



“LT Foods Limited Q4 FY 2017 Earnings Conference Call”

May 26, 2017



MANAGEMENT: **MR. ASHWANI KUMAR ARORA -- MANAGING
DIRECTOR AND CHIEF EXECUTIVE OFFICER, LT
FOODS LIMITED**
**MR. SACHIN GUPTA -- GENERAL MANAGER
(FINANCE), LT FOODS LIMITED**
**MS. MONIKA CHAWLA JAGGIA – VICE PRESIDENT
FINANCE AND STRATEGY, LT FOODS LIMITED**

MODERATOR: **MR. NITESH DHOOT -- EMKAY GLOBAL FINANCIAL
SERVICES LIMITED**

Moderator: Ladies and Gentlemen, Welcome to Q4 FY 2017 Earnings Conference Call of LT Foods Limited hosted by Emkay Global Financial Services Limited. We have with us today, Mr. Ashwani Kumar Arora -- Joint MD and CEO, Ms. Monika Chawla Jaggia – VP (Finance & Strategy) and Mr. Sachin Gupta – GM (Finance). As a reminder, 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 the conference call, please signal an operator by pressing '*' and then '0' on your Touchtone Phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Nitesh Dhoot of Emkay Global. Thank you and over to you, sir!

Nitesh Dhoot: Good Evening, everyone. I would like to welcome the management and thank them for giving us this opportunity.

With this, I would like to now hand over to Ms. Jaggia for opening remarks. Over to you, ma'am.

Monika Chawla Jaggia: Thank you, Nitesh. Very warm welcome to all of you at this LT Foods Earning Conference Call for the Fourth Quarter and the Financial Year Ended 31st March, 2017. I am Monika from Investor Relations team at LT Foods. Along with me, I have Mr. Ashwani Arora -- our MD and CEO; and Mr. Sachin Gupta -- GM (Finance) joining in for this call.

Anything which is said during this call which may reflect our outlook for the future and which may be construed as forward-looking statements must be reviewed in conjunction with the risk that the Company faces.

A Presentation on the performance has been uploaded on the Stock Exchange and the Company's website for the ready reference. An audio and the transcript of this call would be shortly available on the Investor section of our website that is www.ltgroup.in.

With this, we are now ready to begin with the opening comments on the performance of the Company and our strategy for the growth from the Managing Director. Post this we would be available for the Question-and-Answer Session. Now, with this, I will pass it over to Mr. Ashwani Arora.

Ashwani Kumar Arora: Thank you, Monika and very good afternoon to all of you. It is a great pleasure to greet all of you once again on behalf of all our Board of Directors and the senior management. We begin by thanking all of you for having spared time and joining us here today to discuss our fourth quarter and 12 months ended earning for the financial year 2017.

Before we discuss the financial performance during the quarter allow me to quickly highlight various developments in food sector in India and our fast transforming business model, which will help us to capitalize the growth achieve long-term sustainability.

As per various reports the Indian Food Processing Industry is one of the largest industry in India ranked 5th in terms of production, consumption, and export and accounts for 32% of the country's total food market. It contributes around 14% of the manufacturing, gross domestic product, 13% of India's export and 6% of total industrial investment.

In financial year 2016 the organized sector is estimated to account for 58% of India's food processing industry and Rice Mill accounts for the largest share of processing unit in the organized sector.

Food and grocery is the backbone of the Indian retail sector and account for about 57% of the total retail market at about Rs. 20,000 billion. As per industry report this category is expected to grow 3.5 times to Rs. 71,000 billion by 2025 driven by increasing income leading to higher spends on foods and urbanization and partly due to the inflationary price increase. Also, increasing awareness health consciousness and changing life style are increasing the share of processed and packaged foods. Cereals, Pulses, Staples form the largest part of this consumption basket at around 38%. Rice constitute significant portion of this list. LT Foods is one of the leading branded Rice Company catering to this segment with leading brands like Daawat in India and global market, Royal in the U.S., Ecolife - Organic Brand, Devaaya - Staples Brand, and the newly acquired brand Indus Valley from Unilever and 817 Elephant Brand for the North American market.

