"LT Foods Limited
Q4 FY2018 Results Conference Call"

May 25, 2018

ANALYST:	**MR. AKSH VASHISHTH - MOTILAL OSWAL SECURITIES LIMITED**
MANAGEMENT:	**MR. ASHWANI KUMAR ARORA - MANAGING DIRECTOR & CEO - LT FOODS LIMITED**
	MS. MONIKA CHAWLA JAGGIA - VICE PRESIDENT (FINANCE & STRATEGY) - LT FOODS LIMITED
	MR. SACHIN GUPTA – GENERAL MANAGER (FINANCE) - LT FOODS LIMITED

Moderator: Ladies and gentlemen good day and welcome to the LT Foods Limited Q4 FY2018 Results Conference Call, hosted by Motilal Oswal Securities. As a reminder, all participant 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. Aksh Vashishth from Motilal Oswal Securities. Thank you and over to you Sir!

Aksh Vashishth: Thank you. We at Motilal Oswal are extremely pleased to host this call for Q4 and FY2018 results for LT Foods. From the management, we have Mr. Ashwani Kumar Arora, Managing Director & CEO of the Company, Ms. Monika Chawla Jaggia, Vice President Finance & Strategy, and Mr. Sachin Gupta, General Manager Finance. I will now hand it over to Monika for her opening remarks, post which we can open the floor for Q&A. Over to you Madam!

Monika Chawla Jaggia: Thank you Aksh. Good afternoon everyone and thank you for joining us on LT Foodsss Q4 and Financial Year 2018 earnings conference call. I am Monika; I am part of the Investor Relations team at LT Foods. Joining me today is Mr. Ashwani Kumar Arora, the Managing Director and CEO and Mr. Sachin Gupta, the General Manager Finance.

We will begin the session with key thoughts on the performance and strategy from our MD, Mr. Ashwani Kumar Arora followed by the financial overview. Following this, we will have an interactive question and answer session. At the outset, I would like clarify certain statements made or discussed on the conference call today may be forward-looking in nature and a disclaimer to this effect has been included in the results presentation shared with you earlier. The same has already been uploaded on the stock exchange and the Company's website. A transcript of this call would also be made available on the investor section of our website. Now, I would like to request Mr. Ashwani Kumar Arora to share his perspective with you. Thank you and over to Mr. Arora!

Ashwani Kumar Arora: Thank you Monika and very good afternoon to everyone present on this call today. I wish to thank you for continuously supporting us through your participation. During the call, we will share with you an overview of our business and financial performance for the year.

Before I get into the discussions, I will cover the highlight of this year's performance. The revenue of the Company has grown by 11% amounting to Rs.3650 Crores with an increase in profitability by 12% amounting to Rs.144 Crores.

During this year, our overall branded business has increased from 64% to 69%. Another growth driver of our business is our organic business, which has also grown by 49% in Financial Year 2018.

During the quarter, the revenue has increased by 15% to 1078 Crores with the profitability of 35 Crores. The Company continues to be amongst the top two leading players in the global branded Basmati rice industry. The overall growth was led by increase in most of the underlying business and geographies.

This has been in line with our plans wherein we have grown our current business, introduced brands and line extensions and commissioned new capacities. The focus has been on strengthening the consumer business both in India and international market, which is depicted in the overall growth of our consumer business, that is, 21%. Our key brand including Daawat that is global brand Royal, which is number one brand in America EcoLife our organic brand, Devaaya, 817, Gold Seal Indus Valley, which we have acquired in the last year and Daawat Chef Secret, which is food service brand and many more allow us to capitalise specific potential across segment geography and formats.

The intention is to build leadership position in each of these brand lines. The challenge posed during the GST transitions has mostly been addressed, which is visible from the growth witnessed by the Company and its supply to the Horeca segment. Our branded business has grown by 18% in value terms on year-on-year basis in Financial Year 2018 that was primarily driven by an increase of 13% in India and 23% in international branded business respectively.

The contribution of branded business to overall rice business has increased from 64% to 69% in financial year 2018 driven by consistent brand investments, strengthening the supply chain, adopting channel wise strategy to strengthen out footprint in all the channels, be it the general trade, modern trade or wholesale or online business. As per AC Nielsen the industry has been growing at the rate of 11% wherein Daawat in India is growing at the rate of 25%, which is reflected in our market share of 28%.

A special mention to the fact that LT Foods is the leader in the rural category with 42% market share. Our market share in the modern trade category has increased by 3% taking our share to 28%. These trends depicts that we are moving in the right direction.

