input. But we have a very strong distribution model and strong brand loyalty among HoReCa consumers and we are back to the growth which was impacted through GST.
<b>Kiran S. Prasad</b>	So, how much time it will take to sort out this input credit issue?
<b>Ashwani K. Arora</b>	That I don't know, that this GST council has to decide. But as far as LT Foods Daawat Chef's Secret brand is concerned, that is growing.
<b>Kiran S. Prasad</b>	So as of now your total institutional sales is around 27%?
<b>Ashwani K. Arora</b>	No, the growth is 27%.
<b>Kiran S. Prasad</b>	And the retail business?
<b>Ashwani K. Arora</b>	Retail business has a growth of 15% with Daawat brand, so we have Daawat brand, we have Daawat Chef's Secret brand so Daawat portfolio is 15%. Other brands which are in the portfolio which is Heritage and others, they are de-growing. But our focus is on Daawat and Daawat Chef's Secret that is growing.
<b>Kiran S. Prasad</b>	What is concerning investors is the fact that your EBITDA margin and PAT margin is not picking up the way your competitors' EBITDA margin and PAT margin have picked up of late so what could be the specific reason behind that?
<b>Ashwani K. Arora</b>	As far as LT Foods business is concerned, we are improving on EBITDA. Last full financial year 2018, EBITDA was 11.3% and this quarter we have EBITDA margin of 12.5%. And we have a plan to year-on-year improve the EBITDA and PAT margin.

- Kiran S. Prasad** What I have been able to understand that you are more focused on, your branded business and private level business are doing very well and they are high margin business. So why that is the EBITDA and PAT margin are not improving correspondingly?
- Ashwani K. Arora** As I said our margin is improving, last year financial was 11.3% and we have improved to 12.5% this quarter and our PAT margin has also improved and the plan is to take it to in the coming year by 3% up through the scale and mix.
- Kiran S. Prasad** So what kind of outlook is there for this basmati Rice going forward, specifically in China how market opportunities are unfolding there in China?
- Ashwani K. Arora** It's too early to say but as far as basmati is concerned that's a very small market and as I said Daawat is one of the first brand to get into China and we have already shipped the goods. Non-basmati is a big opportunity but still delegation has gone and we were also part of that and we are evaluating that.
- Kiran S. Prasad** Regarding this penetration in Middle East, how much popularity your brand has gained over there like you have entered Middle East through acquiring 2-3 brands like Gold Seal brand is there and then other brands are there, so how much popularity they are gaining over the period of time? How much market share have you been able to acquire?
- Ashwani K. Arora** As far as LT Foods is concerned, we have a strong market which is America, Far East, India and Middle East as per our strategy so the acquired brands are doing as per plan. In Middle East, LT Foods brand was not as strong as in America and India and other part of the world, so that's how we have done this acquisition and this is doing as per plan.
- Kiran S. Prasad** Regarding this European facilities, when do you see this European business becoming profitable business?
- Ashwani K. Arora** By the end of this year it will be a profitable business. As I said, we have got a good response both from consumer end and the trade retailers, and private-label also. So, we have got orders also and this is only the start-up hiccup when operation which is making losses but by the end of the quarter we should come in a breakeven.
- Moderator** The next question is from the line of Vikas Jain from Financial Quotient. Please go ahead.
- Vikas Jain** I wanted to understand our export portfolio, in terms of the volumes from top 3 geographies, which all geographies have contributed to the significant export volumes from LT Foods?
- Ashwani K. Arora** For us, India in terms of volume is the biggest followed by USA, followed by other parts of the world.
- Vikas Jain** I just wanted to reconfirm that you have said that we don't have any exposure in terms of exports to Iranian market.
- Ashwani K. Arora** Yes I'm confirming that we don't have any exposure to Iran.
- Vikas Jain** What is our net debt as on Q1 FY19?
- Ashwani K. Arora** It's Rs. 1,567 crore.