We are fully integrated food processing Company right from farmer to end consumer. We are fast evolving from being an established branded Rice Company to an emerging FMCG Company with a number of new product developments which are underway. I will touch upon some of these developments shortly.

Our growth has been backed by our integrated approach right from procurement based on extensive farm extension practices, fully automated state of the art plants, strong focus on product development and quality and with consistent investment in brand building and distribution.

Let me now provide specific to Basmati Rice Industry which contributes to the significant portion of our business. India remains a dominant player in the global Basmati Rice Industry both in terms of consumption, production, and exports.

The demand for Basmati Rice has been seeing a constant increase from the developed economies such as U.S., Europe, besides traditional Middle East markets. This has helped the industry in keeping up the price realization and maintaining healthy gross margin.

Besides, India presence, our Company continues to be among the only handful of players with strong presence across U.S., Middle East, Europe and rest of the globe. Overall, our direct export

continued to over 65 countries while the product reach a large number of countries especially Africa through various re-exports from other countries.

Now, I will walk you through brief overview of our business and new initiative.

As per AC Nielsen data our constant focus on strengthening our consumer focus has helped us to gain 20% market share of the branded Basmati Rice market in India. This is roughly double of the market share that we had around eight years to ten years back.

Besides India, we are constantly working on strengthening our brand in overseas market. We continue to enjoy leadership position in U.S. where our share continuous to be around 40% under our strong brand Royal.

As you are aware, we have taken concrete steps over the last few quarters by acquiring two brands Gold Seal Indus Valley and Rozana recently from HUL in the Middle East. Beside we have also acquired iconic brand 817 Elephant for American and European market.

These initiatives have helped us increase our branded sales by 25% compared to financial year 2016. The institutional sale to our strong customer have also seen a growth of 15%. Overall growth in the volume has been 20% year-on-year basis. The volume growth in Indian market was 27% and in international market was 14% which again reflect the increase confidence of the consumer in our brands.

The increased volumes have led to a healthy growth in sales, EBITDA and PAT both in Q4FY17 and financial year ended 31st March, 2017. The same shall be covered later by my colleague Monika.

State of the art manufacturing facility at Rotterdam in the Netherlands is expected to become operational by July 2017. This new facility along with our acquisition of iconic brand 817 Elephant shall further strengthen our foot in Europe and American markets.

In its focus to address need for healthy and convenient options LT Foods is working extensively to expand its portfolio of product offering both in India and overseas market. The launch of these new additions will be announced over the next few quarters. However, just to give an insight on these developments you should be happy to note that our 5149 JV with Japanese Rice Snack Food, Kameda Seika to manufacture and market rice based snacks in India is taking shape. The JV Company has been incorporated as Daawat Kameda (India) Private Limited both the companies have now made their respective investment in the JV and they are working as per the business plan. The test launch of the Rice crackers is planned for August - September 2017.

The Wheat Flour and its derivative launched under “Devaaya” brand name has shown good response. The Company is able to leverage its current distribution network of LT Foods for sale of these products.

It continues to co-pack Kurkure for PepsiCo.

The U.S. subsidiary is working on the RTE products, that is, ready to heat rice the 2-minute retort rice which is expected to be launched in the U.S. market in September. Specialized team from very strong FMCG background such as Uncle Ben which is a part of the Mars group in the U.S. market has been working on it for the over 18 months now. Adequate investment for this project in the product development, brand and sales distribution stands completed. So, there is huge potential for this product, this market.

The Company has entered into JV with Future Group for expansion of its product portfolio in regional rice. The manufacturing of Sona Masoori Rice has commenced in the facility set up in the Tumkur, Karnataka and we are going to formally launch it in the near future.

