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Ref-LTF/ SE/ 2024-25/ **Date: October 30, 2024**

To,

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**

Dear Sir/ Madam,

Ref.: Code-532783 Scrip ID: LTFOODS

Sub: Transcript of Earning Call for the quarter and half year ended September 30, 2024

In continuation to our earlier letter dated October 25, 2024, filed in terms of the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, regarding an Earnings Call organised by the Company, to discuss the Un-Audited Financial Results of the Company for the quarter and half year ended September 30, 2024, scheduled for Thursday, October 24, 2024 at 16:00 hours (IST).

In this regard, a transcript of the aforesaid Earnings Call is attached herewith. Further, the said transcript shall also be available on the website of the Company.

Request you to take the above information on record.

Thanking you,

Yours Faithfully,

For **LT Foods Limited**

MONIKA JAGGIA Digitally signed by MONIKA JAGGIA Date: 2024.10.30 17:15:18 +05'30'

Monika Chawla Jaggia
Company Secretary & Compliance Officer
Encl: a/a

"LT Foods Q2 FY-25 Earnings Conference Call"

October 24, 2024

MANAGEMENT: **MR. ASHWANI KUMAR ARORA – MD & CEO, LT FOODS**
MR. SACHIN GUPTA – CFO, LT FOODS
MS. MONIKA CHAWLA JAGGIA – CHIEF CORPORATE DEVELOPMENT OFFICER, LT FOODS

MODERATOR: **MS. LAVITA LASRADO – MIRAE ASSET CAPITAL MARKETS**

Moderator: Ladies and gentlemen good day and welcome to LT Foods Q2 FY25 Earnings Conference Call.

As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Lavita Lasrado. Thank you and over to you ma'am.

Lavita Lasrado: Thank you. On behalf of Mirae Asset Capital Markets, we welcome you all to the Q2 and H1 FY25 results conference call of LT Foods.

We have with us from the management team Mr. Ashwani Kumar Arora – MD and CEO, Mr. Sachin Gupta – CFO and Ms. Monika Chawla Jaggia – Chief Corporate Development Officer.

We will begin the call with brief "Opening Remarks" from the Management Team and then we will open the floor for the question-and-answer session.

I would now like to request the management to share their perspective on the performance of the company. Thanks, and over to you Ms. Monika.

Monika Chawla Jaggia: Thank you. Good evening, everyone and thank you for joining us on our half year and the Quarter 2 Financial Year '25 Earnings Conference Call.

Before we start with the key highlights of the quarter and the half year ended 30th September 2024, I would like to highlight that certain statements made or discussed on the conference call today are forward looking 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 Exchange. A transcript of this call will also be made available on the investors section of the company's website.

I would like to begin by taking you through the key highlights of the half year Financial Year '25:

Our consolidated revenue for the first half increased by 12% to INR 4,222 crores versus Rs. 3,781 crores in H1 Financial Year '23. This is on account of increased sales from the Basmati and other specialty segments as well as increase in the convenience and health segment. Gross profit stood at Rs. 1,427 crores and the gross profit margins expanded by 160 bps from 32.2% to 33.8%. EBITDA increased by 7% to INR 514 crores compared to INR 479 crores last year. EBITDA margins were 50 bps lower at 12.2% on account of increased freight rate.

The profit after tax was higher by 4% at Rs. 306 crores versus Rs. 295 crores last year. The earnings per share increased by 3% to Rs. 8.68 versus Rs. 8.45 in the first half of the financial year 2024. The cash profit increased by 7% to Rs. 393 crores versus Rs. 366 crores last year and the net debt reached to 546 crores versus 569 crores in the last half year.

Moving on to the key ratios of our balance sheet:

The return on capital employed stood at 20.8% in first half of the Financial Year '25 compared to first half of '24 which was 21.6%. Return on equities stood at 17.1% for the first half of '25 compared to 19.5% of first half of '24. The debt-to-equity ratio maintained at 0.2% in the half year '25 versus the half one of the '24. The debt to EBITDA ratio at 0.8 as compared to 0.7 for the last year. Current ratio improved from 2.4 is in the first half of '24 to 2.5 in the first half of '25. Our net working capital days stands at 195 days versus the 174 in H1 of the Financial Year '24.

Now I will talk about the quarter; so, our consolidated revenue for the Q2 Financial Year '25 was up by 7% to Rs. 2,134 crores versus Rs. 1,992 crores last year on account of increased sales from all the segments. Gross profit grew by 18% and the gross profit margin was 320 bps higher from 30.9% to 34.1% attributable to the higher contribution of premium products and also the growth in the organic segment. EBITDA for Q2 was flat on year-on-year basis at Rs. 256 crores and the EBITDA margin stood at 12%. PBT was slightly lower by 6% from Rs. 211 crores last year to Rs. 199 crores in the Q2 Financial Year '25. PAT for the quarter decreased by 4% to Rs. 151 crores compared to Rs. 157 crores in the previous year, EPS decreased by 5% to Rs. 4.3 versus Rs. 4.5 in the Q2 Financial Year '24. And the cash profit for the quarter was higher by 1%, that is Rs. 196 crores.