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<b>Vikas Jain</b>	And do we also foresee having a lower debt-to-equity ratio in coming quarters as the QIP is already in place?
<b>Ashwani K. Arora</b>	Yes, already we have debt-equity ratio of 1.25.
<b>Moderator</b>	The next question is from the line of Harshad Gupta from Vinayak Equity. Please go ahead.
<b>Harshad Gupta</b>	I'm looking for an insurance claim, it's been in final stage you told us in the last con-call quarter, so it's still there?
<b>Ashwani K. Arora</b>	It's progressing. We are quite hopeful that by the end of the year, we should get a verdict from this lower court as far as the case is progressing well.
<b>Harshad Gupta</b>	European business earlier it was loss-making business, so any update and can you put some light on European business?
<b>Ashwani K. Arora</b>	It's not a loss making business. Yes, at the moment it's a loss because we have just started this year and any new business will have a negative cash flow in the first year and that is what is happening. But as far as business is concerned, we have got a good business. We have launched Daawat brand in Europe and we are getting a good response and we are hopeful that by the end of the quarter, we will come in the breakeven. A very good achievement as far as LT Foods in Europe is concerned.
<b>Harshad Gupta</b>	Any update on CAPEX guidance for current year?
<b>Ashwani K. Arora</b>	CAPEX will be Rs. 50 to 60 crore.
<b>Moderator</b>	The next question is from the line of Yogesh Shroff, an individual investor. Please go ahead.
<b>Yogesh Shroff</b>	I wanted to ask you, your vision going forward for the company in the next three years, will we see our company taking leverage and increase the top line or will see the company decreasing the leverage, we have taken and improving the bottom line.
<b>Ashwani K. Arora</b>	We will do both. The plan is to keep this growth momentum which is 10% and improving our bottom line also by double-digit.
<b>Moderator</b>	The next question is a follow-up from the line of Dhruv Agarwal from Crescita Investment. Please go ahead.
<b>Dhruv Agarwal</b>	As you said that the prices have increased from Rs. 32 per kg to around Rs. 34-35 per kg right now, so do you get the benefit? Can you pass on this price increase to the customer, how does this mechanism work?
<b>Ashwani K. Arora</b>	As the LT Foods business model is mostly branded business, so we don't do like commodity thing so on 5%-7% increase normally, we don't pass on to the consumer just for the stability of the brand. Depends on the competition also how they react, the market dynamics which will also play here.
<b>Dhruv Agarwal</b>	So it depends on the market situation and the competitive pressure and then accordingly you take up call
<b>Ashwani K. Arora</b>	Yes.

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<b>Moderator</b>	The next question is from the line of Shalu Singla from Research Invest. Please go ahead.
<b>Shalu Singla</b>	My question is regarding your plants, how many plants do we have, other than in India?
<b>Ashwani K. Arora</b>	We have 5 manufacturing facilities in India.
<b>Shalu Singla</b>	Other than India.
<b>Ashwani K. Arora</b>	Other than India we have in Europe and in America. America we have packaging and the one we have latest put in that is the retort rice facility and other than that we have 2 packaging facilities in America, so the total 3 packaging and manufacturing facilities in America, 1 in Europe and 5 in India.
<b>Shalu Singla</b>	What is the revenue guidance for this year?
<b>Ashwani K. Arora</b>	We will maintain this growth momentum, which is 10% to 12%.
<b>Shalu Singla</b>	And regarding bottom line?
<b>Ashwani K. Arora</b>	Bottom line yes, we will keep in the same growth momentum.
<b>Shalu Singla</b>	Like that was in last year?
<b>Ashwani K. Arora</b>	So last year, the PAT was Rs. 144 crore and we will definitely improve on that.
<b>Shalu Singla</b>	How is Daawat Rozana Gold Plus growing?
<b>Ashwani K. Arora</b>	Rozana Gold Plus got a good response from the market, so this is a new concept selling. I will give it to Mr. Vivek Chandra
<b>Vivek Chandra</b>	As Mr. Arora was saying, Rozana Gold plus has got very good response. It is this whole concept of eating healthy along with enjoying the taste of basmati. So it has a steady-state consumers who are very loyal for the brand and who are continuing, so we see consistent growth and our focus now is on expanding that consumer base.
<b>Shalu Singla</b>	What would be the revenue growth for Daawat Rozana?
<b>Vivek Chandra</b>	Daawat Rozana, the total franchise of Rozana would be growing by about 6%.
<b>Shalu Singla</b>	My last question is regarding the EBITDA margin, why is the margin so low, is it because we have higher costs as we have plans in America and Europe?
<b>Vivek Chandra</b>	The EBITDA margin compared to Quarter 1 of last year has actually improved, so when you are asking low who are you comparing that with, what is the benchmark?
<b>Shalu Singla</b>	No, I am comparing it with other quarters, not the current quarter but if we see the last quarter then we have only 10%-11% margin.
<b>Ashwani K. Arora</b>	If you see the last full year EBITDA margin was 11.3%. This quarter we have 12.5% EBITDA margin, which has improved.
<b>Shalu Singla</b>	What company have done to achieve this improved EBITDA?