Now, a quick update on our Organic Foods business which has increased acceptance globally due to the perceived positive health aspects. The organic products are currently being sold both in Europe and the U.S. markets. Recently we have launched Ecolife Brand in the U.S. to leverage the distribution network of Royal Brand and its presence across all the chains of Walmart and other ethnic channels. LT Foods is also working towards launching this brand in Indian market with full range of products viz. Pulses, Spices, Oil Nuts, beside Rice and Flour.

Company is consistently working on creating innovative products. Some recent example of these are Fast Cooking Brown Rice, Daawat Saute Sauces. Both the products have been well accepted by the consumer and are performing exceedingly well.

Our approach of increased focus on consumer branded business is helping us to gain increased market share globally as well. Other brands scores on an attributes such as top of the mind recall, brand of high quality has good aroma and known for its taste are also an indication of the same. The branded revenue of the organization is approximately Rs. 2,000 crores which has increase its share from last year from 53% to 56%. Besides working on the new development, the Company has been constantly working towards bringing in cost efficiency and keep its debt under check.

As shall be evident, the debt level in the Company has been kept under check and has remained at the same level over the last four years despite increase in sales. This has helped us reduce debt, EBITDA from 4.4x to 4x multiple and debt equity ratio from 2.7 to 2.3.

All efforts are towards resourcing our resources more productively such as our infrastructure, brand, distribution and the people.

All the steps are in the direction to create a business model which is sustainable and ROI stable. Further we are working on expanding our distribution reach not only in India but globally as well. Your Company is also extensively working on strengthening the system and processes with the help of technology, SAP compliance tool and is also trying to reach higher standard of

Corporate Governance. A project on Manufacturing Excellence has also been initiated in full swings. These steps shall also hope us improving both EBITDA and gross margin by at least 100 bps to 200 bps over the next two years to three years.

Now, I request my colleagues Ms. Monika to take you through further updates. Thank you.

Monika Chawla Jaggia: Thank you, sir. I would now present an update on the recent corporate action and also the financial performance for the period ended 31st March, 2017.

The process of split of shares have been completed which is giving boost to the liquidity in the market and there has been a favorable change in the shareholding pattern of the Company as well.

Coming to the results, for the period ended 31st March, 2017 -

The Company registered a volume growth of 27% in India market and the volume growth in the international market has been 14%.

The gross profits of the Company have increased by 5% on a year-on-year basis to Rs. 917 crores.

EBITDA increased by 11% to Rs. 403 crores on year-on-year basis.

PAT has also increased by 11% on year-on-year basis to Rs. 129 crores resulting in improvement in EPS to Rs. 4.40. EPS is based on the fully diluted basis adjusted for the stock split from Rs. 10 per share to Rs. 1 per share.

Now, we open the ground for Question-and-Answer please.

Moderator: Sure. Thank you very much. We will now begin the Question-and-Answer Session. We have the first question from the line of Deepak Jotwani of ICRA Limited. Please go ahead.

Deepak Jotwani: Sir, I had two small questions, one was more industry specific with respect to, if you could just tell us the import ban by Iran has removed yet or not? And the second question was what is your overall outlook for the industry at least in the current financial year with respect to prices, last year we saw that paddy prices have gone up by almost 30% - 40%, so what is the likely impact of that on the Company's performance and overall prices in the current financial year for the industry?

Ashwani Kumar Arora: Okay. Answering to your first question Deepak, Iran they normally do ban by last week of June, this is some very regular phenomena because their crops come and they keep ban for three months. So, this is not going to adversely impact the industry because India is an exporter of Basmati for the last five year, so industry is very clear that when it opens and when it closes. So,

answering to your second question about the price increase, yes, this year the prices have firmed up and this is helping the industry in a positive way and as for LT Foods we are more of a Branded Consumer based Company and are completely covered. Because as a Branded Company we cannot change our prices either upside or downside very frequently, so we are well covered as far as our branded sales is concerned. So, I think this is positive as when the prices go down some unhealthy competition comes in and you know that reduces your margin. So, it is good for the industry as a whole as well as for the branded player.