Moving on to our international operation, we are growing stronger in the North America market, which is the market share of more than 45% with Royal continuing to be number one Basmati rice brand in the US. Our North America business has witnessed a growth of 21% versus last year.

Now an update on our Europe operations, which has recently started, the processing facility of the Rotterdam has commenced operation on a soft basis and is expected to be fully operational in the coming quarter. The Company has incurred a capex of Rs.110 Crores. We have a healthy order book in hand and we are building up utilization levels, whereas have full utilization of the capacity will be realized in the coming months in line with the growth in target geographies through key brands.

Further the Company has set up a facility in the US to manufacture two minute organic retort rice, the facility will be functional within the next six months and the Company has spent around 50 Crores in setting up this facility till now. Already discussion has started with the some leading customers who have already placed the order thus initial response from our target audience is encouraging.

The business in the Middle East is also gathering pace and it is performing in line with the requirement of the market. Our acquisitions in the region are performing as per the plan. The overall volumes of the acquisitions grew by 53% since financial year 2017, Gold Seal Indus Valley business up by 22%, Indus Valley Rozana almost doubled versus last year in value terms. These set of numbers were achieved as the Company adopted a new route to market for both the brands, so as to add value to existing portfolio of LT Foods brands that included targeted channel wise strategy. Post the successful integration of this brand into LT's portfolio, the Company aims to rapidly built market share in Middle East especially in the lower Gulf countries.

The business in Africa has also registered growth. The growth registered was 19% though it was on a small base.

I will like to draw your attention to organic business. Our focus is on developing holistic cultivation practices in India in order assure livelihoods to the organic farmer. We have invested in further updating and modernizing our facility at Sonepat in Haryana with a view to augmenting capabilities as we broaden our reach in key export markets and seek to grow big within India. Organic business contribution has increased from 7% to 10% on year-on-year basis and stands at 351 Crores growth of 49% versus last year. The Company has added a new product line, a new customer across Europe and USA for organic business.

LT Foods is known for launching innovative products keeping in mind with changing consumer trend by providing consumer with convenient, healthy, nutritious and favorable products. Our recently launched rice based premium snacks in joint venture with Kameda namely Kari Kari has been test launched in Delhi, NCR Mumbai and Bengaluru. They were initially launched in 50 leading modern trade stores within a span of seven months, the number has increased to 120 stores. The strategy is to launch the products on a various e-commerce platform in the near future. The result of the test launch have outpaced our assumptions and the Company plans to start building up the factory in the next quarter.

Our JV with Future group for manufacturing regional rice Sona Masoori is in line with our assumptions. Daawat Sona Masoori Rice has been launched in the southern part of India using Daawat sales and distribution network in India and overseas. The product has been positioned at a premium end of the market with premium packaging and Daawat quality assurance.

The Company has taken a strategic call to concentrate on North Indian market for its premium wheat flour business under the Devaaya brand; the distribution for this product is being expanded by increasing both General Trade and Modern Trade outlets.

Further to add, as on March 31, 2018 our debt equity ratio has improved from 2.3 to 1.26 on year-on-year basis. Our credit rating has also been upgraded by CRISIL to A-/Positive outlook from BBB+/ Positive outlook.

Now, I would walk you through the financial performance of the Company for the year ended March 31, 2018 on consolidated basis.

In financial year 2018, our total revenue stood at 3650 Crores higher by 11% year-on-year driven by higher contribution of branded sales. The gross profit increased by 11% to 979 Crores. EBITDA came in at Rs.414 Crores, an increase of 2% on year-on-year basis translating to EBITDA margin to 11.3 as compared to 12.3 in the last year. The normalized EBITDA stood at 12.6% on an account of investment on the expansion of international operation in Europe and US and currency fluctuation.

Our profit before tax during the year increased by 12% to 218 Crores led by lower interest cost and depreciation. Profit after tax stood at 144 Crores as compared to 129 Crores in financial year 2017, representing a growth of 12%. This led to resultant improvement in EPS to 4.80 per share. EPS is based on fully diluted basis adjusted for stock split from Rs.10 per share to one per share.

Moving on geographical revenue and realization breakup branded India sales stood at 892 Crores up by 13% year-on-year while the average realization during the year increased to Rs.51 per kg an increase of 18%.

International branded sales came in at 1238 Crores a growth of 23% while the average realization increased to Rs.96 per kg higher by 5%.

