



LT Foods Limited
Q3 FY19 Earnings Conference Call
February 06, 2019

Moderator: Ladies and gentlemen good day and welcome to the LT Foods Limited Q3 and nine-month 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 Ms. Monika Chawla Jaggia. Thank you and over to you ma'am.

Monika C. Jaggia: Good afternoon everyone and thank you for joining us LT Foods Quarter 3 and the nine-month financial year 2019 earnings conference call. My name is Monika Chawla Jaggia and I'm part of Finance Strategy and Investor Relations team of LT Foods. Joining me today is Mr. Ashwani Kumar Arora – the Managing Director and the CEO, Mr. Vivek Chandra – the CEO, Global Brand Head Business and Mr. Sachin Gupta – the General Manager Finance of the Company.

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 highlight 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 the Company's website.

I would now like to invite Mr. Ashwani Kumar Arora to share an update on the overall performance of the Company. Thank you and over to you sir.

Ashwani K. Arora: Thank you Monika. Good afternoon and warm welcome to everyone present on our call today. I'm sure you would have gone through the results document which was circulated earlier. I will begin by giving you a brief update on the operational and financial performance of the Company during the quarter and nine-month period under review.

I will now discuss the key financial highlights of the Company for the nine months period ended 31st December, 2018:

For the nine-month period of the current financial year, we reported total revenue of 2897 crore as compared to 2551 crore in the same period last year, representing a growth of 13.6%. This was on account of increase in overall realization by 14%. In



absolute term the gross profit is Rs. 721 crore, up by 2%, EBITDA 319 crore, up by 3%, PBT 181 crore, up by 6%, PAT is 116 crore, up by 5% and cash profit is 164 crore, up by 14%. However, the GP percentage is on the nine-month basis 25% which is lower by 200 points against last year. There is 19% input price increase which we have progressively covered with a market price increase, however, this have come in a different timings causing erosion in GP. The interest cost has gone down from Rs. 106 crore to Rs. 90 crore, down by 15%.

On the standalone basis for the nine-month period of the current financial year we reported total revenue of Rs. 1631 crore as compared to Rs. 1547 crore in the same period last year, representing a growth of 6%. In absolute terms the gross profit is Rs. 297 crore, EBITDA is Rs. 132 crore, up by 6%, profit before tax is Rs. 68 crore, up by 38%, profit after tax is Rs. 45 crore, up by 36% over the same period last year. The cash profit up by 34% to Rs. 62 crore.

We have reported a strong earnings performance during the nine-month led by superior contribution from our portfolio of strong brands. Our consumer business reported an 8% growth and the contribution to the revenues stood at 69%.

Our India Consumer pack business increased by 9% on year-on-year basis driven by higher off take of our key brands including Daawat, Daawat Chef's Secretz, Heritage and Devaaya. The Company has been working on various marketing initiatives. LT Foods has rolled out a new TVC that has gained a lot of traction. LT Foods is strengthening its presence on digital platform in addition to the various ATL and BTL activities. The advertising and the brand promotion expenses is around 60 crore for the nine-month at the group level. This has helped LT Food to maintain our market share at 29% on calendar year basis. All this gives us confidence that we are on the right trajectory to deliver profitable growth in the coming quarters.

Moving onto our international business:

In nine-month, financial year '19 we reported healthy growth of 9% in value terms to Rs. 1526 crore. While the realization stood at Rs. 103 per KG. The consumer business grew robustly by 13% in value terms and the realization stood at Rs. 105 per KG. One of our key international market, North America has exhibited encouraging performance during the period led by our flagship brand "Royal" which has meaningfully contribute it to the international branded revenue. In nine-month financial year '19, the US branded business grew by 7% in volume terms and 16% in value terms. "Royal" enjoys more than 45% market share in USA and its contribution to the overall branded revenue increase from 41% to 44% in nine-month financial year '19 on year-on-year basis.

The management initiative for the European business has started yielding results as we have received orders from big retail chains in Europe along with other major orders in the pipeline. The processing facility in the Europe is scaling as per the plan and as we have delivered a revenue of Rs. 150 crore from our Rotterdam unit in nine months.

Let me also share an update on the organic business:

In the nine months the organic business grew by 4% with the total sale of Rs. 274 crore. Performance was steered by wide portfolio of organic food products and growing demand for organic products across the globe. Investment by Rabo would help us in the growth of organic business.



LT Foods

During the current procurement period the Company has procured 330,000 metric ton of Paddy, higher by 30% on year-on-year basis.

Further to keep pace with the changing consumer trend LT Foods has added convenience and health based products in its portfolio. Rice based premium snacks Kari Kari, Daawat Sauté Sauces and Ready to Heat have done well in their test launch.

Elements for expansion of Sauté Sauces to all major towns have been finalized and this will be launched in the upcoming quarter. This product will also be available on major e-commerce platforms.