Deepak Jotwani: Thank you, sir. Sir, going back to the first question, what you are indicating is that the ban by Iran is still on and it is...

Ashwani Kumar Arora: No, it is not on. No, it will be by 28th of June. You know what they do they put a ban by the last week of June and they open in the first week of November, this is a standard thing because their crops come and they do it.

Deepak Jotwani: No, but last year when they had put a ban that was removed by them in November.

Ashwani Kumar Arora: Yes, that is a regular thing, and it has been going on for the last three years. This is not surprise, this is built in.

Moderator: Thank you. The next question is from the line of Parisha Tyagi from Cogencis. Please go ahead.

Parisha Tyagi: Sir, I wanted to know what impact on 5% GST on branded flour have on prices of your product?

Ashwani Kumar Arora: So, right now they have not declared any tax on Rice. Actually, the category is exempted. But on the package thing they are going to announce on the 3rd of June.

Parisha Tyagi: They have declared 5% on flours branded flours.

Ashwani Kumar Arora: Okay, flour, okay. So, Flour at the moment is not a big business for LT Foods and as far as GST is concerned it is universal for everyone. So, it is rather level play field that will help the industry. And on GST, you know what is going to help as far as LT Foods is concerned, earlier we were not getting the offset by other services, but with GST they put on the packaged rice, will good for LT Foods. Yes, positive for LT Foods.

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

Shubhankar Ojha: Can you please the volume and the realization number for the quarter and FY 2017?

Ashwani Kumar Arora: Yes.

- Sachin Gupta:** The branded volume during this quarter has been 77,000 tonnes it was in the preceding quarter it was 60,000 tonnes. So, there has been an overall increase in the branded volume by 30%.
- Shubhankar Ojha:** No, so, what I wanted is basically the domestic and the export number separately. If you can share that?
- Sachin Gupta:** This is the overall branded volume and if you talk about India volume, India volume has also shown a growth of 27% and international volume has grown by 14%.
- Shubhankar Ojha:** Okay. And what were the realization for domestic and exports?
- Sachin Gupta:** Domestic realization it was Rs. 45 and the international it was around Rs. 60.
- Shubhankar Ojha:** So, you are talking about the quarter, right?
- Sachin Gupta:** If you talk about the quarter, yes.
- Shubhankar Ojha:** Okay. And if you can also give me the number for the year?
- Sachin Gupta:** The India volume, for FY17 is 2,82,000 tonnes and in the international market it is 2,93,000 tonnes.
- Shubhankar Ojha:** Thank you. And if you also say the inventory number please separately for the Paddy as well as the Rice?
- Ashwani Kumar Arora:** How much is inventory in terms of quantity? Yes, so you have Paddy 166,000 tonnes and Rice is 132,000 tonnes.
- Shubhankar Ojha:** Yes, 166,000 tonnes of paddy and
- Ashwani Kumar Arora:** 132,000 tonnes is for Rice.
- Shubhankar Ojha:** In value terms?
- Ashwani Kumar Arora:** In value Paddy is Rs. 26 and Rice is Rs. 47 per kg.
- Moderator:** Thank you. The next question is from the line of Mitul Shah from Affluence Shares & Stocks. Please go ahead.
- Mitul Shah:** Sir, my question is that international raw prices is raising, so will you able to pass on that increase to the customer, first? The second question is if that figures comes from \$10 to \$13 what will be the impact on the Company?