On standalone basis, our total revenue stood at 2157 Crores higher by 4% year-on-year. The gross profit stood at 400 Crores. Profit after tax stood at 41 Crores as compared to 30 Crores in financial year 2107, representing a growth of 38% year-on-year. This led to resultant EPS of Rs.1.49 per share by 33%. EPS is based on fully diluted basis adjusted for the stock split from Rs.10 per share to one per share. Our cash profits stood at 194 Crores during financial year 2018.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Resha Haria from Green Edge Wealth. Please go ahead.

Resha Haria: Thanks for the opportunity. Two questions from my side. First one, if you could comment on how big is the Basmati rice market in both US and Canada in terms of how many lakh metric tonnes and what would be the India's contribution to that?

Ashwani Kumar Arora: The total size of the market is around 200000 tonnes, which is North America and India contributes around 80% of that.

Resha Haria: Who are the main consumers over there would it be the Indians or the native of American?

Ashwani Kumar Arora: Basically, there are three sets consumer across globe, which is the main consumer, which is Indian diaspora, Middle Eastern and Persian. So, these are the main consumer and then followed by the mainstream consumer and Hispanic.

Resha Haria: My second question is the market size of organic rice both Basmati region, the non-Basmati variety of organic rice globally what would be the market size and what would be India's share?

Ashwani Kumar Arora: As far as our business is concerned, we are not only in organic rice, we have a full portfolio of organic products, which rice, soya and we do value added thing of rice, so I do not have the exact size of the organic rice market, but I can guess that Basmati is of course all India and non-Basmati the main players are from Europe and some part, so I will guess that it is around 50000 tonne of rice at the moment in America.

Resha Haria: So, this 50000 tonnes is the size of organic rice of both Basmati and the regional varieties put together?

Ashwani Kumar Arora: Yes.

Resha Haria: And this is for the Americas, right?

Ashwani Kumar Arora: Yes, Americas, so mainly our organic business is in America and Europe, so we do supply to the rice flour to the baby food companies and we can supply further all the rice cake, which is manufactured in Europe and America.

Resha Haria: Right and what is the size or the opportunity for organic Basmati rice in India?

Ashwani Kumar Arora: That is very small. If you see the overall global market for organic product is more than $130 billion, so as I said Nature Bio Foods, which is our 100% subsidiary do a portfolio of the organic products, so to answer to your question, India is a very small in as far as organic Basmati is concerned.

Resha Haria: And what would be the margin between your normal Basmati versus organic Basmati in the export market?

Ashwani Kumar Arora: Overall, the premium over the regular Basmati to organic Basmati is 40%.

Resha Haria: Thanks. That is it from side, all the best.

Moderator: Thank you. The next question is from the line of Vipul Shah as an Individual Investor. Please go ahead.

Vipul Shah: Sir, I have joined the call late because there was some confusion in typing error in telephone number, so please bear me if I am asking you something, which you have repeated. What is the status of insurance claim?

Ashwani Kumar Arora: The insurance claim we are expecting this year we will get the verdict from the lower court, so it is in the final stages of witness and argument, so hopefully by the year end 2018; we will have the verdict of the lower court.

Vipul Shah: Even if we win in the lower court I think they will have the option to go to the higher court?

Ashwani Kumar Arora: Yes, they will have the option, but normally the system says that they have to pay 50% before they go to higher court.

Vipul Shah: My second question is you have reduced debt by 200 Crores that is what your presentation says, right out of QIP money?

Ashwani Kumar Arora: Yes.

Vipul Shah: So, still if I look at quarter-to-quarter finance cost it has increased from 33 Crores to 40 Crores, so can you explain why this has happened?

Ashwani Kumar Arora: Partly it has happened because we have taken the PCFC, so the currency fluctuation we have to put in the finance cost.

Vipul Shah: Would you elaborate further, I did not understand what you are trying to say?

Ashwani Kumar Arora: We take PCFC in dollars, we take foreign currency loan and the currency fluctuations happen, so whatever the difference is we have to put in the MTM we have put in the finance cost.

Vipul Shah: So, what should be that component out of these 40 Crores?

Ashwani Kumar Arora: It is around Rs.3 Crores.

Vipul Shah: 3 Crores, but still if you subtract it then also it will be 37 Crores versus 33 Crores in December quarter, so we have reduced debt by 200 Crores so interest cost logically should come down, but here it is going up?

Monika Chawla Jaggia: Can you hold on for a minute?

Vipul Shah: Can I go ahead with another question in the meantime?

Monika Chawla Jaggia: Yes.