The Company has entered into the premium snacks market in India which has a 27% growth rate on year-on-year basis with its Rice based snacks Kari Kari. Let me highlight that Kari Kari is witnessing higher sales traction and has already met our internal expectations. This product is now available across various modern trade outlets in Delhi NCR, Mumbai and Bangalore and e-commerce platforms, vending machines and two restaurants. Based on the result of the test launch the construction of the new facility to manufacture Kari Kari with our JV partner Kameda Seika is progressing very well and the facility would be ready in Quarter 2 financial year '20. Both the partners that is the LT and Kameda have made the first tranches of investment to set up the facility. The Company has laid out well defined strategy to promote this brand at the national level in the coming financial year.

Our new Two-minute heat and eat Rice Project is progressing as per plan and have started shipment to the products. Our customer base for the Ready to Heat product is expanding as we are receiving orders from various mainstream retailers, club stores and all other channels.

The Company's future ready to keep pace with the changing consumer trends by expanding its product portfolio and leveraging its brand equity and distribution network.

Now we would be happy to answer any questions.

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 Shailesh Kumar from Sunidhi Securities. Please go ahead.

Shailesh Kumar: Can you please tell me what is the debt level as on 31st December, 2018?

Ashwani K. Arora: It is Rs. 1691 crore as compared to last year it was Rs. 1900 crore.

Shailesh Kumar: What is the cash in the books?

Ashwani K. Arora: The cash in books is Rs. 13 crore.

Shailesh Kumar: Inventory?

Ashwani K. Arora: In value terms or in quantity term?

Shailesh Kumar: In both.



Ashwani K. Arora: The inventory is Rs. 2,170.

Shailesh Kumar: What is our debt repayment plan because our better performance in the business is not coming to the bottom line mainly because of debt, so how do we intend to deal with it?

Ashwani K. Arora: Shailesh first of all we need to understand all the debts are working capital debts and not long-term debts. So its equivalent to cash what we have, so by the nature of the industry you have to age the Rice for 1 to 2 years, so it is evolving kind of thing. We have only the long-term loan which is around only 313 crore and our cash profits are enough to pay that. Our debt to EBITDA ratio is also improving which is in the range of 3.5.

Shailesh Kumar: Don't you think sometimes during the cycle this inventory should be liquidated and it should reflect in cash and investments?

Ashwani K. Arora: As I said it is a nature of the business. You have to age it for one year and then sell it in the next year. So, the whole nature of the Basmati Rice industry is itself is such they sold after aging so you cannot do your inventory zero at any point of time because this business is like scotch business. You have to sell it like '18 years, 12 years old rice only you have to sell it.

Shailesh Kumar: There are some murmurs in the market that you have planned to hive-off your US business.

Ashwani K. Arora: That's wrong news. Why we should do it that's one of our cash-cow, there is no need. We have a very strong balance sheet in terms of that EBITDA, our cash profits are in the range of 250 crore and rather we are planning to slowly reduce the debts. There is no need, Company is doing extremely very well and so the business is very well.

Shailesh Kumar: How is your European operation doing now?

Ashwani K. Arora: European operations are doing as per plan. In the first nine months we have done a revenue of Rs. 150 crore. It is scaling up as per our expectation.

Shailesh Kumar: Where we intend to close the year with I mean what kind of a top line in EBITDA?

Ashwani K. Arora: In Europe or where?

Shailesh Kumar: Yes Europe.

Ashwani K. Arora: Around Rs. 240 crore.

Shailesh Kumar: And EBITDA level?

Ashwani K. Arora: EBITDA level this year will be full year basis negative which is -10 crore.

Shailesh Kumar: And next year we will turn profitable on Europe?

Ashwani K. Arora: That's what we are expecting.

Moderator: Thank you. The next question is from the line of Shalu Singla from Invest Research. Please go ahead.

Shalu Singla: My question is regarding you said our market share is 29% so that is for India or global?

Ashwani K. Arora: This is India.

Shalu Singla: For Royal I think you said it is 45% market share.

Ashwani K. Arora: That's right.

Moderator: Thank you. The next question is from the line of Varun Goenka from Reliance Capital. Please go ahead.

Varun Goenka: I just saw your presentation that you have filed on the exchange. My humble request, you filed 11-page presentation but out of that 7 pages is just images and nonfinancial data. So effectively the presentation is of just 3 or 4 slides. We have requested earlier also if you could give us all the volume data, region wise data and how the numbers moving over the last 8 quarters. We will get to know which region is contributing what, which brand is doing what.

Ashwani K. Arora: Thank you for your feedback. I think we will get back to that. Some data maybe confidential but we will do maximum.

Varun Goenka: Basically, even if we get region wise data and volume within that region, how are your realizations are moving, what EBITDA is coming from what, we will get to know the moving parts because the key question here is if your branded sales are improving and the business is moving right directory why isn't the margins improving?

Ashwani K. Arora: Should I handover to Monika because that...

