

Ref-LTF/ SE/ 2022-23/**Date: 5th November, 2022**

To,

**The Bombay Stock Exchange (BSE Limited)
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001****National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E)
Mumbai – 400 051****Sub: Transcript of Earning Conference Call for the Q2 FY 23.****Ref. Code: 532783. Scrip ID: DAAWAT**

Dear Sir/Madam,

Pursuant to the Regulation 30(6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed the Transcript of the said earnings conference call organised on 1st November, 2022 post declaration of Financial Results for quarter and period ended 30th September, 2022.

You are requested to take the same on your record.

Thanking You,

Yours truly,

For LT Foods Limited**Monika Chawla Jaggia**
Company Secretary
Membership No. F5150



“LT Foods Limited Q2 FY23 Earnings Conference Call”

November 1, 2022

MANAGEMENT:

MR. ASHWANI KUMAR ARORA - MD AND CEO
MR. VIVEK CHANDRA - CEO - CONSUMER BUSINESS
MS. MONIKA CHAWLA JAGGIA - VP FINANCE AND STRATEGY
MR. SACHIN GUPTA – CHIEF FINANCIAL OFFICER

MODERATOR:

MR. SUMANT KUMAR - MOTILAL OSWAL FINANCIAL SERVICES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Q2 FY23 Earnings Conference Call of LT Foods Limited hosted by Motilal Oswal Financial Services Limited. 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 phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sumant Kumar from Motilal Oswal Financial Services. Thank you, and over to you.

Sumant Kumar: Thank you. Good afternoon everyone, and very warm welcome to LT Foods Limited 2Q FY '23 post result earning call hosted by Motilal Oswal Financial Services. On this call today, we have Management team being represented by Mr. Ashwani Kumar Arora, MD and CEO; Mr. Vivek Chandra, CEO - Consumer Business; Ms. Monika Chawla Jaggia, VP - Finance and Strategy; and Mr. Sachin Gupta, CFO. So, we will begin the call with key thoughts from the Management team. Thereafter, we will open the floor for Q&A session.

I would now like to request the Management team to share their perspective on the performance of the Company. Thank you and over to you.

Monika Chawla Jaggia: Thank you. Good afternoon everyone and thank you for joining us on our Earnings Conference Call.

I would like to highlight that certain statements made or discussed on the conference call today will be very forward-looking statements, and a disclaimer to this effect has been included in the results presentation shared with you earlier. Result 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 like to begin by taking you through the key highlights of Q2 FY23.

Our consolidated revenue for the Q2 FY23 was up by 31% at Rs. 1,732 crores versus Rs. 1,323 crores in Q2 FY22 on account of increased sale from Basmati and other specialty rice and the convenience and health segment.

Our gross profit was up by 43% from Rs. 453 crores to Rs. 650 crores due to change in product mix and the partial price increase implemented on account of freight change. The freight cost was up by 660 bps that led to an increase in other expenses by 527 bps versus last year. The freight expenses are expected to stabilize or decrease from the forthcoming quarters.

The EBITDA was up by 14% from Rs. 157 crores to Rs. 178 crores.

The PBT was up by 17% from Rs. 111 crores to Rs. 131 crores.

The PAT was up by 18% from Rs. 81 crores to Rs. 95 crores. The earnings per share stood at Rs. 2.80 up by 17%.

The cash profit was up by 14% from Rs. 110 crores to Rs. 126 crores.

Our consolidated revenue for 6M FY23 was up by 32% at Rs. 3,352 crores versus Rs. 2,545 crores in 6M FY22. This is on account of increased sales from the Basmati and other specialty rice segment and the increase in convenience and health segment.

The gross profit was up by 41% from Rs. 1,222 crores to Rs. 866 crores, and the margins expanded by 241 bps from 34% to 36.5%. There was an increase in freight cost by 540 bps that led to an increase in the other expenses, which were up by 432 bps versus last year. The Company also brought in efficiencies at the manufacturing level.

The EBITDA was up by 16% to Rs. 355 crores from Rs. 305 crores.

The PBT was also up by 22% from Rs. 214 crores to Rs. 260 crores.

The PAT is also up by 21% from Rs. 157 crores to Rs. 191 crores, and earnings per share stood at Rs. 5.6, which is up by 20%.

The cash profit was up by 16% from Rs. 215 crores to Rs. 250 crores.

Now, I would like to highlight the key ratios of our balance sheet. The debt equity ratio stood at 0.5 times. This is to reiterate that the majority of our debt is working capital debt, which is required because of the nature of our business, and our focus is to maintain the debt to EBITDA ratio between 2 to 3 times which stood at 1.6 times. Current ratio has also improved significantly to 2.08 from 2.04 last year. The return on capital employed stood at 16.9%. The normalized return on capital employed on account of insurance claim stood at 17.5%. The return on equity stood at 16.2%, which was up by 64 bps, and the interest coverage ratio also improved from 7.5 to 8.6 times.

On the cash flow front, in 6M FY23, the net cash generated from the operations was Rs. 84 crores. During the year, the Company made investments in the fixed assets/capital advances amounting to Rs. 70 crores and investment in the JV with Golden Star that we have done in the US amounting to Rs. 65 crores.