Vipul Shah: What is our average realization for branded in India for FY2018?

Ashwani Kumar Arora: Branded in India is Rs.51 financial year 2018.

Vipul Shah: 61?

Ashwani Kumar Arora: 51, last year was Rs.43.

Vipul Shah: 51, so it has moved from 43 to 51?

Ashwani Kumar Arora: Yes, it is 18% realization.

Vipul Shah: What should be the same figure for international?

Ashwani Kumar Arora: Last year the branded realization was Rs.92 per kilo, this year Rs.96 per kilo.

Vipul Shah: That is for an international?

Ashwani Kumar Arora: That is for the branded international, yes.

Vipul Shah: What will be the capex guidance for this year, I mean FY2018 – FY2019?

Ashwani Kumar Arora: This year it will be normal capex, which will be in the range of 40 to 50 Crores, which is a kind of maintenance capex and little modernization in the plant.

Vipul Shah: Sir, lastly what is the contribution of organic food in our total turnover, I mean?

Ashwani Kumar Arora: 10%.

Vipul Shah: 10% of the overall consolidated revenue?

Ashwani Kumar Arora: It has increased by 49% against last year.

Vipul Shah: So, out of the 36000 turnover, it is roughly 360 is organic food?

Ashwani Kumar Arora: Yes.

Vipul Shah: And out of this 360, what should be the contribution of rice?

Ashwani Kumar Arora: Rice is around 100 Crores.

Vipul Shah: Rice is 100 Crores?

Ashwani Kumar Arora: Sorry, 200 Crores.

Vipul Shah: Now, can I get that clarification regarding finance cost increase?

Ashwani Kumar Arora: Yes, there are two components, one is these 3 Crores I told on the exchange fluctuation and 4 Crores, and so there was a delay in the payment to the paddy supplier, so we have to pay interest to them, so we paid that.

Vipul Shah: Would you repeat, I did not get you Sir?

Ashwani Kumar Arora: There was a delay in the payment to the paddy supplier and we have to pay them the interest.

Vipul Shah: That is 4 Crores?

Ashwani Kumar Arora: Yes, 4 Crores.

Vipul Shah: Thank you.

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

Amarjeet Maurya: Sir, can you please provide me some detail on the newly business in Europe, which are making losses on that like how much we did a loss in full this year and when you are expecting a breakeven and also what is the potential in terms of the revenue and profitability?

Ashwani Kumar Arora: This year the plan is to be 250 Crores.

Amarjeet Maurya: In terms of revenue?

Ashwani Kumar Arora: In terms of revenue, and the plant has already started, we have done the sale there, but there is initial teething problem is taking place to run the plant, so in the next quarter we will be operative. This year we are expecting around on a full year basis Rs.15 Crores of loss and next year that will be a profitable brand.

Amarjeet Maurya: In FY2018, we have done a loss of Rs.15 Crores, right from this business?

Ashwani Kumar Arora: I am talking FY2018, Rs.20 Crores worth of loss we have done.

Amarjeet Maurya: From Europe business?

Ashwani Kumar Arora: From Europe business, yes.

Amarjeet Maurya: And next year we are expecting profitability?

Ashwani Kumar Arora: This year like financial year FY2018–FY2019, we are expecting a loss of 15 Crores on full year basis on the first quarter, but after the first quarter we will be breakeven. It will be profitable.

Amarjeet Maurya: I mean last year in FY2018 you did a loss of Rs.20 Crores and FY2019 we are expecting a 15 Crores of loss, right?

Ashwani Kumar Arora: Yes.

Amarjeet Maurya: So, potential is around 250 Crores?

Ashwani Kumar Arora: I will add into that the gross margin level we are making in Europe 25% it is only scale, which will be the utilization, is making losses, but on gross margin level, we are profitable.

Amarjeet Maurya: As of now, how much is your utilization?

Ashwani Kumar Arora: At the moment, very less utilization, although we have, as I said in my opening remarks we have a healthy order, we have an order worth 250 Crores in our hand, but some problem in the operations, so it is going to resolve by the month.

Amarjeet Maurya: So, what I understand in the opening remark you explained that capex is around 110 Crores, so if I consider five times gross block is around 500 to 600 Crores if I am assuming, this is right?

Ashwani Kumar Arora: What you are saying is right, so the capacity is around 600 Crores.

Amarjeet Maurya: How much we will achieve the turnover, so we will make the breakeven assuming the capacity is 600 Crores?