Monika C. Jaggia: So in terms of the questions that you have raised in terms of the branded sales have increased because I think last time also in the call Mr. Arora has explained that we have not been able to transfer the price hike in different markets. We were not able to take effect of the same so that's why the GP margins have not grown accordingly. Mr. Arora has also explained in this conference transcript also that there was 19% input price increase which is progressively being covered by us in different markets at different point of time. That's why there is a gap increase in the margins.

Varun Goenka: Could you give me for example your EBITDA margins in the India branded business because that's where Daawat brand is strong you have a market share of 29%?

Monika C. Jaggia: Varun I will send it to you on the India EBITDA margins by the evening.

Varun Goenka: Just one more question on what would be the margins like in Europe and US maybe over the next two years?

Monika C. Jaggia: So the guidelines that you are looking for?

Varun Goenka: Yes, once your facilities normalize and you have certain volume there.

Ashwani K. Arora: As far as Europe is concerned as I said we are expecting it to be a breakeven in the next year and US operation when this RTH will be, it will definitely improve both gross margin as well as EBITDA margin.

Moderator: Thank you. The next question is from the line of Alpesh Thacker from Motilal Oswal. Please go ahead.

Alpesh Thacker: Other income was significantly down this quarter, so can you throw some light on that part?

Ashwani K. Arora: In the last year in other income there was a gain of foreign exchange of 22 crore and this year its 5 crore so that's the difference, rest are same.

Alpesh Thacker: So last year it was a gain of Rs. 22 crore and this year?

Ashwani K. Arora: Rs. 5 crore.

Alpesh Thacker: Why is the tax component higher in this quarter?

Ashwani K. Arora: Because of the Europe loss you see on the overall number is coming high. So Europe tax rate is 20%, India tax rate is 35% and Europe is in loss so we can send you the calculation on that.

Alpesh Thacker: Going ahead once your Europe business stabilizes, so what would be the margin guidance going ahead so once these businesses like they are making losses at the EBITDA levels so in year or two what could be the margin guidance going ahead for next 1-2 years?

Ashwani K. Arora: As I said we are expecting the next year the break-even and as you know the business will scale up and in a two years' time it should come in the required profit or expected profit. The expected ROI on that business. But I'm very happy to share that in Europe business whatever our revenue expectation was there we are meeting that revenue expectation. So it's only when the business will scale up we will have a desired return.

Alpesh Thacker: So how will be the margin profile who is the European business stabilizes, so would it be like all other international businesses like our US international?

Ashwani K. Arora: As compared to US business, no it will not be similar because US business is all branded business. This is a mix of private label and branded business. So it will be at par with any European industry, Rice industry EBITDA margin.

Moderator: Thank you. The next question is from the line of Rawal Thakkar from Angel Broking. Please go ahead.

Rawal Thakkar: The other expenses have shot up significantly year-on-year, so can you just share what has been the reason for this?

Ashwani K. Arora: Other expenses you mean to say decreasing?

Rawal Thakkar: No it has increased from Rs. 87 crore to Rs. 110 crore. It has increased disproportionately so I just wanted to know the reason.

Ashwani K. Arora: Other expenses have gone down by 3% which was 295 this year.

Rawal Thakkar: You are looking at the nine months, I have been looking at the Quarter numbers. On nine months it actually looks quite good.

Ashwani K. Arora: Yes.

Rawal Thakkar: And the second question is on the insurance front. If I can recall correctly, the entire insurance claim was rejected, correct?

Ashwani K. Arora: Yes.

Rawal Thakkar: So usually what happens is some of the claim amount is accepted, what has been the reason for the entire amount being rejected because this is an extraordinary thing?

Ashwani K. Arora: I think they have not been able to properly define the cause of the fire and as explained in several calls that we have very strong case and insurance Company has not found any reason to reject and they have simply rejected the claim and it is in the court of the law and we have a strong belief that we will win the case which we are expecting by the year and by the first judgment and we are expecting to get that money with interest.

Moderator: Thank you. The next question is from the line of Vipul Shah, an individual investor. Please go ahead.

Vipul Shah: Again my question pertains to insurance claim only. What is our claim amount?

Ashwani K. Arora: Rs. 190 crore but in the books we have written-off Rs. 40 crore, so it's Rs. 136 crore in the balance sheet but actual claim is filed Rs. 190, plus the interest.

Vipul Shah: Rs. 190 plus interest, so have they accepted any part of it or they had entirely rejected our claim?

Ashwani K. Arora: They have entirely rejected the case three years back.

Vipul Shah: What is the reason they have given? They have given the reason for any I should not say fraud or malpractice, what is the reason they have given?

Ashwani K. Arora: No, they have not done any fraud. All the two surveyor, they have appointed first surveyor then second surveyor and then they have invited third and the two surveyor this have given the reports estimate of loss. One surveyor has given 170 crore, the other surveyor has given Rs. 140 crore and they have....

Vipul Shah: But if surveyor themselves have given these estimate of loss I'm still not able to believe then why they have rejected the claim. They must have given...

Ashwani K. Arora: They don't have any substantial solid reason to reject. They have rejected just putting anything which is not by proof.

Vipul Shah: That means there is something extraordinary.