Now I would request Mr. Ashwani Arora, the Managing Director of the Company to give you a strategic update on the business. Thank you, sir.

Ashwani Kumar Arora: Thank you, Monika. Good afternoon, and thank you for joining us on the call today.

Happy to share that the Company delivered a record growth of 32% backed by expansion and distribution network and strong marketing programs. In India, our retail outlet reach increased by 40% and stood at 176,000 outlets. As per AC Nielsen, our market share in India expanded by 180 bps and stood at 28.5%.

Additionally, as per Kantar home panel data, Daawat consuming households also increased by 36% on year-on-year basis and today stood at 37 lakh households.

We are optimistic on the outlook of the overall business. The category is growing, and we are well placed to capture the growth across all our business segments with the combination of our strong brand such as Daawat and Royal, global supply chain hubs, wide distribution network in India and across geographies.

Going forward, the Company will continue to maximize shareholder's returns by keeping our focus on profitable growth. Other enablers of growth such as digitization, HR transformation, and ESG are being well executed and are going in line with strategic goal of the organization.

Thank you. Now we are open the session for question and answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take the first question from Amanjit Singh from Oculus Capital. Please go ahead.

Amanjit Singh: So, my first question is, so we have seen on a sequential basis, that is Q1 to Q2, an improvement in the gross margin on the Basmati and specialty rice, but the EBITDA margins have fallen slightly by 50 bps. So, what is the reason for this?

Sachin Gupta: So, basic reason for the decline in the EBITDA margin is the freight cost. The logistic cost during this quarter has increased. So, if you compare it with the immediate preceding quarter, there is an increase of 2.5%, and if I compare it with the year on performance, it has increased by 6.6%. So, this has led to decrease in the EBITDA margins this quarter.

Amanjit Singh: Understood. Secondly, so there were certain news articles on private equity evaluation and you know, your fundraising. So, could you help us understand what kind of proposals is the Board considering? And what should we watch out for?

Ashwani Kumar Arora: So, there was a strategic proposal and Board is evaluating it and seeking more information. So, maybe in the next coming Board meeting, they will decide.

Amanjit Singh: But it was a complete buyout of majority or is it like a minority stake that they are considering?

Ashwani Kumar Arora: I can't disclose much.

Moderator: Thank you. We have a next question from the line of Siddhant Dandh from Goodwill. Please go ahead.

Siddhant Dandh: I just wanted to get some guidance on how much Basmati have we procured compared to last year? Secondly, I wanted to understand why our margins are lower than the largest player in the industry. Is it because we age our Basmati rice less? And are we getting any forex gains from or benefit of Forex because of our export market currency becoming stronger?

Ashwani Kumar Arora: So, first of all, you know, I will answer your first question on the sourcing. The procurement season has just started roughly 15 to 20 days back. It was late because of the heavy and untimely rain. So, the procurement is in progress as per plan. So, we will be achieving our procurement target.

Siddhant Dandh: So, how much is it over last year in volume terms?

Ashwani Kumar Arora: So, you wanted to know the crop size or our data?

Siddhant Dandh: Yes, just the volume target, last year let's say we procured 100. So, this year are we procuring 110, 20?

Ashwani Kumar Arora: Out of our total requirement, we have sourced around 15 to 17%.

Siddhant Dandh: Perfect.

Ashwani Kumar Arora: So, answering to your second question

Monika Chawla Jaggia: Margins.

Siddhant Dandh: Margin. Yes.

Ashwani Kumar Arora: As Mr. Sachin explained our gross margin has improved, but, the logistic cost has gone up. And strategically, we were not keen to pass on this kind of cost to the

consumer as this is we believe that, this is kind of temporary and the freight trade will settle down soon.

Siddhant Dandh: And on whether we are benefiting from export Forex gains or something?

Ashwani Kumar Arora: Sorry.

Siddhant Dandh: Because of our currency weakening, are there any benefits in the export market?

Ashwani Kumar Arora: Yes. if Indian currency is devaluing, India is becoming more competitive. So, that's, of course, is helping us in our business.

Siddhant Dandh: What is our share of export?

Ashwani Kumar Arora: In terms of you mean to say branded in USA, we have 50% market share. So, India we have 28.5% market share. So, we export to 60+ countries. So, if you talk about, the branded rice which is, owned by India, I will check, but we have a remarkable good share.

Siddhant Dandh: And what is the share of exports of our sales, like in our top line, how much come from export?

Sachin Gupta: So in the Basmati and the specialty segment, 70% of our sales comes from exports.

Moderator: Thank you. We have a next question from the line of Anand Venugopal from BMSPL Capital. Please go ahead, sir.

Anand Venugopal: So, thanks for the opportunity. So, could you help me understand what is the current state of the Basmati rice industry? And how are prices for Basmati rice holding up? And what is the outlook for Basmati rice prices going into 2023? And lastly, what are the demand factors that are leading to this outlook? That's all from my side.

Ashwani Kumar Arora: As far as Basmati rice industry, it is doing very well. It has become consolidated, stable, doing very well. On the pricing front, as compared to last year, the opening price is roughly, 25 to 30% higher as compared to last year. And this is mainly because of the strong demand and on the supply side there was the constraint. But this year, the crop is better. We are expecting roughly around 12 to 15% higher, but demand will pick up, and the prices we believe that will remain higher than last year.