Ashwani Kumar Arora: In 250 Crores we will make the breakeven, so after 250 Crores the operation will start making the money and as I said we have in Europe there was two idea, one was the barrier to launch branded rice as there is a duty on the white rice, so Daawat we have launched in a new packaging and very good go to market strategy and we are getting a very good response in Europe.

Amarjeet Maurya: So, basically we are selling a brown rice only, not Basmati rice?

Ashwani Kumar Arora: No, brown rice we are selling from India, and then we are polishing there because there is a duty on white rice, so polishing there and packaging there.

Amarjeet Maurya: Basically, we are not selling Basmati rice? We are selling a brown rice, right in Europe?

Ashwani Kumar Arora: From India, let us say Basmati Brown.

Amarjeet Maurya: My second question is just for the financial front, if I see your standalone business so margins are around 7% and overall consolidated basis margin is high, so in subsidiary you are making high margins, so can you throw some light on this, how I should read this number?

Ashwani Kumar Arora: Sorry, can you repeat your question?

Amarjeet Maurya: I am saying, if you see your standalone business, you are making a 7% operating margin and if I see your overall consolidated business, you are a making a 10% operating margin, so it means in your subsidiary business you are making 15% to 16% margin, so why this some much huge difference in the margin front?

Ashwani Kumar Arora: In the LT standalone business we do mainly India business and some export business and in India business there is a scale that we go after that so we make better margins because we invest lot of money on advertising, on sales and distribution in advertising so from this year LT standalone profitability will also improve.

Amarjeet Maurya: Sir, just wanted to understand in the subsidiary business, do you have promoter any personal holding?

Ashwani Kumar Arora: No, all subsidiaries are owned 100% in the parent Company, which is LT Foodss, which is a listed Company.

Amarjeet Maurya: Thank you so much for answering my question.

Moderator: Thank you. The next question is from the line of Dipesh Kashyap from Equirus Securities. Please go ahead.

Viraj: Sir, just had question on what is the current inventory in tonnage for our both in rice and paddy and at what cost as we bought those?

Ashwani Kumar Arora: So, paddy is 171000 MT, rice is 121000 MT, so the paddy is valued at 31.78 and rice is valued at 52.86.

Viraj: What will be the current prevailing market price for Basmati?

Ashwani Kumar Arora: Basmati has a different variety, so it is ranging from Rs.32 to Rs.37.

Viraj: Sir, second question is you said we will be spending 40 to 50 Crores on maintenance capex, what is this 40 to 50 Crores maintenance of?

Ashwani Kumar Arora: One is maintenance and one is improvement like this year we are building big warehouse for our finished goods to improve the service level in India and other parts of the world and some we are increasing by doing the minor amendment to increase our capacity, the milling capacity, otherwise the normal capex is only 15 Crores, which is the maintenance capex. But this year we are increasing our milling capacity with investment of 8 Crores around 60000 tonnes of paddy.

Moderator: Thank you. We have the next question from the line of Vikram Sharma from Niveshaay. Please go ahead.

Vikram Sharma: Sir, if you can give me a broad percentage of what sales and distribution expenses for this quarter versus the same quarter last year and also our Horeca segment's growth this quarter?

Ashwani Kumar Arora: I will answer your question on the numbers. As far as Horeca is concerned last quarter we had a dip because of the GST, because they have done branded and non-branded, but this quarter we are coming back because we have a much focused channel to service the Horeca segment. So, as far as sales and distribution cost, so last quarter is 11.2 and now it is 9.8.

Vikram Sharma: 9.8?

Ashwani Kumar Arora: Yes.

Vikram Sharma: And any idea on what volumes we would have lost due to GST packaging that were got on packaged in Basmati rice?

Ashwani Kumar Arora: As far as overall India sales is concerned we have lost 5% volume, but we have grown our Consumer Pack by 11%, but value we have grown by 27%.

Vikram Sharma: So, value we have grown by 27%?

Ashwani Kumar Arora: On the consumer pack, I am sorry, so India value we have done 13%.

Vikram Sharma: 13% India value?

Ashwani Kumar Arora: Yes.

Vikram Sharma: Thank you so much, Sir.

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

Lalit Thakkar: My first question is that the currency has depreciated at 7%, are we going see a better margin or the Company will pass on the benefits?

Ashwani Kumar Arora: Actually, as per our policy we have a confirmed business, so we do the 100% booking and for our branded business 50% we hedge and we have a full year, so we will see how the competitive world would behave accordingly.

Lalit Thakkar: Second question is that this quarter the margins are under pressure any specific reason for it?