Ashwani K. Arora: That's what we are fighting for.

Vipul Shah: European operations what will be our capacity in terms and value terms when it reaches full capacity utilization?

Ashwani K. Arora: The full capacity utilization will be Rs. 550 to Rs. 600 crore.

Vipul Shah: And it will be how many tonnes?

Ashwani K. Arora: That will be around 60,000 tonnes.

Vipul Shah: By what time we should be able to reach that?

Ashwani K. Arora: We are expecting year 3 to be utilized full capacity.

Vipul Shah: So, first year we have completed, this is the second year?

Ashwani K. Arora: Second year will start in the financial year.

Vipul Shah: So at the end of third year we may reach there?

Ashwani K. Arora: Yes.

Vipul Shah: Again coming back on the tax rate, if we are losing money then we should get some benefit out of this tax rate. Instead it has gone up so if you can briefly explain why tax rate...

Sachin Gupta: Actually our Indian tax rate is 35% that we are maintaining and the European tax rate is 20%. So in case of Europe there is a loss, so the effective tax rate if we do the math increases by 35% to 36% that is the reason. So if you have 100 minus 20 and the tax rate if we have 20 in Europe and 100 in India and you do the math calculation, the tax rate effectively goes up. If the European country had the similar tax rate at 35% then I would have a consistent tax.

Vipul Shah: Be fine when we will turn the corner in Europe our effective tax rate will come down?

Sachin Gupta: Once it will be making profits then my effective tax rate will be reduced from 35 it will go down to 30%-32% once it makes profit. It is making losses, so now we are deferring the tax and once it will be making profit the effective tax rate will go down.

Vipul Shah: The 69% branded contribution that is for India or it is India and international?

Ashwani K. Arora: This is global.

Vipul Shah: So we are with saturation there or there is room for improvement?

Ashwani K. Arora: We are growing and we will keep growing. There is an opportunity.

Vipul Shah: Can we expect to reach around 80% within next few years?

Ashwani K. Arora: We are expecting whatever the CAGR we have growing so there is an opportunity. We will keep growing.

Vipul Shah: Raw material prices, you said that you have to keep this steady for one year, right?



Ashwani K. Arora: Yes.

Vipul Shah: This time we have been impacted by rising Paddy prices, so what will happen in a scenario falling Paddy prices? The profit should increase....

Ashwani K. Arora: There are two things; one is fortunately this year whatever the Paddy we have bought its increase is only 1% to 2% as compared to last year. Regarding your question on if Paddy prices reduce, it's the crop to crop. For example this year the crop '18 rate is Rs. 30 and '19 crops come hypothetically Rs. 3 lesser. It will not impact because there is a no substitute to the one year aged rice, so '19 crop is not a substitute.

Vipul Shah: So '18 price will remain same although '19 price will reduce is that understanding correct?

Ashwani K. Arora: Yes that's right, '18 price will remain same. It should be, normally it happens like this unless and until there is extraordinary things happen going politically for example the demand side from any country, political challenge, demand reduces then it can reduce. Otherwise normally doesn't happen.

Vipul Shah: What is the guidance for advertising expenses as a percentage of revenue?

Ashwani K. Arora: These nine months we have spent 60 crore which is around 2% to 3%.

Vipul Shah: So, going ahead that should be the ratio we should look at, 2% to 3% of the turnover?

Ashwani K. Arora: Yes, we will keep investing in the brand.

Vipul Shah: Or are you planning to increase?

Ashwani K. Arora: As required we will keep investing in the brand.

Moderator: Thank you. The next question is from the line of Subhankar Ojha from SKS Capital. Please go ahead.

Subhankar Ojha: Can you give some numbers for the European operations like if I remember the H1 you had a revenue of Rs. 87 and EBITDA loss of Rs. 16 crore, can you share the numbers for nine months?

Ashwani K. Arora: Rs. 150 crore is nine-month.

Subhankar Ojha: What is the EBITDA loss?

Ashwani K. Arora: Rs. 12 crore.

Subhankar Ojha: You are talking about this is calendar year 18?

Ashwani K. Arora: This is nine months.

Subhankar Ojha: Which means you made some money at EBITDA level in December quarter because your six months loss was Rs. 16 crore if I remember the number and you are saying nine-month EBITDA loss is Rs. 12 crore.

Ashwani K. Arora: Our nine-month EBITDA loss is Rs. 12 crore and now this quarter EBITDA is breakeven.

Subhankar Ojha: So you made some money in December quarter?

Ashwani K. Arora: EBITDA break even.

Subhankar Ojha: And you are still on track? So you are on track to make some money again.

Ashwani K. Arora: Yes that's what I said. We will come in a PAT level in next year a breakeven.

Subhankar Ojha: In terms of few other numbers which I may have missed out. I'm not sure if you have talked about. In terms of your overall realization number how has it moved up because your Paddy prices are still higher than your realization in terms of the proportionate move realization was 14% and the Paddy prices were up by 19%?