- Ashwani Kumar Arora:** So, first of all, yes, we will be able to pass on the prices to the customer. So, we will be able to whatever our cost has risen we will be able to pass on that but in branded business you cannot pass on whatever the speculation has come so it will not be. But definitely whatever the cost has increased we will be able to pass on that.
- Mitul Shah:** And what will be the impact on the margin if this \$10 will reach to \$13.
- Ashwani Kumar Arora:** So, we will be able to maintain and improve our margins as we are doing.
- Mitul Shah:** So, that means that if the price of raw price will increase we will not be able to pass on to the customer that will be a problem in a general way.
- Ashwani Kumar Arora:** No, whatever the input cost has increased we will be able to pass on but when the prices go up after buying up that we will not be able to pass on because that is the beauty of our business model branded neither we get when the prices go down and we reduce the prices as the market has gone down and the same way the market goes up.
- Mitul Shah:** Yes, so already for the next year you have booked it or you have inventory sufficient that if the prices is going to rise we are going to get a benefit out of it or it is not going to be the same thing.
- Ashwani Kumar Arora:** So, the price increase, we will not be able to get the much benefit. So, there will be benefit but not much benefit.
- Moderator:** Thank you. The next question is from the line of Gaurav Maheshwari from Unilazer Ventures. Please go ahead.
- Gaurav Maheshwari:** Yes, sir, can you just repeat your export numbers?
- Ashwani Kumar Arora:** In the international market we have done 293,000 and India we have done 282,000 tonne in the full year.
- Gaurav Maheshwari:** And this entire 293,000 would be Basmati only?
- Ashwani Kumar Arora:** No, it is a mix of Basmati and non-Basmati.
- Gaurav Maheshwari:** So, can you break that between Basmati and non-Basmati?
- Ashwani Kumar Arora:** What I will do, I will send you the break-up number. So, non-Basmati is around 119,000 tonnes. So, branded is 298,000 tonnes.
- Gaurav Maheshwari:** Okay, this 298,000 tonnes and 119,00 tonnes is non-Basmati, right?
- Ashwani Kumar Arora:** Yes.

- Gaurav Maheshwari:** Got it, so, 179,000 would be your Basmati exports.
- Ashwani Kumar Arora:** Yes.
- Gaurav Maheshwari:** Sir, just one thing, Iran, what we understand is that last year when they imposed the ban they did not actually left it in November, right? Because your Association went ahead and there were some counterclaims from Pakistan, etc., so what eventually happened to that and now you are saying that again a ban has come in. So, can you just explain that?
- Ashwani Kumar Arora:** As I explained earlier, this is not a last year phenomena. So, normally what Iran does, every year they put a ban on import of the rice because their local crops come. But Iran is a net importer of 1.4 million tonnes Rice for ages. So, Indian Basmati is a preferred grain. So, it is a regular business for India. So, it will stop for three months and accordingly the brand owner they keep the inventory for their brand. It is not a surprise for Basmati Rice industry.
- Gaurav Maheshwari:** I get that point. So, basically I understand that Domsiah which is a local crop and obviously they do this thing every year but especially for last year what we understand is that the ban was not lifted eventually even in November and might be just extended beyond that. And now you are saying that the ban has come in again, right? Which is obviously an annual phenomena?
- Ashwani Kumar Arora:** Yes, so that was what I am saying 28 June to November whatever 10 days - 15 days plus-minus that is a regular ban that they keep.
- Gaurav Maheshwari:** Okay, got it. And what would be LT's exposure to Iran?
- Ashwani Kumar Arora:** LT does not have any exposure on Iran because as a policy we do business in a predictable and stable economy and our business is more India, USA, Europe, and Middle East.
- Gaurav Maheshwari:** Got it. How has been your attraction in the Middle East post your purchase of this Hindustan Unilever brand, so has that helped you gain larger foot print?
- Ashwani Kumar Arora:** Yes, this is in line with our thought and the Indus Valley is growing because in the Middle East our brand was not strong in places like Muscat and Qatar. So, this is a very old and strong brand in these markets. So, this will help in building Daawat distribution also and on standalone also it has a strong brand loyalty and it is with our focus on this business because Unilever's business was not focused. So, I am sure this will help us.
- Gaurav Maheshwari:** So, what is the Indus Valley brand size now?
- Ashwani Kumar Arora:** This year we have a plan to do Rs. 70 crores worth of business.
- Gaurav Maheshwari:** That is FY 2018 you are saying?