Moderator: Mr. Venugopal?

Anand Venugopal: That's it from my side.

Moderator: Thank you. We have a next question from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.

Abhishek Maheshwari: So, thank you for the opportunity. So, you were able to deliver a very good sales growth. And we just want to know that the current harvest season we just begun, and how are you seeing the crop? Do you think the procurement prices might come down a little thereby letting us improve our gross profit margin a little more in H2?

Ashwani Kumar Arora: So, Abhishek, because your voice was not clear, if I'm able to understand your question correctly, the crop is as I told for overall Basmati and all Basmati varieties, there is 12 to 15% higher production is there. But there is a strong demand across all geographies in the world. So, prices are roughly 25 to 30% higher. It depends on grain to grain, higher than the last year, and we believe that one, because of this weaker rupee, there will be not much impact on the consumer price on the export market. In India, we have already started passing on the hike to the consumer and it's well accepted. So, on the gross margin side, we will be able to maintain the gross margin.

Abhishek Maheshwari: And secondly, regarding packaging and freight cost, sir, in freight cost the increase was mainly due to road logistics or ocean logistics?

Ashwani Kumar Arora: The ocean freight.

Abhishek Maheshwari: So, ocean freight we are hearing that it has started to moderate considerably in the last few months. So, do you think H2 should be better EBITDA margin wise?

Ashwani Kumar Arora: Yes. So, for the last month it has started softening, and the impact we will see in the coming quarters.

Abhishek Maheshwari: Is it a substantial impact or just a little will be?

Ashwani Kumar Arora: I think little. Not very substantial. It has softened, but not to the pre-COVID levels or the earlier levels.

Abhishek Maheshwari: And sir, packaging cost?

Ashwani Kumar Arora: Packaging cost will be stable. The inflation has come. So, packaging cost is not coming down. It is in the almost same range.

Abhishek Maheshwari: So, regarding your non-current borrowings, they had increased by around 100 crore rupees. Any particular reason for this?

Ashwani Kumar Arora: Sachin will answer that question.

Sachin Gupta: During this half year, we have actually made an in one of our JV in USA with Golden Star. This has resulted in increase in our borrowings.

Abhishek Maheshwari: And two more questions. Since your working capital requirements are very high, what do you think the rate hike impact is going to be in coming quarters? Will it be substantial impact or just marginal?

Sachin Gupta: There will be an impact, but it won't be a substantial impact. It will be a marginal impact. Yes, the cost of the capital will increase. That is for sure. Currently, it is at 6%. It will be increased by another 0.5%.

Abhishek Maheshwari: Sir, one last question. How is the demand coming from North America and Europe at the moment, because there are some fears and supply chain issues there?

Ashwani Kumar Arora: So, demand is good, you know. As Sachin said, 70% our revenue comes from export, and last H1 we have delivered 31% growth. So, it's a healthy growth both in the western world, Europe, America and India.

Abhishek Maheshwari: So, any new geographies you are entering right now?

Ashwani Kumar Arora: So, we are almost present, you know, across the possible area where the consumption of Basmati is there. So, we are available in all the major Basmati consuming geographies.

Moderator: Thank you. We have our next question from the line of Amit Doshi from Care PMS. Please go ahead.

Amit Doshi: Congratulation on achieving the 2% additional market share in the domestic market. So, just one question about this Golden Star. Now we have 51% controlling stake. So, how are we accounting for it and say, for example, what growth that we have seen from 1300 to 1700 crore? So, what portion has contributed from that Jasmine rice business?

Sachin Gupta: So, as far as the accounting is concerned, we are doing equity method of accounting. In that we are just recognizing the share of profit, and that it accounted for in our financial statements in the six months financial statement that we have disclosed.

Amit Doshi: So, the top line, so the sales figure are not accounted for in the current number. That you look at it.

Sachin Gupta: No.

Amit Doshi: And sir, second about this domestic growth, significant, I am sure there will be some significant steps that we want to take. We have strong number of outlets as well as distributors have been increased. So, what is the plan going forward for the next year also?

Vivek Chandra: See, what we are seeing now is the result of some very fundamental work which has been done in our route to market and in our brand building over the last two years, and that is now playing out in terms of increased home penetration, in terms of increased distribution. And these programs that have been put in place, they still have a lot of headroom. So, going forward, these sort of growth in the fundamentals of consumer acquisition and retail store expansion, we believe we will continue to see, and it is being supported also with an increase in the category demand in the country.

Amit Doshi: So, we have more marketing spend to do or this has kind of fundamental steps have already been taken as you said?

Vivek Chandra: No, the marketing spend is the continuous process. In fact, it's the brand that we will keep supporting and building, and our marketing spends are higher than what we did last year, and in response to business, we will adjust and grow, but I think we will keep growing the marketing in relation to the growth in sales.