Ashwani K. Arora: Yes, so 19% it was on a Paddy price basis and 14 is the realization basis.

Subhankar Ojha: What is the domestic and export realization now?

Ashwani K. Arora: The export is Rs. 103 per kg and India is Rs. 51 per kg.

Subhankar Ojha: This is last quarter or nine months?

Ashwani K. Arora: This is the nine months average, Rs. 51.53 per kg precisely.

Subhankar Ojha: Do you think you are in a position to take price hike? Is the demand strong enough to take another price hike could you are still sensing demand is not good enough to take a price hike?

Ashwani K. Arora: As I said progressively that's what we are trying to take a hike but it will not be more than 2% and this year the Paddy prices have not increased and we will be able to and the rupee has also depreciated. I think that will compensate.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: In your opening remarks you did mention we have procured around 335 metric ton of Rice. What has been the procurement price if I may know on Paddy as well as on Rice?

Ashwani K. Arora: This year?

Ankur Periwal: Yes

Ashwani K. Arora: It's around 31.5

Ankur Periwal: 31.5 on Paddy and for Rice?

Ashwani K. Arora: Rice in this quarter we have not procured much so I don't have the number at the moment.

Ankur Periwal: From the inventory point of view so what would be...?

Ashwani K. Arora: So you mean to say the valuation point of view?

Ankur Periwal: The volume and price of the inventory.

Ashwani K. Arora: The Paddy value is 32 and Rice is 58.

Ankur Periwal: In volume terms if you can share the numbers of both?

Ashwani K. Arora: The stocks?

Ankur Periwal: Yes.

Ashwani K. Arora: 2,86,000 ton is Paddy and 124,000 ton is Rice.

Ankur Periwal: India realization you mentioned was around Rs. 90.

Ashwani K. Arora: No, Rs. 51 and export realization is Rs. 103.

Ankur Periwal: How has this number varied over the last few quarters or maybe year-on-year because India realization if I'm not wrong was slightly higher?

Ashwani K. Arora: Our Quarter 3 realization is Rs. 54 and year-to-date is Rs. 51.5.

Ankur Periwal: So there is an improving trend there?

Ashwani K. Arora: Yes.

Ankur Periwal: And same will be the case for export as well?

Ashwani K. Arora: For export also it was in this quarter Rs. 108 and overall is Rs. 103.

Ankur Periwal: As you mentioned you do not expect a significant increase in realization maybe a percent here and there?

Ashwani K. Arora: Yes 2% we are expecting.

Ankur Periwal: Second question on the organic bit; while the segment has reported some healthy growth over the last few years but of late the growth has been slowing down. What's your thought over there?

Ashwani K. Arora: Till last year we have grown a CAGR of 42% and this year we are consolidation. I think next year we are expecting.

Ankur Periwal: The earlier growth of around 40%-42% was this in line with the growth in the distribution network and now the network is not expanding further, is that the right...?

Ashwani K. Arora: Organic business is not a branded business for us. That's a food ingredient business for us. So we do branded business but that's a very little part of our total portfolio which we do in USA. So it's a more ingredient business so we sell to the Baby Food manufacturers, Rice cake manufacturers, Rice milk manufacturers.

Ankur Periwal: In terms of margin organic will be better than the Company's average or it will be lower?

Ashwani K. Arora: It's better, around 32% gross margin and 14% EBITDA margin.

Ankur Periwal: While Europe business on the EBITDA front I understand given initial years of operations probably we are still breaking even. But on the gross margin front if you can share some numbers, both on US and in Europe?

Ashwani K. Arora: The revenue size?

Ankur Periwal: No, on the gross margin. So your realization you mentioned is around Rs. 103-105 per kg and on the gross margin front how much do you make on a per KG basis and in percentage terms?

Ashwani K. Arora: We have shared the consolidated basis because this is something in competitive thing. So we have shared with you all the consolidated.

Ankur Periwal: But fair to say that international business will be earning us higher margin than the domestic business?

Ashwani K. Arora: For sure yes.

Moderator: Thank you. The next question is from the line of Ayushmann Khurrana, an individual investor. Please go ahead.

Ayushmann Khurrana: Commissions being taken by the director shareholders would be of what amount?

Ashwani K. Arora: So commission is Rs. 50 lakh per....

Ayushmann Khurrana: And the stock has corrected significantly and it's even the half at what you did the QIP. So in order to protect the minority shareholders, won't it be that you increase your stake a bit at this level and stand as a confident in the market that everything is right with the Company?

Ashwani K. Arora: At the moment I cannot much comment on that. But the fundamentals of the Company are strong and we are growing as a brand

Ayushmann Khurrana: You can send a message to the investor community by participating yourself a bit.

Ashwani K. Arora: At the moment I cannot comment on this.

Ayushmann Khurrana: But you can look into it?

Ashwani K. Arora: Yes that's a good feedback. Definitely we will look into that.

Moderator: Thank you. The next question is from the line of Resha Mehta from GreenEdge Wealth Services. Please go ahead.