Now we will open the floor for the question answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Amit Doshi from Care Portfolio Managers Private Limited.

Amit Doshi: The higher other expenses, would it be completely attributable to the freight cost or is there anything else that we need to know?

Ashwani Kumar Arora: Yes, this is attributed to this Red Sea impact the higher freight cost.

Amit Doshi: Last time I believe you had shared what is the impact in terms of percentage. So, can you share similar numbers just for the purpose of our analysis?

Sachin Gupta: The impact of the Red Sea, the logistic cost increased by 1.8% as compared to the revenue this half year.

Amit Doshi: So, 1.8% compared to last H1?

Sachin Gupta: Yes. So, it is now 6.6% of my revenue as compared to 4.8% last half year.

Amit Doshi: And any trend that you would want to share on the freight cost and I understand that it will be difficult to predict but general sense of how much higher if further likely it can go or anything on that.

Sachin Gupta: Actually, we have our inventory. So, there will be impact in the third quarter as well. Yes, the freight costs have more or less normalized and we are expecting it to come back in the fourth quarter and the later part the next year. So, this will be normalized.

Amit Doshi: In terms of our inventory, just wanted to know what is the current market prices trend after the new prices open which we understand we believe that it has opened lower and what is our strategy towards it? And second, regarding inventory like is our higher cost inventory now kind of over and if not trying to understand how the inventory has valued? So, for example if the if the current prices are say 20% down compared to last year then do we kind of book loss for the updated market value of the opening inventory?

Ashwani Kumar Arora: So, Amit one is that we value the inventory at a cost. The second thing is the new crop is good so we are expecting the prices to come down but it is not going to impact on the old crop. So, the new crop is better by 10%-12% and we are assuming that the paddy prices is coming down and that will improve our margin in '25-26.

Amit Doshi: And so how much prices have opened lower?

Ashwani Kumar Arora: Roughly it depends on variety to variety but in the range of 10% to 17% or same that is the range.

Amit Doshi: In terms of depreciation also I note that there is a big jump in the depreciation cost. While our figures are broadly in, of course I noted that capital WIP has moved from 41 to 116. So, can you just clarify on that part depreciation as well as this capital WIP?

Sachin Gupta: Yes, our depreciation because certainly there has been certain capitalization that has taken place in the last year. So, this depreciation has increased. So, my current depreciation for this half year is 87 crores as compared to 72 crores. This is because of the capitalization of the fixed assets that have taken place in the year. Regarding the WIP, the major WIP that sits in my financials is the capitalization of the UK unit. The UK unit which is to be capitalized in the later part of this quarter. So, that is there in the capital working, that will be capitalized this quarter.

Amit Doshi: And our other income is also quite up from 14 to 26 crores. What is that regarding?

Sachin Gupta: The other income includes certain charges which we charge from one of our associates, the Golden Star. So, that because its revenue is increasing and we are getting that charge from one of our associates.

Amit Doshi: And overall, I noticed that Jasmine Rice we have launched even in the brand of Daawat. So, is it launched at global level, India level and what is the potential of this the Thai Rice, the long grain rice that we have acquired from Golden Star?

Ashwani Kumar Arora: Jasmine is very popular across the world. In fact, it is 5x bigger in America and that's how the Golden Star has become the #1 brand in America. So, as far as India market is concerned, we have launched our Jasmine. That's a small market but that’s the portfolio we wanted to build where as a brand we are fulfilling the need of around rice. So, we have got a good response. We have launched in Israel also. We are going to launch in the other part of the world also. So, we are positive on adding the jasmine rice to our portfolio.

Moderator: The next question is from the line of Meet Jain.

Meet Jain: My question is on the gross margin; we saw cross margin expansion of almost 320 basis point this quarter. However, in the base quarter the margins were little subdued and sequentially also our gross margin flattish. And when we like rationalize that we saw that this is because of the higher mix of premium product in organized segment. So, how much further can we see gross margin expansion from the current level?

Sachin Gupta: So, yes, you are right. Our gross margins have expanded in this half year. So, from 32 base it has increased to 33. So, this has contributed because of certainly the mix of the premium segment. And secondly our organic segment also has—if you look at our organic segment–there has been a growth in the EBITDA margins and as well as in the gross margins. So, that has contributed in the gross increase. Yes, we are focusing on increasing as our brand spend is increasing and we want to increase further this gross margin to 34 to 35 levels going forward.

Meet Jain: Another question is on the macro environment on the Basmati rice. So, we have been growing at a very good pace around 15% to 20% over the last few quarters and this quarter Basmati rice growth has been around 10%. So, I just wanted to understand are we facing any demand challenges at any region, location, geography if you can mention?

Ashwani Kumar Arora: No, we are not facing challenge, actually whichever part of the world we are present the category is growing be it USA, Middle East. Middle East we have grown 34%. In USA we are growing, in India we are growing. So, we are not facing any demand challenge. Rather we are expecting to further grow this category. In India also, India is a 100 million tons rice consumption whereas Basmati is just 4 million ton. And we expect the category could grow. And similarly in other part of the world we are positive about the category growth.