Amit Doshi: On the freight cost, sir, just couple of points. So, basically, what we read in the newspaper or the freight index that we track, you know, there is a significant reduction already in place. This is what we understand. So, why the same has not flown in the real numbers which you are indicating that it has just started softening from last month? And what we see from the articles or the numbers indicates otherwise. So, if you can just, throw some light on that? And second, while freight cost I understand is more on the exports had on that side, our domestic margins are also not very great, I mean, despite increase in such a sharp domestic business. So, can you just clarify on these points?

Ashwani Kumar Arora: Sure. So, as far as, you know, the freight, as I said, it has started softening for the last month, and it will have a positive impact in the coming quarters. Regarding India, the margin has improved further.

Amit Doshi: So, when I look at standalone numbers, I understand standalone will have export numbers as well, but when I look at standalone, there is no improvement in the operating margins.

Ashwani Kumar Arora: Yes, but in stand-alone, you are seeing because it's a mix of trading also we have done with China. So, that's the mix but as far as branded business is concerned, we have improved margin on that.

Amit Doshi: And sir, this China contribution, what would that be in terms of -

Ashwani Kumar Arora: So, China will be how much, Sachin?

Sachin Gupta: In this half year, China was contributing Rs. 140 crores to my revenue.

Amit Doshi: In the H1 you are saying. Not in the Q2.

Sachin Gupta: H1 I am saying.

Amit Doshi: But sir, in terms of this whatever freight cost that are being passed on, we have done it partially only. Our brand whether it's Royal or Dawaat, it's such a strong brand where we are not able or we don't intend to pass on the full freight, because we are at flat the tag end or the lower end of the margins that we have been in our history.

Ashwani Kumar Arora: So, as I said in the starting that, Dawaat and Royal are very, very strong brand. Royal is at 50% market share, but being leader, we have a responsibility also. So, we have to see which cost is sustainable, which is not, and we don't want to be volatile in consumer pricing. So, we believe that the steamer freight will come down, and this is we have to take the hit of freight cost that has temporarily gone up. So, the proportion that was sustainable, we have passed on to the consumer.

Amit Doshi: And sir, in this convenience, health and convenience segment, when do we plan to breakeven?

Vivek Chandra: I think, at this point in time, the real question is that this is we propose to make this a significant part of our business. So, really, it's more about expanding that range. There are for each of the projects there is a individual P&Ls with break-evens projected that have been made, but our current focus is for them to become meaningful and significant part of consumer lives which then translates into a good share of our revenue, and it will follow the pattern that you see with most consumer company's new product launches.

Amit Doshi: So, we have some pipelines with new products in next two quarters or so.

Vivek Chandra: Yes, we do, but we have actually just launched a very exciting product with the Biryani Kit, which is gaining a very good consumer acceptance. Cuppa Rice continues to build. So, if you were talking of the next one or two quarters, our focus is going to be on

building these in India and international and to continue to build the strong position that we are acquiring with RTH, Ready to Heat in the U.S.

Amit Doshi: And can you give this HoReCa segment growth, how things have been because, of course, one year was very bad? So, now how HoReCa segment is to doing? And what kind of growth have we seen or some contribution that is there as of now?

Ashwani Kumar Arora: As compared to last year must be growing more than 50% I think, but we will have exact data.

Sachin Gupta: The HoReCa segment now is contributing 19% of my overall revenues, and it has grown by more than 15% from the last year.

Amit Doshi: 15%, 1-5?

Sachin Gupta: Yes.

Amit Doshi: Any number? I mean, what would be the, sorry, 19% you said already. Fine. And sir, lastly, I understand that this PE thing or whatever acquisition or whatever, so I am not getting into that part. What I want to know from you is, you have been so far guiding of 10 to 15% growth and of course, some margin expansion that you have already indicated in past multiple times. So, now that we are planning for some fundraising and presuming we already generate 500, 600 crore annual cash flow, so we are thinking something big or something higher target of growth rate. So, what has changed that, Management growth target and why, if you can just share on that part?

Ashwani Kumar Arora: So, still we are maintaining 15% growth year-on-year and the margin expansion. This is I can't disclose at the moment, but this is a very strategic in nature. So, the unfolding will happen when it will happen.

Moderator: Thank you. We have our next question from the line of Resham Jain from DSP Investment Managers. Please go ahead.

Resham Jain: Good afternoon. So, few questions. So, first one is on organic piece. I think there has been a material dip in the revenue run rate which you are doing just the last few quarters. So, is there any issue there or this is like a one-off and will come back from next quarter onwards?

Ashwani Kumar Arora: So, Resham, this is a one-off. It will come back, and the reason is there was a big shipment which was pending, and we couldn't load in this quarter. So, this will come up. It will be, again, on a full year basis we will see a double-digit growth.

Resham Jain: And what is that we are looking at the organic business, sir, in terms of let's say over next two, three years? Are we going to maintain the run rate which we have shown over the last of three, four years? Or now on a higher base, now it will start moderating?

Ashwani Kumar Arora: So, it is higher these days it will moderate for sure. It will not be in the range of like 30, 35% what we have delivered in the last two years. So, it will be in the double-digit, but we are very bullish on this business. The idea in this business is now to focus more on the margin expansion in inorganic business.