- Ashwani Kumar Arora:** Yes.
- Gaurav Maheshwari:** Okay, got it. Just one last question, in terms of the pricing the way we have seen last two years - three years we have a seen a pricing of as low as Rs. 18 and then we are seeing a pricing of Rs. 25 - Rs. 26. So, just to understand this better, for example you obviously have got one year - one and half year aging. So, does it impact your sales for example, if you buy this year at assuming Rs. 25 - Rs. 26 and next year the paddy opens at Rs. 20. So, in that case will you have to reduce the price is there a thumb rule that the price cannot be that particular year's pricing plus x percentage or is it that whatever you have bought last year this year you are selling, so no impact.
- Ashwani Kumar Arora:** So, what you said in the last that is right, this crop year wise price and not suppose if last year is Rs. 25 next year Rs. 20 it does not impact our pricing for the old crop. And this is how we are evolving and developing our brand, so normally in international market we have a set price and whenever the prices come down, so we tackle through sales promotion and all these things and not by reducing the price.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.
- Vipul Shah:** Yes, sir, what is the status of that court case against the insurance Company?
- Ashwani Kumar Arora:** So, this year it is going very positive and we are quite hopeful. So, hopefully in this financial year we will be able to have the decision from the court, hopefully favorable.
- Vipul Shah:** Hopefully, okay. And sir, on our Presentation Slide #15 you mentioned 298,000 metric tonnes of branded rice volume, right?
- Ashwani Kumar Arora:** Yes.
- Vipul Shah:** So, that includes Basmati and non-Basmati both, right?
- Ashwani Kumar Arora:** That includes both Basmati and Non-Basmati
- Vipul Shah:** That is only Basmati.
- Ashwani Kumar Arora:** A little bit Sona Masoori but in a big quantity may be 7,000 tonnes to 8,000 tonnes that is regional
- Vipul Shah:** And on the right-hand side, you have mentioned revenue of Rs. 3,300 crores, so that is also only branded or that is entire Company?
- Ashwani Kumar Arora:** This is how you know our break-up is out of Rs. 3,300 crores our Rs. 2,100 crores is branded and then Rs. 250 crores come from organic and rest from private label and trading.

- Vipul Shah:** Rs. 2,100 crores from branded?
- Ashwani Kumar Arora:** Yes. So, volume is 2,98,000 tonnes roughly, right?
- Vipul Shah:** So, around your realization should be around Rs. 70 per kg, roughly?
- Ashwani Kumar Arora:** Approximately.
- Vipul Shah:** Approximately, okay. So, how typically your working capital cycle evolves when you have two store Paddy for approximately 9 months to 12 months?
- Ashwani Kumar Arora:** So, that is how our cycle is, so our inventory is level is 8 months and then receivable and so there are a different kind of products, some you have to age for two years, some you have to age for one year and some is parboiled, you turn around in five months or six months. So, there is a mix of product portfolio from 5 months to 24 months.
- Vipul Shah:** Okay. And what will be your guidance for advertising expenses as a percentage of turnover?
- Ashwani Kumar Arora:** Normally we spend around 4% to 5% of our turnover on advertising.
- Vipul Shah:** 4% to 5%?
- Ashwani Kumar Arora:** Yes. That is India and international both.
- Vipul Shah:** India and international both?
- Ashwani Kumar Arora:** Yes.
- Moderator:** Thank you. The next question is from the line of Deepak Madhavdas from LSA Securities. Please go ahead.
- Deepak Madhavdas:** Sir, I just wanted to know like how much of the inventory are we carrying like and what is the cost of the inventory if I miss this?
- Ashwani Kumar Arora:** Sure, I can repeat that. 166,000 tonnes is Paddy and 132,000 tonnes is Rice.
- Deepak Madhavdas:** That is Basmati and this both included?
- Ashwani Kumar Arora:** Yes, mainly Basmati.
- Deepak Madhavdas:** And what the cost of carry sir?
- Ashwani Kumar Arora:** Paddy is Rs. 26 and Rice is Rs. 47.