Ashwani Kumar Arora: This year three things abnormal happened, one is exchange loss 8.5 Crores and the other is the Europe.

Lalit Thakkar: This is from my side. Thanks a lot.

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

Alpesh Thakkar: Sir, just one question as you mentioned that the capex that you are going to incur in this year would be 40 to 50 Crores, which should be mostly maintenance capex and your opening remarks you told that you will be setting a factory for Kari Kari product this quarter, so would we have any other capex for that?

Ashwani Kumar Arora: So, that we are evaluating how much the capex will be starting, we are in the stage of finalizing that, but this year the 50 Crores covers your warehousing and increasing the capacity by 60000 tonne.

Alpesh Thakkar: So, going forward there could be more effect, as we go forward into the year, so if you evaluate that Kari Kari plant?

Ashwani Kumar Arora: Kari Kari plant is not a big investment, so it is in the range of around Rs.15 Crores investment whereas we have a partner of 50:50, so that will be in the range of 5 to 6 Crores.

Alpesh Thakkar: Thanks. Other questions are answered. Thank you.

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

Shubhankar Ojha: Thanks for the opportunity. This Q4 our margin was some 9.6% versus 11.8% last year and in the footnote I can see there was this normalized EBITDA margin of 12.6%, is this for Q4 or this is FY2018 normalized margin you are referring to?

Ashwani Kumar Arora: This is FY2018.

Shubhankar Ojha: What is the number for Q4 FY2018, normalized?

Ashwani Kumar Arora: Normalized it will be added around 2%. It will be 11.6%.

Shubhankar Ojha: When you say normalized it is basically you are adding back the forex loss and the startup cost related to Europe, right?

Ashwani Kumar Arora: Yes, that is right.

Shubhankar Ojha: My question is last year you had branded business and the percentage of your total revenue was 64 and this year it is 69 and typically obviously you make a better margin in the branded business compared to the traded one, so why is that you are still below the last year EBITDA margin despite branded being as a percentage for total revenue higher?

Ashwani Kumar Arora: Because in this quarter, if you see there is a more private label business, which has a lower EBITDA, but if you see the branded business, I can separately send you how much the branded business EBITDA has improved.

Shubhankar Ojha: The basic understanding that I have is that you have a higher branded business, so it should have a higher margin for you?

Ashwani Kumar Arora: The mix in the Q4 is more in private label business.

Shubhankar Ojha: Basically, you have a 12.6 versus 12.3, so 30 basis point better margins because of this branded business as a year you mean to say FY2018 as a year?

Ashwani Kumar Arora: If you see the normalized EBITDA, we have improved over last year by 30-basis points.

Shubhankar Ojha: That is why I am referring to FY2018 as a year basically?

Ashwani Kumar Arora: Yes.

Shubhankar Ojha: Got it. Thanks for that. Secondly in terms this inventory you value the rice at market price right, 52.86 per kg?

Ashwani Kumar Arora: We value the rice or paddy at the cost price.

Shubhankar Ojha: No, rice you said 1.21 lakh tonnes valued at 52.86 per kg?

Ashwani Kumar Arora: Yes.

Shubhankar Ojha: But, 52.86 are too high for you; I mean cost is too high, right?

Ashwani Kumar Arora: No, because it is full grain rice so this is the formula, which is there.

Shubhankar Ojha: But you sell in the Indian market, you selling this at Rs.51 per kg?

Ashwani Kumar Arora: India is 60% broken rice and 40% full grain; if you see our export realization, which is Rs.96 per kilo.

Shubhankar Ojha: So, is it the costing for that part?

Ashwani Kumar Arora: Yes, whatever the stock we have is the mix of the export and domestic stock.

Shubhankar Ojha: What would be basically your 1.2 lakhs cost is 52.86 you are going to sell that at Rs.96 per kg is that an extra?

Ashwani Kumar Arora: Rs.96 and some part 30% will go to India, which is again about Rs.80 per kilo, so India sells broken rice and full grain rice.

Shubhankar Ojha: This year you have an inventory 1.21 lakhs of finished and 1.71 lakhs paddy, so what was the last year overall FY2018 sales volume?

Ashwani Kumar Arora: Overall, if you see the Basmati volume, this year we have done 461000 whereas last year we have done 421000.

Shubhankar Ojha: 461000 for FY2018, right?

Ashwani Kumar Arora: Yes, only Basmati.

Shubhankar Ojha: The inventory numbers seems to be pretty low, so do you expect the next level?