Resham Jain: Understood. And also sir, on the new product business which Vivek sir spoken about, so there with now I think a few months into this new product launch, specifically Biryani Kit, any color on what is that you are targeting? Because I think you are doing domestic as well as exports and any focused kind of market which you feel can be scaled up from the current levels? And what will be the distribution approach in this business, specifically the new product business, Biryani Kit and Cuppa Rice?

Vivek Chandra: So, of course, for each there is a different RTM that is planned. So, it's talking about Biryani Kit, which will be in broader distribution, but the initial approach for these is really, you know, for us has been to test the waters and we have done that through going into e-com and then expanding into the top supermarkets. So, as of now that's really what the availability is, and it is from here that we are getting very good traction. In some of the e-com, we have become new product top sellers in the way they measure and they record on to their own platforms. With this once we have got a certain amount of proof of concept, we will start to be expanding this into the total supermarkets and the top groceries. So, we will be following a top-down approach when it comes to this Biryani Kit.

Resham Jain: Sir, just one related question on the new product business. If you look at the gross margins of the new product which are considered to be more value-added products, and if you compare it with the other businesses Basmati and organic, the gross margin seems to be much lower than some of the other categories, as well as if you compare it with some of the other food businesses, the gross margin seems to be much lower 30% odd gross margin.

Vivek Chandra: Right. Because I think what you have seen here is a blended gross margin. There is a fairly large contribution in here of Daawat Sehat, which is in the health both doing and it serves the social cause of addressing malnutrition and severe acute malnutrition in the country. But the point is that, you know, that tends to follow more like the Basmati margin, but has a significant contribution, but the other products are all following the margins. Mr. Resham, as you talk about food, consumer, branded, those, the other product margins are in line with that.

Resham Jain: No, actually, this is lower than Basmati as well, like 28% gross margin in this quarter. It was 33 in the last quarter. Last year I could see it was 36, 37%. So, constantly, this, typically, gross margin in this business is we have seen at around 50, 60% and more, but like even 36, 37% which was on a higher side last year, the number seems to be too low for a consumer product like this.

Vivek Chandra: I think you need to see the segmental margins. So the movements that you are seeing in the total are a function of how the contributions of the different products are moving, but individually, they are robust. So, some of the newer products that you spoke of are going to be in the 40 ranges.

Resham Jain: Because it's there in the presentation. So, maybe I don't know.

Vivek Chandra: No, it's a fair point, but I think, as I mentioned, it is a blended margin that we have seen. So, that's sort of clouding the picture, but the fundamentals which you are alluding to are all there, and the segmentals will show that.

Resham Jain: Sir, the last one from my side is on number of households, I think you have mentioned 37 lakhs or something. So, what is the target kind of addressable market for us over here? And what is the approach we are taking here to get to that total addressable market?

Vivek Chandra: See, the total addressable market in a sense is the total households. Now Basmati consuming households are about a third of the total FMCG consuming homes, but this is growing at a double digit. So, we are sort of not working on an absolute target. Our target is to grow at a rate which is faster than the growth rate of the categories, and that really falls back into the fact that we want to keep growing our market share quarter-on-quarter. So, our target basically, when we measure these numbers and report these numbers, these are more evidence of the successful marketing and distribution campaigns that, I mean, not campaigns, but strategy that are in place, and these are the growth in share, the growth in homes, the growth in outlets are numerical measures of the success of growth strategies.

Just one addition to the point I made earlier about this whole blended. As we bring in new products, there is a fair amount also sampling which is done free of cost to gain new users. And if in a quarter that's quite heavy, that can also bring down, but treated more as a marketing expense than a margin erosion.

Moderator: Thank you. We have our next question from the line of Amit Aggarwal from Leeway Investments. Please go ahead.

- Amit Aggarwal:** Sir, we bought a 30% stake in Leev.nu in January 2021. Right now if you go through their website, it's just a one-page website, and all the links lead to Instagram. Sir, as far as I understand, these are dead investment. Can you comment on this?
- Ashwani Kumar Arora:** Leev, you know, the investment is only 200,000 Euro, which is equivalent to Rs. 160 crore. Just a minute. If I have understood you correct, let me understand from Monika. So, Amit, this is not the dead investment although, you know, we have done a small investment. The Leev as a brand is doing good in The Netherlands, and they are adding the products also. So, the investment is not dead. Although it's a small investment, the business is working and doing good.
- Amit Aggarwal:** But sir, just a one-page update. I heard you say e-commerce site, and it's e-commerce venture.
- Ashwani Kumar Arora:** Monika just told me. You know, you have gone into the wrong website. The right website is Leev.nu. You know, it's a very impressive. It has opened in front of me, and if you can see the kind of the product range it has, you will be amazed.
- Amit Aggarwal:** Another question is 75% of our profit comes in consolidated balance sheet, right? But if you go through the annual report, then it seems none of the subsidiaries are so much profitable, and only one of them is making 70 crores profit roundabout. So, can you elaborate on this?
- Ashwani Kumar Arora:** No, let me understand your question right, and then we will answer you.
- Amit Aggarwal:** 70% of our profit come from consolidated balance sheet, right? But if you go through the annual report, then it seems none of the subsidiaries are so much profitable. And only one of them making 70 crore profit per annum. So, where is the profit coming from? Does it come from consolidated balance sheet?
- Sachin Gupta:** All of my subsidiaries are making profit. Firstly, you need to check the data, and apart from LT Foods, that is the main Company. We have Daawat Foods in India. That is also making profit.
- Amit Aggarwal:** Yes. I think Daawat Foods is making 70 crore profit. That's the most profitable besides our standalone Company.
- Sachin Gupta:** So, apart from that, there is a U.S. Company as well. That is LT Foods America. That is also making profit.
- Amit Aggarwal:** Can you elaborate how much?