- Ashwani K. Arora** There are two things, one is on the efficiency and the other is scale, so these are the two things that have helped us to improve on the EBITDA.
- Moderator** The next question is from the line of Ravi Teja, an individual investor. Please go ahead.
- Ravi Teja** Any information regarding North American 2-minute ready to eat brand and how much revenue can we expect for FY19 from that brand?
- Ashwani K. Arora** That we are expecting this financial year is around \$2-\$3 million which is around Rs. 15 to 20 crore revenues for this financial year because the plant will start operation in September.
- Moderator** The next question is from the line of Sagar Shah from KSA Securities. Please go ahead.
- Sagar Shah** I wanted to know as compared to the last quarter we have delivered actually and as compared to the entire financial year 2018 we have delivered a good EBITDA margin for this first quarter. But my question is actually that something like it's just because of the better procurement practices done by LT Foods in the last year that is why we have been able to deliver this good EBITDA margin and the way forward actually for this financial year 2019 we are staring at better EBITDA margin as compared to or we will be stabilizing at these levels?
- Ashwani K. Arora** The target is to improve on EBITDA margin on year-on-year basis and as far as your question on how we have improved, I am repeating as said earlier that the scale and efficiency has led to this improvement, so we have a plan to improve our gross margin also going forward.
- Sagar Shah** This was because of something like better procurement practices basically?
- Ashwani K. Arora** No, procurement what we believe LT is one of the best in procurement as far as the reputation and the buying practices is concerned. But especially in this quarter it's not on the buying side, it's on the scale and efficiency in expenses.
- Sagar Shah** In the last to last concall actually you had said that because of the better procurement from several paddy areas from several states because of that we will be able to deliver a good at least a gross margin that was the basic reason that actually the management had forecasted for financial year 2019 that was my question.
- Ashwani K. Arora** We maintain that, LT Foods focus is to improve on every aspect be it procurement or the efficiency and to have sales of higher GP margin products so that's a continuous effort or focus on that. That's what we are planning to improve on gross margin and on EBITDA margin here, so we have a plan to do that and the plans are also working.
- Sagar Shah** Any plan to reduce debt in financial year 2019, additional debt or we will maintain the same debt levels?
- Ashwani K. Arora** As we are growing and we will reduce debt.
- Sagar Shah** By how much, any guidance?
- Ashwani K. Arora** That will be in the range of Rs. 100 crore.

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- Moderator** The next question is follow-up from the line of Manan Patel from Equirus Portfolio Management Services. Please go ahead.
- Manan Patel** I wanted to understand your views on GST because Mr. Vivek mentioned that smaller brands are losing market share but I wanted to understand how about the unorganized sector which we came across to see that they are gaining market share versus organized. So what are your views on that and how are you seeing it on ground?
- Vivek Chandra** What you are saying is correct in the sense that when we talk of market share this is market share as reported by AC Nielsen and it is market share which is for consumer purchases in the market. So these are all branded and when we talk of the GST, the GST impact is largely come on bulk-packs so there is a movement which is happening in the bulk-pack between organized and unorganized. It was very sharp when GST came in and as Mr. Arora has explained that the strength of the Daawat and the Daawat Chef's Secret brand, our entire distribution network and the strategies that we pursue have enabled us to grow 27% in that environment in this quarter compared to Quarter 1 of last year.
- At an overall market place situation, what you are saying is happening which is that there is a movement towards the unorganized bulk players of some kind but it is not affecting LT Foods because of our strategy and our approach. And on the consumer side of the business is where we were talking about the market share and the market share gains and these gains are coming predominantly from the smaller brands. So once again our branded strategy, the segmentation strategy supported with distribution and the depth increase, all of these put together are leading to increase in our consumer market share as well.
- Manan Patel** What is your outlook on the acreage in paddy and basmati especially in this year and do you think the production should go up?
- Ashwani K. Arora** This year we are expecting to have little bit growth on the production of basmati variety so some varieties will be more than 30% growth, some varieties will be at par and some varieties will be decreasing so overall if you add up all the varieties, we will have more production.
- Manan Patel** In that light, do you see the prices of paddy and rice going down?
- Ashwani K. Arora** As compared to last year, the opening prices will be definitely cheaper than last year opening prices.
- Manan Patel** My last question is on again the pesticide issue because we have seen in last 6 months, the exports to Europe has gone down significantly due to this pesticide and from some media reports even Saudi Arabia is considering those standards. So have you seen that impact and how is the industry making changes to improve on the pesticide issue?
- Ashwani K. Arora** The industry is doing two types of action, one is first of all whatever the Indian basmati is concerned it is compliant as per Indian standard, so only some countries don't have their data and they reduced the MRL level. The one action happening is Government of India is approaching that Government to have the CODEX level of MRL level and the other is industry and as far as LT Foods is concerned, we are working for the last six years with the farmers to help them to use the right kind of pesticide and the level of pesticides and LT Foods has a big programme. We have more than 80 people for the last six years on backward integration and industry is now also educating the farmer as a group.

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- Manan Patel** So going forward do you think the exports to Europe will come back to normal?
- Ashwani K. Arora** It should.
- Moderator** Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you sir.
- Ashwani K. Arora** Thank you everyone.
- Moderator** Thank you very much sir. Ladies and gentlemen, on behalf of LT Foods Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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