Ashwani Kumar Arora: We keep six months inventory and we are in line with that.

Shubhankar Ojha: Secondly, this inventory cost for paddy especially seems to be pretty high compared to what you had last year is that the reason why it was there?

Ashwani Kumar Arora: Last year as I said in the conference call that this year the paddy price has increased by 25% to 30%.

Shubhankar Ojha: Do you have any informal target volume growth that you are targeting obviously there is no need of give guidance, but you have an internal target of volume growth?

Ashwani Kumar Arora: Next year you mean to say?

Shubhankar Ojha: FY2019 I am referring to?

Ashwani Kumar Arora: We will be in line with our CAGR.

Shubhankar Ojha: Thank you and all the best.

Moderator: Thank you Sir. The next question is from the line of Vipul Shah as an Individual Investor. Please go ahead.

Vipul Shah: Sir, what is the advertising expense as percentage of sales for FY2019?

Ashwani Kumar Arora: This year 36 Crores we had spent on advertising.

Vipul Shah: That is both India and international combined, right?

Ashwani Kumar Arora: Yes.

Vipul Shah: And what is the startup cost related to Europe plant?

Ashwani Kumar Arora: Europe startup last year it was 20 and this year will be 15, so this will be it.

Vipul Shah: Last year it was 20 and this it will be 15?

Ashwani Kumar Arora: Yes.

Vipul Shah: You said that you are facing some teething problem for Europe plant, so as production started there or still it is there?

Ashwani Kumar Arora: Production has started.

Vipul Shah: So, what is the monthly run rate there, production run rate?

Ashwani Kumar Arora: I can tell you sales. Around 1.5 million is the sales we are running in this year per month, so it will be from June month it will be 3 million, 3 million means Rs.24 Crores, 3 million Euros I am talking.

Moderator: Thank you. The next question is from the line of Aditya Yadav from Transient Capital. Please go ahead.

Aditya Yadav: Good evening Sir. Thank you for the opportunity. Firstly on the organic business, congratulations on our very great performance you were saying that you have grown 50% year-on-year is that correct?

Ashwani Kumar Arora: Till date the CAGR growth is 42%, but this is not the growth we are expecting in future.

Aditya Yadav: So, the similar kind of runrate we are expecting for the coming three, four years?

Ashwani Kumar Arora: Yes, because the base was small and we have grown at this rate, but it will be moderate going ahead.

Aditya Yadav: This kind of growth rate is mostly coming from rice or branded put together it is coming at 40%?

Ashwani Kumar Arora: Both, it is a blend of all the products.

Aditya Yadav: And most of it is rice organic sales mostly it is in North America predominantly?

Ashwani Kumar Arora: Both America and Europe.

Aditya Yadav: Secondly on the Horeca segment, we will be hearing because of the GST, which branded players and leaders like you have to say and as you admitted also there has been a bit of correction in the volumes in that segment, so how do we see that shaping up in coming time?

Ashwani Kumar Arora: If you see all the premium 60% to 70% is shared with Daawat, so we are more approaching to the organized sector. In unorganized, there was a big hit and as an LT Foods we are most welcome in the organized Horeca.

Moderator: Thank you. The next question is from the line of Jagpreet Singh from VA Capital. Please go ahead.

Jagpreet Singh: Good evening everybody. In continuation with the last question I just wanted to understand the moving parts GST, Horeca, losses in UK subsidiary, organic growing and this new chips coming into the picture next year, just wanted to understand would you be able to do something like 20% to 25% growth this year, can we expect Rs.180 Crores to Rs.200 Crores PAT this year?

Ashwani Kumar Arora: The guidance, I can give is that we will be, as I said in earlier whatever the CAGR we will keep the momentum I will say.

Jagpreet Singh: Are the problems with Horeca segment they have been sorted out as per the volumes?

Ashwani Kumar Arora: We know where the big hit is and in organized Horeca is better, so we are focusing more on organized Horeca. If you see as far as variety food is concerned we have only 5% hit in this financial year against the last financial year is only because we have a better distribution structure and better customer base in Horeca so that is why we had lesser hit, but with our different strategy we will be capturing our sales back.

Jagpreet Singh: But GST issue would be only worth 5% of the product cost, right?

Ashwani Kumar Arora: That is right.

Jagpreet Singh: So, why would any organised big hotel shift from our branded player like Daawat to some unorganized player?