- Moderator:** Thank you. The next question is from the line of Tushar Sarada from Athena Investments. Please go ahead.
- Tushar Sarada:** I wanted to understand, the size of your Indian business and your outlook and next three years to five years on the India market, you are doing a lot of other products rather than Rice, so if you can also throw some light on the current size of the business and the future that you see for those.
- Ashwani Kumar Arora:** Rs. 900 crores we do India business and majority is Basmati Rice, out of that Staple business last year was only Rs. 35 crores and going forward we have seen that in India business we have grown 27% in our branded market last year and the trend we are seeing. The Basmati consumption in India is especially is growing up and with the consolidation you know the last three years to four year in Basmati business, I think we have got a very good response and we see as a strong brand great opportunity for us to grow with the same momentum.
- Tushar Sarada:** And what about the other products because your Presentation talks of a lot of other products.
- Ashwani Kumar Arora:** So, being Basmati Rice is the core and main business, so as a Company we said that we will leverage our distribution and brand and what we are doing is we have launched Devaaya brand under Daawat Devaaya for Staples such as Atta, Maida, Suji, Rice, we are leveraging that distribution and we are getting success in that.
- Tushar Sarada:** So, you have tie-up with the Future Group for Rice. You also have tie-up for these other products.
- Ashwani Kumar Arora:** No, only because as Daawat Rice Brand the Future we wanted to extend it to the regional specialty, so in that move we have a JV with Future Group, in which you know the CAPEX investment is done by them and we will get it manufactured regional rice for South India.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.
- Vipul Shah:** Sir, if I heard you correctly, you said you had volume growth of 20% for the year and PAT growth of 11%, right?
- Ashwani Kumar Arora:** Yes. That is overall 20% but in branded business we have grown 23% overall in India 27% and export 14%.
- Vipul Shah:** Yes. But your PAT growth is 11%, right?
- Ashwani Kumar Arora:** That is right.
- Vipul Shah:** So, why PAT growth has not kept pace with the volume growth?

- Ashwani Kumar Arora:** So, normally the business model we work on the margin structure is on the value and last year the value was a little less because of the lower input cost. So, it is not on the kilo, it is on the value.
- Vipul Shah:** Means would you elaborate, I still could not understand, what you are trying to....
- Ashwani Kumar Arora:** Okay. So, what I say, if our revenue overall revenue has grown up by 11% and our profit margin has also grown up by 11%. So, normally we work on percentage on value when we do our pricing and not per kilo. So, if the quantity has grown by 20% so, that is now how our pricing works. I hope, I have made it clear. Your question is that your volume has grown by 20% and your margin has grown by 11%, so what I am saying because there is a less realization because of the lower input cost, our value growth has grown by 11%.
- Vipul Shah:** Okay, now I got it.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** If I look at our other expenses that have gone down despite our volume growth, so it here any one-off we have controlled this quarter and may not be sustainable next year?
- Ashwani Kumar Arora:** If you see, we are regularly working on efficiency programs. So, whatever the cost reduction has happened is because of these initiatives and is sustainable.
- Giriraj Daga:** That is sustainable. Second, on the balance sheet side if I look at our trade payables have gone up sharply on consolidated basis, any particular like as the Accounting Standards we might not have paid on 31st March we might got to paid in the first fortnight of April. So, again, this number is like Rs. 218 crores on a trade payable side versus last year Rs. 52 crores more like what can be the normal range we can take going forward?
- Ashwani Kumar Arora:** So, I think we are getting better credit facility from our vendors.
- Giriraj Daga:** Okay. So, like expect it to be sustainable that is the feedback I can take?
- Ashwani Kumar Arora:** Yes, sure.
- Giriraj Daga:** Okay. My last question coming again to this revenue side like last year you said that the Paddy prices were low and that is why our realization was low and we work on a percentage margin rather than the per kg margin.
- Ashwani Kumar Arora:** Yes.