Resha Mehta: If you could just comment on how the 2018 Paddy procurement season was different from that in 2017 in terms of the production numbers, were they higher than estimate

and what is the Paddy opening price and how it progressed as the season progressed?

Ashwani K. Arora: Overall the production of all Basmati varieties is flat. But there are some varieties because Basmati has 3-4 varieties and there is one variety which we call is traditional Basmati that was very expensive which is around 35%-40% higher and then 1121 which was also expensive by 7% to 8%. And the overall production is flat.

Resha Mehta: For 2018 our average paddy procurement price is Rs. 31.5, right?

Ashwani K. Arora 31.5 Yes.

Resha Mehta: Versus what was this last year?

Ashwani K. Arora It is 2% higher than the last year average.

Resha Mehta: And our Q3 average realization from domestic market was Rs. 54 versus Q3 FY18?

Ashwani K. Arora: Rs. 54 I told you, this is Rs. 49, Yes, 12% up.

Resha Mehta: Similarly, for export Q3.

Ashwani K. Arora: Export was 107 and the previous year was Rs. 82.

Moderator: The next question is from the line of Vikas Jain an Individual Investor. Please go ahead.

Vikas Jain: The tax liability question that was asked by one of my co-caller, was about as huge surge in the taxation to an extent of 70% and I did hear the clarification that because of the EU contributing to some of the losses perhaps the tax rate has gone up because the Indian Company to have the tax would be higher and have been charged on a higher tax rate. If that's my understanding, is that correct, sir?

Sachin Gupta : Yes, you are correct. Once we will be making profits in the European my effective tax rate will go down.

Vikas Jain: So what I heard was that all and Rs. 87 crore of revenue we made a loss of Rs. 16 crore and now on nine-month basis we have Rs. 150 crore revenue and made Rs. 12 crore of losses.

Sachin Gupta: That is on an EBITDA basis. We have made a loss of Rs. 12 crore. On the overall basis, it is Rs. 20 crore of loss. PBT loss is Rs. 20 crore in the European operations.

Vikas Jain: My next question is about the Insurance claim that we are dealing with. If I remember this right the last hearing was on 22nd of November? Any updates from that hearing sir?

Ashwani K. Arora: It's going on and we are expecting that by the year end we will have a favorable verdict.

Vikas Jain: In the Insurance if you may share the Insurer's name?



Ashwani K. Arora: Oriental Insurance Company.

Vikas Jain: About the Kari Kari thing, I heard you in your opening statement about Kari Kari making good progress, I am a resident in NCR and I tried finding out it off the shelf product of many of these supermarkets, but I haven't been able to. So perhaps a more insight towards the product, how it feels, how it tastes would be a confidence measure for me as an investor into the product itself. So any outline idea of where to locate this product because this product as far as in my research goes was unlocatable for me.

Ashwani K. Arora: It is available on Online, it is available on Reliance, it is available on Hyper city, it is available on Food Hall.

Moderator: The next question is from the line of Manan Patel from Equirus Portfolio Management Services. Please go ahead.

Manan Patel: I wanted to know your volume breakup for India branded and non-branded versus and for International branded and non-branded, this quarter and the same quarter last year as well the corresponding number.

Ashwani K. Arora: Total branded business is 75,000 tonnes this quarter.

Manan Patel: Last year?

Ashwani K. Arora: It was 77.

Manan Patel: There is a de-growth of 2000...

Ashwani K. Arora: Degrowth is we have a focus brand which is we call it consumer business. So reduce is in the bulk kind of business, which is impacted by little bit GST.

Manan Patel: Non-branded business?

Ashwani K. Arora: Overall Non-branded business is 54,000 tonnes. This is in quarter 3.

Manan Patel: Last year?

Ashwani K. Arora: 40,000.

Manan Patel: In the international business branded and non-branded similar numbers?

Ashwani K. Arora: International is flat 30,000 and 30,000 a year. This is I'm talking about quarter.

Manan Patel: This is branded business, international?

Ashwani K. Arora: Yes.

Manan Patel: Non-branded business?

Ashwani K. Arora: It is 20,000 tonnes this quarter.

Manan Patel: Last year, same quarter?

Ashwani K. Arora: 33,000.

Manan Patel: Can you give the same numbers in value terms?

Ashwani K. Arora: Value term is in export is Rs. 210 crore this quarter for export Private Label

Manan Patel: Last year?

Ashwani K. Arora: Rs. 220 crore.

Manan Patel: So this is for total exports?

Ashwani K. Arora: Yes total export is 537 crore.

Manan Patel: India value number?

Ashwani K. Arora: India is – India Private Label I told you.

Manan Patel: Private Label you told the volume and value?

Ashwani K. Arora: Rs. 195 crore.

Manan Patel: Rs. 195 versus last year?

Ashwani K. Arora: Last year it was nine-month is Rs. 255 against for last was Rs. 68 crore.

Manan Patel: Rs. 268?

Ashwani K. Arora: No only Rs. 68.