Ashwani Kumar Arora: What we will do is so you send your query and I can tell you, these all the subsidies are making profits.

Amit Aggarwal: No, I understand. None of them is adding up to the 300 crores profit. The profit on consolidated balance sheet is huge.

Monika Chawla Jaggia: But I would request Amit to refer to page number 319 of the last year annual report and to go through it as details of the profits that the subsidiaries are making is mentioned there. So, it's very evident that all the subsidiaries are profit making subsidiaries. Please refer to the page number 319.

Amit Aggarwal: No, but that is why, but none of them is making, adding up to 300 crore profit. That's my question. The annual profit is around about 300 crore, but if you add up all the companies, the subsidiaries, that's almost 80 crores to 90 crores.

Sachin Gupta: We will give you the breakup of that will be added up. So, if there is an addition that only that is the amount. You can give us your email ID to our IR, and they will provide you the Company wise profitability, and it will be adding up to the profit that we have declared.

Amit Aggarwal: And my third question is, you know, EcoLife product. Sir, I tried to search them online. It's not available in India, currently out of stock, and same also in Europe. Europe, almost impossible to find any website selling EcoLife product. So, where they are sold basically?

Ashwani Kumar Arora: We always say that, you know, our organic business majority is B2B business, and it is exported to Europe and America. We sell organic products. That's a very limited, you know, in the northern part of the India. And in USA, we sell organic product under the brand name of Royal. So, if you go to the Costco and you ask for Royal Organic Basmati, you will find it.

Amit Aggarwal: And my last question is, you know, BigBasket has their own private label, BigBasket BB Royal. So, are we in partnership with them? Because the brand is quite similar to our brand. Are we in partnership with them or their BB Royal Basmati Rice?

Ashwani Kumar Arora: No, there is no partnership. But, that's an IP issue and, you know, our legal department has taken it up with them.

Amit Aggarwal: So, we are not benefiting from BB Royal as such.

Ashwani Kumar Arora: No, we are not.

- Moderator:** Thank you. We have our next question from the line of Aman Madrecha from Augmenta Research Pvt. Ltd. Please go ahead. Mr. Aman Madrecha, please go ahead with your question. Since there is no response, we move on to our next question from the line of Vipul Shah from Sumangal Investment. Please go ahead.
- Vipul Shah:** My question is, previously, you used to share all the volume details for domestic and export business, and in domestic also you used to segregate it between rice and non-rice. So, that practice you have stopped.
- Ashwani Kumar Arora:** This we have done strategically, you know, because of competitive reason. Yes. So, we share all relevant data basis the investor's queries. So, we have, you know, accordingly designed the presentation.
- Vipul Shah:** So, if I send the mail, will I get those details or you will stop that practice?
- Ashwani Kumar Arora:** So, please send the mail. So, you know, our IR department will get back to you.
- Vipul Shah:** And sir, what is the status of our court case? It is pending since a very long time. So, any update there?
- Ashwani Kumar Arora:** That's very unfortunate, you know, the Indian legal justice, but we are expecting by the end of the year, the first court verdict will come.
- Vipul Shah:** And sir, can you comment on the performance of our European business? So, what is the turnover? And what is the profitability?
- Ashwani Kumar Arora:** Sure, Vipul. the Europe business is doing extremely very well, and we are using full capacity. And this year we will be doing full year basis more than 100 billion Euro which is equivalent to 800 crores, profitable business doing very well and growing.
- Vipul Shah:** It will be EBITDA positive, sir?
- Ashwani Kumar Arora:** Yes. PAT positive.
- Vipul Shah:** PAT positive, wonderful.
- Moderator:** Thank you. We have a next question from the line of Vincent Andrews from Geojit Financial Services Limited. Please go ahead.
- Vincent Andrews:** I have only one question. Most of my questions have been answered. See, first of all, congratulations for the good set of numbers. See, you have grown around 32% in the first half. So, if I can ask what would be the growth you are expecting in the second

half and next year on that? Because if we see for the last two, three years, the revenue growth was 12% in FY '21 and 16%, 17% around in FY '22. Suddenly, the growth expanded to 30, 32% in the first half of this year. So, what drove the growth on the distribution strength or anything else? And what would be the growth if you can guide for FY '24? Only that question.

Ashwani Kumar Arora: So, in FY23, we are expecting on full year more than 20% growth.

Vivek Chandra: Yes. I think FY '24 is still under discussion with the individual businesses because, I mean, there are things which are working strategically right for us which are driving this growth, but to sustain this level of growth, we will have to work with individual businesses and on their plans. So, our AOP process and the five-year planning process is currently underway, and only once we have completed that will we have a picture for FY '24.

Vincent Andrews: So, if I can ask, see the sudden jump in the growth in this year from the last two, three years if you compare, so is it the distribution expansion only cost this?