Ashwani Kumar Arora: That is what I said, we are more focusing on organized Horeca, there is no effect, but in unorganized market, which is very big in India, which is like roadside biryani corner and roadside restaurant there is a big hit, which is mainly serviced through wholesale distribution, but LT Foods has a different go to market strategy as far as Horeca is concerned and that is how we are only hit by minus 5% in quantity.

Jagpreet Singh: Thank you.

Moderator: Thank you. The next question is from the line of Dipesh Kashyap from Equirus Securities. Please go ahead.

Viraj: Sir, how is our yields moved in the sense over last years, what was the portion of broken rice and full rice this year and what was it last year?

Ashwani Kumar Arora: You mean to say the head grain yield?

Dipesh Kashyap: Yes.

Ashwani Kumar Arora: Unfortunately, I do not have data with me right now, but you can put a mail to our investor relations, so we will get back to you.

Dipesh Kashyap: Sir, it will be very helpful from next year onwards if you can put that in your presentation only for investors use.

Ashwani Kumar Arora: It is a good suggestion. We will do that.

Dipesh Kashyap: Sure. Sir going forward how much do you think if we make a cash flow after working capital changes of 150 to 170 Crores next year, how much of that do you think you will use for debt, capex and for stocking of the inventory, where will that cash flow go?

Ashwani Kumar Arora: As I said, the capex will be only around Rs.40 Crores to Rs.50 Crores, but this year we have made a cash profit of around 200 Crores, so whatever the growth is we are growing around Rs.600 Crores and for that you need a raw material of 400 Crores and out of that we keep six month inventory, so around 100 Crores will go into building up the inventory for the growth and 60 to 70 Crores we will reduce debt level and the other thing is one more thing I want to and it depends on the paddy prices also.

Dipesh Kashyap: Sir, but that is a fair to say that whatever the debt we saw pre QIP and probably in March is the peak debt even going forward that we would have seen other Company?

Ashwani Kumar Arora: If you see the standalone, we have reduced the debt by 216 Crores, but the debt we have raised in overseas for building this capex in Europe and America in consolidated on year-on-year it will be reducing by Rs.50 Crores to Rs.100 Crores.

Dipesh Kashyap: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Ratnakar Gokhale as an Individual Investor. Please go ahead.

Ratnakar Gokhale: Thank you for the opportunity. My question is related with the expenses; cost of material consumed has gone up substantially, which has actually gone up more that 29% with the sales have gone up by 15%, so my question was related to why is that so?

Ashwani Kumar Arora: About the gross margin?

Ratnakar Gokhale: No, it is regarding the last quarter Q4 cost of material consumed, yes you can also say gross margin, yes?

Ashwani Kumar Arora: As I said, in this year the gross margin is 23% and in last quarter was also 23%, but on a full year basis is 26%, this year it depends the mix, branded versus private label, so Q4 has more private label business that is why the gross margin reduced, but if you see the overall we are keeping the gross margin on full year as compared to last year is same and quarter-to-quarter also is the same.

Ratnakar Gokhale: Other thing is related with the other expenses for the quarter, last quarter if we see the other expenses are up by about 43%, so what has contributed to that?

Ashwani Kumar Arora: One as I said there is a difference of exchange fluctuation then startup expenses in Europe and that is all.

Ratnakar Gokhale: My other question is related with the total debt, if we see the long-term and short-term debt, the total debt comes to about 1516 Crores against 1576 Crores, it is pretty much similar to what total debt we had in the last year, so though we have 200 Crores given up after QIP, why is that similarity in the debt?

Ashwani Kumar Arora: As I said, this year we have done a capex of 150 Crores in Europe and America for that we have taken a long-term loan there, but as far as India is concerned, standalone is concerned we have reduced our debt by 200 Crores.

Ratnakar Gokhale: That is in the short-term debt, right Sir?

Ashwani Kumar Arora: Yes, short-term debt. So, our long-term debt has increased because of the factories in Europe and America.

Ratnakar Gokhale: That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Vipul Shah as an Individual Investor. Please go ahead.

Vipul Shah: All my questions have been answered. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Aksh Vashishth for closing comments. Thank you and over to you Sir!

Aksh Vashishth: Thank you. I would like to thank the management as well as participants for taking out the time for call and I now hand it over to the management for their closing remarks. Please go ahead Sir.

Ashwani Kumar Arora: Thank you everyone for your precious time. Should you have any further questions, please feel free to contact our investor relation team. We look forward to connecting with you all again in the next quarter. Thank you once again.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Motilal Oswal Securities that concludes this conference. Thanks for joining us. You may now disconnect your lines.