Manan Patel: Last year nine-month branded revenue was Rs. 68 crore versus Rs. 255 crore this year.

Ashwani K. Arora: Yes.

Manan Patel: Non-branded?

Ashwani K. Arora: This I told you non-branded.

Manan Patel: I just understood that your holding cost of Rice is around Rs. 58. Is that understanding, right?

Ashwani K. Arora: That's right.

Manan Patel: Your realization in India domestic market is around Rs. 54 for this quarter. How can you explain that delta? Are we selling at a loss in Indian market?

Ashwani K. Arora: We are not selling because India sales mix of broken rice and full grain rice and we do holding majority as a full grain rice, which is the realization is Rs. 103 KG. So broken when we mill the Paddy, so we get broken also, we get full grain also but we age full grain rice.

Manan Patel: But the inventory of the finished goods is 58 that is full rice only?

Ashwani K. Arora: Yes full rice. But in India when we sell it's a mix of broken rice and full grain rice.

Moderator: The next question is from the line of Kiranshanker Prasad from Karvy Stock Broking. Please go ahead.

Kiranshanker Prasad: You gave the figure pertaining to nine-month this value, domestic private label, non-branded, that is 255 crore, what about branded sir?:

Ashwani K. Arora: Branded for nine-month is Rs. 685 crore.

Kiranshanker Prasad: And Q3 FY19 and Q3 FY18 how much it is?

Ashwani K. Arora: Rs. 242 is the branded.

Kiranshanker Prasad: Non-branded?

Ashwani K. Arora: Rs. 195 crore.

Kiranshanker Prasad: Versus Q3 FY18 branded how much it is?

Ashwani K. Arora: Rs. 247.

Kiranshanker Prasad: Non-branded?

Ashwani K. Arora: Rs. 14 crore.

Kiranshanker Prasad: In the month of May, Chinese representative had come over here and your Company was shortlisted for exporting to China. Have you been able to affect any sales export to China?

Ashwani K. Arora: Yes, we have done although China is a very small market for basmati, as LT was the one of the first companies to get it registered there and we have already exported Daawat rice to China.

Kiranshanker Prasad: It is Basmati rice?

Ashwani K. Arora: Yes Basmati rice.

Kiranshanker Prasad: How much quantity was there?

Ashwani K. Arora: No, that was a very small as I said only 40-50 tonnes. China is a very small market for Basmati.

Kiranshanker Prasad: Non-basmati rice market is there, does there?

Ashwani K. Arora: Non-basmati rice market is there, but Indian rice has not yet able to get the market there.

Kiranshanker Prasad: How much potential you are seeing there in Chinese market for you?

Ashwani K. Arora: For LT Food we don't see big potential as far as non-basmati is concerned. We are focusing on Basmati and whatever the market with grow there we as a first Company to get into there will definitely be getting a better share there.

Kiranshanker Prasad: Talking in terms of margin, which region you considered to be facing higher margins, European, Middle East, North Africa, and North America?

Ashwani K. Arora: I think globally, we get a good margin.

Kiranshanker Prasad: So far there has been a disappointment the level of EBITDA and PAT margin and mostly investor would consider PAT margin and EPS. So at that front there has not been encouraging signs because at times it becomes very difficult to convince investors.

Ashwani K. Arora: So if you see the cash profit has grown by 14% and PAT has also up by 5%. As I explained in a standalone, as I explained in the gross margin why we have not been able to buy 2% the progressive price increases happening and we are expecting to be at the same level where we were and even the better cash profit will be there.

Kiranshanker Prasad: In terms of margin I believe this Middle-east countries offer fair margin than other regions, so do you have any plan to have better.....?

Ashwani K. Arora: Middle-east doesn't give you better margin. There are always three price points, which is available. It depends which price point you are. If you are at the premium end of the market then definitely the gross margins are across the globe, India everywhere. Although we also do Middle-east business so our business is worth 500 crore in the Middle-east but everyone has his own strong market. We have a very strong market which India, USA, growing and other part of the world. Daawat is a present across 65 countries. We have a leadership in growing market which is some of the market like in Australia, in Israel, in other parts of the world which is growing also.

Kiranshanker Prasad: This time on year-on-year basis, your sales has grown by 21% on consolidated basis. But it has not got reflected into PAT growth. PAT has declined by 1%.

Ashwani K. Arora: If you see, our revenue has grown by 13.6% on nine-month consolidated basis.

Kiranshanker Prasad: Q3 FY19 versus Q3 FY18 sales has grown by 21% but PAT degrown by 1% leaving to net profit contracting by 75 basis points.

Ashwani K. Arora: In this quarter the growth is mainly because of the trading business. But if you see in branded business it has not happened like this.

Kiranshanker Prasad: How much business you are doing. What is the percentage of sales of branded business in total sales?

Ashwani K. Arora: 68%.

Moderator: The next question is from the line of Shalu Singla from Invest Research. Please go ahead.

Shalu Singla: ICRA rating, there is one announcement about that issuer not cooperating category, they have issues.