Vivek Chandra: But distribution expansion has certainly played a role, but it is really three things that is driving that growth, whether it is in India or in the U.S. or any of our major markets. So, the one is distribution, but the second is that there is a very sustained and consistent marketing aimed marketing program which is being delivered in all the markets which is gaining for us new users and is helping in the retention and trial generation. And the first driver has been the fact that the overall portfolio of Daawat and Royal is getting strengthened as more and relevant convenience and health products come in the market which then feeds also into the main brand. So, really core adjacencies and distribution are all coming together to give this growth and not just distribution, Mr. Vincent, as you were referring.

Moderator: Thank you. We have a next question from the line of Subhankar Ojha from SKS Capital and Research. Please go ahead.

Subhankar Ojha: So, just with respect to the EBITDA margin, just coming back to the freight cost, can you give me the number with respect to freight cost as percentage of sales in current quarter versus last year same quarter?

Sachin Gupta: So, this current year quarter, my logistic cost is 13.7%. If I compare it with the immediate preceding quarter, it was 11.3%, and if it is compared with the year-on-year quarter, it was 7.2%.

Subhankar Ojha: That's a big increase. And with respect to the current rate, which means quarter three trend, where do you see these numbers settling up?

Sachin Gupta: So, Subhankar, this is the peak. So, this will be lowering in the forthcoming quarters. So, this we consider it as peak.

Subhankar Ojha: And sir, with respect to this presentation, I am sorry, presentation, so, obviously, we set up a EBITDA margin target of 140 to 150 basis point that does five year target for us. Can we, I mean, the request would be, can we put a number, absolute number with respect to this is what we aspire to do four, five years down the line? Because right now we are doing fair 10%. So, current quarter taking as a benchmark, I mean, we are basically talking about a 12% shot up. Is that our aspiration? Or do we intend to do much better than this?

Ashwani Kumar Arora: So, our aspiration is to do, 13.5% EBITDA.

Subhankar Ojha: 13.5, okay.

Ashwani Kumar Arora: 13.5. We are working towards, yes.

Subhankar Ojha: So, I think that can be added to this slide because, you know, basically it keeps changing obviously.

Ashwani Kumar Arora: We will do that. We will do that.

Subhankar Ojha: And you did say that on the organic part of the business, so there was basically shipment delay sort of, right, which is why the revenue declined.

Ashwani Kumar Arora: Yes.

Moderator: Thank you. We have a next question from the line of Aman from Iwealth Management. Please go ahead.

Aman: Thank you for the opportunity, sir. Congrats on a great set of numbers. So, we are seeing, sir, on a month-on-month basis, Basmati prices have come down 12 to 15%. So, is it seasonal? Or is it the demand which is softening as of now? Can you help us clarify on this part?

Ashwani Kumar Arora: I mean, I don't know what you are referring to, but the Basmati prices are getting stronger. So, as I said that against last year, the new sourcing has opened 25 to 30% higher than the last year.

Aman: Got your point. And second question was from the insurance recoverable, the amount which you have classified in the non-current assets this quarter because you have said that case is also pending in the Civil court. If you can help the clarify of that amount?

- Sachin Gupta:** So, the amount standing in my books is Rs. 134 crores. So, that is the insurance claim receivable in the books of accounts.
- Aman:** Previously, you have written off Rs. 44 crore also, which was -
- Sachin Gupta:** It was four to five years back we had written off 44 crores. So, my original insurance claim was 178 crores. But the claim which we have to receive is Rs. 178 crore only. So, we have provided for in our books of accounts to Rs. 44 crores.
- Moderator:** Thank you. We have our next question from the line of Vihang Subramanian from Zaaba Capital. Please go ahead.
- Vihang Subramanian:** Just wanted to know how does export realizations get determined for us in the Basmati Rice segment, like the local production dynamics come in to play?
- Ashwani Kumar Arora:** Vihang, can you repeat your question please? Like you mean to say how the Basmati price discovery happen.
- Vihang Subramanian:** Correct. Exactly. Like for our export market, because I just read somewhere that in India lot of the production was curtailed and because of that price increases happened, and your international growth also looks really good. So, just trying to put things together, like is it because of that or am I missing something?
- Ashwani Kumar Arora:** If you see the Basmati, Indian Basmati has a kind of in the Basmati monopoly, 80% of the Basmati products are grown in India, and the price discovery happened on the size of the crop. So, if you know the crop is short, then the prices get strong. And if the crop is more the prices got softened. So, this is a fundamentally how the price discovery happens. Pakistan has a role to play. It has only 20% of the production. So, on the demand side, consumer is what we have seen historically, the consumer is insensitive to price to the Basmati. So, the price increase has not impacted any demand.
- Vihang Subramanian:** So, there has been a price increase though this year in FY '23.
- Ashwani Kumar Arora:** Yes.
- Vihang Subramanian:** And could you quantify how much percentage price increases come through for Basmati Rice?
- Ashwani Kumar Arora:** So, I can roughly like as compared to last year, the sourcing price for Basmati has gone up. It depends on variety to variety, 25 to 30%.