- Giriraj Daga:** So, this year now the Paddy prices are high, so then next year like what is the thought so the percentage margin will be maintained.
- Ashwani Kumar Arora:** Yes, percentage margin will be maintained. If you see the last quarter the price realization has gone up and I think in the first quarter also. So, we will be able to maintain our percentage margin.
- Giriraj Daga:** Okay. And when I look at the overall volume like what you have done Rs. 3,200 crores Rs. 2,100 crores is the branded Rice. So, Rs. 250 crores you said some Organic Food and rest is non-branded?
- Ashwani Kumar Arora:** We do private label business and trading business.
- Moderator:** Thank you. The next question is from the line of Mr. Nitesh Dhoot from Emkay Global. Please go ahead.
- Nitesh Dhoot:** Hi, sir, my question relate to can you give me realization for domestic and international market for 4Q FY 2017 and 4Q FY 2016 and the same for FY 2017 and FY 2016?
- Ashwani Kumar Arora:** Sure. Just a minute I will pass on to Sachin and he will tell you the realization, just a minute.
- Sachin Gupta:** Our domestic realization for the current year it is Rs. 45 and international one it is Rs. 60 which previous year India it was Rs. 41 and international it was Rs. 70.
- Nitesh Dhoot:** Rs. 70. And same for 4Q FY 2017 versus Q4 FY 2016?
- Sachin Gupta:** If we will talk about this fourth quarter India it is Rs. 53 and international it is Rs. 73.
- Nitesh Dhoot:** And versus Q4 FY 2016?
- Sachin Gupta:** India Rs. 41 and international Rs. 70.
- Nitesh Dhoot:** Rs. 70. And if you can help me with the same number for 3Q also, it will be really helpful.
- Sachin Gupta:** We will send it to you.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.
- Vipul Shah:** Can you throw some light on how you procure Paddy?
- Ashwani Kumar Arora:** So, the Paddy we procure from the mandis in the Northern and in the Madhya Pradesh, so farmer bring their Paddy in the mandi's and we procure from them.

- Vipul Shah:** Through some middle men?
- Ashwani Kumar Arora:** Yes. So, we have our agent in the mandis. But we work with the farmers on our extension program where we give all the know-how and the best practices to the farmer. So, in some part of Madhya Pradesh we buy directly also from farmer. But in the Northern part government does not allow us to buy directly through the farmers. So, we have to buy from mandis through auction.
- Vipul Shah:** Okay, sir. So, you offer technical assistance also the farmers?
- Ashwani Kumar Arora:** Yes, we have a agri extension team around 100 people are working with us where they work with the farmers to give them the best practices which pest decide to use and which not to use which kind of seed and all the best practices we give to the farmer for our sustainability program.
- Vipul Shah:** Okay. So, those 100 people on the Company's roll, right?
- Ashwani Kumar Arora:** Yes, it is on the Company roll. That is right.
- Moderator:** Thank you. That was our last questions. As there are no further questions, I like to hand the conference back to Mr. Nitesh Dhoot for closing comments.
- Nitesh Dhoot:** Yes, I would like to thank the management once again. Thank you all the participants for your time. Thank you everybody. Have a good evening.
- Ashwani Kumar Arora:** Thank you. Thank you. have a good evening.
- Moderator:** Thank you very much. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining Ladies and gentlemen. You may now disconnect your lines.