Ashwani K. Arora: ICRA is not our rating agency. Two years back we have appointed CRISIL as our rating agency, and they are rating us for the last two years, so we are A rated Company and it is available on the website.

Shalu Singla: How ICRA can issue such rating?

Ashwani K. Arora: ICRA was our previous rating agency and they have some process. So we have asked them whatever the process they follow not to do that. But we have CRISIL as an agency and their rating is valid here.

Moderator: The next question is from the line of Kiran S, an Individual Investor. Please go ahead.

Kiran S: Just want to ask a question on your working capital cycle and Paddy procurement. Just want to understand the process. You've mentioned that this is all short-term and there is no long-term debt. Just want to understand your Paddy procurement cycle and how it relates to the working capital.

Ashwani K. Arora: The Paddy procurement cycle is from September to January and we sell our product, it depends product to product from six-month old to two-year old and that's why our working capital cycle is average 264 days.

Kiran S: So this is a nature of Basmati Industry?

Ashwani K. Arora: This is the nature of Basmati rice industry as a consumer the consumption happens only after one-year old rice, minimum.

Kiran S: I also want to ask you about your strengths in the Middle-east region? You could talk a little bit about your presence and strength. You mentioned that you are a 500 crore business there. Could you speak a little bit about it?

Ashwani K. Arora: We are present across Middle-east. In the lower Gulf we are in Kuwait, in Dubai, in Jordan, all the lower Gulf countries we are present with Daawat brand and the acquired brand from Unilever. We don't have presence in Iran but we have presence in rest in all the countries, Middle Eastern countries and our business is growing there. Majority we are in the premium segment there.

Moderator: The next question is from the line of Rawal Thakkar from Angel Broking. Please go ahead.

Rawal Thakkar: How is your Ready to Heat plant scaling up. It was supposed to get operational?

Ashwani K. Arora: Yes, as I told that it has already started and we have got a very good response, first launch of our product and this is scaling up.

Rawal Thakkar: How much is the investment in this plant for Ready to Heat?

Ashwani K. Arora: \$6 million we have invested in that.

Rawal Thakkar: Including the working capital need?

Ashwani K. Arora: No working capital is not much needed in this business.

Rawal Thakkar: How much revenue will be target from this segment?



Ashwani K. Arora: Revenue what we are expecting in the two years' time we are expecting to be \$20 million.

Moderator: The next question is from the line of Vikas Jain, an Individual Investor. Please go ahead.

Vikas Jain: I request to Ms. Monika about sending the EBITDA Indian market and International EBITDA market margin if you could kindly include my email address for the same?

Ashwani K. Arora: Sure.

Moderator: We take the last question from the line of Manish Mahawar from Antique. Please go ahead.

Manish Mahawar: The working capital side, you said basically this is nature of the business like you have to hold the inventory for the long time but do you see going forward may be next 18 to 24 months there could be possibility for basically improvement in the working capital because the mix change in the Europe is increasing or.....

Ashwani K. Arora: The nature of the business will not change. If Basmati sell aged, it will sell aged but always there is a scope of improvement in working capital efficiency that we are working on but the nature of the industry will not change.

Manish Mahawar: From here on the next 18 to 24 months perspective do you see there is a chance because you said there is always a possibility.

Ashwani K. Arora: On the efficiency we will work as a.... I'm repeating that the nature of the business will not change. If we are selling one-year-old, two-year-old it will remain there.

Manish Mahawar: On the India business perspective, there are a couple of new companies have entered and also planning to enter into the business of non-basmati as well as Basmati in India branded business more of. How do you see the competition shaping up in the Indian business as a whole and how we will compete with them?

Ashwani K. Arora: Daawat is a very strong brand 30-year-old brand in India. We have 29% market share. We are on a very strong footing. Which Company you are referring to as a competition?

Manish Mahawar: ITC also entered latest now, last 1 or 2 months back they have started with that I think so.

Ashwani K. Arora: As, LT Food and Daawat brand we have a very strong supply chain, very strong brand, so we are equipped with.

Manish Mahawar: As of now, we are not any problem we are facing on a branded sided, any competitions as such, nothing?

Ashwani K. Arora: Competition is always there but we have our strength to grow our business.

Manish Mahawar: On our debt front, loans front, basically you said around 1600 odd crore we have debt in the books as on 31st December and out of that how much is FOREX Debt?

Ashwani K. Arora: Foreign Loan is Rs. 427 crore. That's outside India.

Manish Mahawar: From here on if consider 18-24 month perspective again, so how do you see the debt in the books over the next two years perspective? It will come down or will be at the same level from here on?

Ashwani K. Arora: We are working on that, for sure it will not increase as the business will grow. So whatever the growth will come, it will come from our all internal accruals.

Moderator: 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 for your continued support. Hope we were able to address your queries. Should you have any further questions, please feel free to contact our Investor Relations Team. Thank you and we look forward to connecting with you again in the next quarter. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of LT Foods Limited that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.