- Vihang Subramanian:** Sir, just so price increase has been 25 to 30% for this year then, 25 to 30%.
- Ashwani Kumar Arora:** On the paddy level, yes. On the raw material level.
- Vihang Subramanian:** And sorry, I missed the starting of the call. So, apologies if you have answered this question.
- Ashwani Kumar Arora:** No, no, it's perfectly all right.
- Vihang Subramanian:** Could you just talk a little bit about the growth in the organic segment? I think the growth has seen a bit of tapering off. So, what has really impacted that? And could you just give us some guidance for what should one think of for growth in the organic segment?
- Ashwani Kumar Arora:** So, if you see the H1, we are flat, and the reason is that the shipment got delayed, but if you will see year-on-year basis, the growth will be double-digit, whereas, if you see the historically, three-year CAGR is 36%.
- Moderator:** Thank you. We have our next question from the line of Arpit Shah from Stallion Asset. Please go ahead.
- Arpit Shah:** I just wanted to understand your revenue guidance. You are just guiding of 15% revenue growth for FY '23, but if I see your first half, you have already delivered more than 30% revenue growth. So, what is actually stopping you to guide at least let's say 20, 25% plus revenue growth for this year?
- Ashwani Kumar Arora:** So, that's because, we have always given volume and this year volume and value both has grown, and that has led to the 32% growth. And full year basis, we are expecting this year to close at more than 20% growth.
- Arpit Shah:** So, typically H1 is on the lower side for LT Foods. It's around 40, 45% of sales, and we have done close to 3300 crore sales. So, is it good enough to say that we are able to let's say cross 7,000 crore revenue for this year?
- Ashwani Kumar Arora:** Under Rs. 7,000 crores.
- Arpit Shah:** It will be around 7,000 crores?
- Ashwani Kumar Arora:** Around, less than 7,000.
- Arpit Shah:** And can you just bifurcate the revenue growth let's say in volume, price realizations and currency tailing which you would have got in the first half?

- Vivek Chandra:** Sorry. Could you repeat that please? What bifurcation are you asking?
- Ashwani Kumar Arora:** Volume growth.
- Arpit Shah:** Yes. Volume growth, price realization growth, the Realization growth and the currency tailing that you have got due to the dollar appreciation?
- Sachin Gupta:** So, my volume growth in this half year was 15%, and my realization growth during this half year is around 18%.
- Arpit Shah:** I missed your volume. Sorry.
- Sachin Gupta:** Volume is 15% growth
- Arpit Shah:** That is for the first half, right?
- Sachin Gupta:** Yes, it is in the first half.
- Sachin Gupta:** Yes, we do the hedging, and which is as per the policy which we have adopted. So, we do forward hedging.
- Arpit Shah:** And just coming to the strategic tie up or the private equity investment that you have announced a couple of days back regarding the announcement, I just wanted to understand would that be happening at the Company level or as a subsidiary, because we have seen in this just two years back we had announced a deal where the shareholder had changed hand in Daawat Foods which was our wholly-owned subsidiary where we own 70% and 30% is now owned by Saudi Arabia, one of the Saudi Arabian funds. So, just wanted to understand, would the money be coming to the Company or would that money let's say be going to the promoter family? What would the deal structure look like broadly?
- Ashwani Kumar Arora:** I can't discuss; it is at the Board level. I can't disclose at the moment who is coming and their name. But I can say, whatever will happen will be good for the Company, and as I said, we will unfold you in the next Board meeting.
- Arpit Shah:** You expect to conclude this tie up or this investment, let's say, by this quarter or you think the Board would require more time?
- Ashwani Kumar Arora:** I can't give you the timeline, but whenever you will get the information.
- Arpit Shah:** Perfect. And just wanted to understand, let's say in the Middle East we are very much limited, and if you see our competitor who was starting as a distributor had opened up

a lot of space for let's say other players in the market to capture a bit of market share. Are we thinking in those lines?

Ashwani Kumar Arora: Sorry. What you said, can you repeat that? Can you be little slow?

Arpit Shah: Yes. So, in the Middle East, one of our competitors was struggling due to change -

Ashwani Kumar Arora: I can't comment on competition.

Arpit Shah: No, I am just wanting to understand your perspective, how you are looking to gain any market share over there because they are struggling.

Ashwani Kumar Arora: No, Saudi is a very big market, 3 million tons, and we are doing good. So, I can't comment on further that.

Arpit Shah: And just last part on the freight expenses. You have reported around 30.7% for this quarter. So, where do you see this number let's say for H2 FY '23?

Sachin Gupta: This is the peak number. So, what we are expecting that this number to come down. So, it all depends upon the freight which we will be getting in the different territories. Of course, this was the peak which we have achieved.

Arpit Shah: So, whatever saving you have let's say in H2 FY '20, now they are all focus EBITDA line.

Sachin Gupta: Because we have passed on the freight cost and of course, it will have an effect on the EBITDA.

Moderator: Thank you. I would now like to hand over the call to Management for closing comments.

Ashwani Kumar Arora: Thank you everyone for your continued support. Hope we were able to address all your queries. Should you have any further questions, please feel free to contact our investor relations team. Thank you and look forward to see you soon.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

(This document has been edited for readability purpose)



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