Meet Jain: And on this SALIC partnership, so can we talk about that how has been the progress on that part?

Ashwani Kumar Arora: So, that's progressing well, as told in the last meeting we have appointed distributor and there's better news is coming. We are in process maybe in a month's time you will hear a good news.

Meet Jain: And my last question is on this inventory days, we have seen increasing inventory days. So, can you throw some light on that, what is the main concern? Are we facing any inventory challenges or something on that part?

Sachin Gupta: Yes, our inventory days have increased from 166 to 194 days. So, that is an increase of 28 days. This inventory day is actually in order to cater the increase in the demand that we are seeing in the different parts as Ashwani ji has said, in different regions in India, in US we are seeing that kind of demand. So, considering that kind of demand we need to maintain the inventory levels. So, this is to meet out the increased sales.

Meet Jain: Can we expect this to come down 3Q and 4Q?

Sachin Gupta: So, yes of course we will be maintaining the ROC at level of (+20) and the inventory days will be of course in line to that ROC level. So, we will be maintaining the (+20) ROC levels in the going forward quarters or year to come. Yes, inventory days this September because we had to build up for the increased demand, this will in the March we are more or less be at the same levels of the inventory days that we were in previous March, 4-5 days here there.

Moderator: The next question comes from Sakshi Chhabra from Swan Investments.

Sakshi Chhabra: My first question was I wanted to just understand that in the first half, there has been an increase in the short-term borrowings to the tune of 285 crores. Can you just explain why that was?

Sachin Gupta: The short-term borrowings. Yes, but if you compare our net debt now. So, we have a balance bank balance as on the 30th September and that is to the tune of 270 crores. So, if you compare it, if we reduce that our debt balance has in fact reduced from last September as well. And so that is in fact reduced by 22 crores in this, so we have. So, there is a cash balance that is sitting in my financials.

Sakshi Chhabra: But the short-term borrowing was to meet working capital needs?

Sachin Gupta: That was also a working capital need and actually that got transferred in the later part of this quarter. So, there was a cash balance as well as there was certainly the borrowing.

Sakshi Chhabra: And this degrowth that we have seen in the ready to eat and ready to heat segment. So, is that only pertaining to one segment that has been discontinued or has there been an overall degrowth?

Ashwani Kumar Arora: The ready to eat and ready to heat has grown by 8%, so there is no degrowth in this.

Sakshi Chhabra: So, the growth in H1 is 8% but in Q2 there has been a degrowth of 15%. I am referring to the Q2 degrowth.

Ashwani Kumar Arora: So, we have discontinued or rather we are going to discontinue Daawat Sehat, the fortified rice that we are in the process of. But our ready to eat and ready to cook is growing. Rather we are building another capacity in the USA.

Sakshi Chhabra: So, in the medium term what is the expectation of growth from the ready to eat and ready to heat segment?

Ashwani Kumar Arora: So, we are positive on ready to eat. So, that we are expecting in USA in H1 we have grown over 33% ready to heat and, we are positive. In 3-4 months, we will be up by the new facility. So, we are positive double-digit growth in ready to eat and ready to cook and some products are in the pipeline.

Moderator: The next question is from Yash from Stallion Asset.

Yash: So, my question, in Middle East we've seen a very good market share gain, almost 300 basis points gone by. But I am just trying to understand that we just had added one distributor in Saudi Arabia right now. And given that our partnership with SALIC has already been 1.5 year. So, what is stopping us from are going a little bit more aggressive in that region given the pressures that the peers are facing, when can we expect some more aggression in terms of adding more distributors and expanding our market share over there?

Ashwani Kumar Arora: On the Middle East, it takes time to plan the things and as I said that we are very positive in the next month time, you will hear a good news and as a style of LT we are positive and that we will have a good position in Saudi Arabia. Already in the Middle East we have covered which is the lower Gulf we call it Dubai. In Dubai, our share in premium segment as per Nielsen has gone to 9.8% from 6.2%. we are improving our market share in Kuwait, in Qatar, in Muscat and Iraq also. Now the strategy is in place. The distributor has been appointed and we are hopeful that we will do good in Saudi Arabia. As in a consumer business—it's not a trading business, consumer business—takes time to build.

Moderator: The next question is from Yash Mishra from SKS Capital & Research.

Shubhankar: This is Shubhankar here. A few quick questions, with respect to your H1 number, does it have any revenue contribution for your UK operations?

Ashwani Kumar Arora: Yes, the revenue there is a contribution from UK. I will tell you the number. That is 80 crores.

Shubhankar: And what is it that you expect for this rest of the financial year?

Sachin Gupta: We are expecting a revenue of €24 to €25 million this fiscal.

Shubhankar: Secondly so you said your freight cost will continue to be higher in Quarter 3 and then Quarter 4 you expect this to normalize. So, basically, the trend is we had 5% of revenue as freight cost in Quarter 1, Quarter 2 it is you said 6%.

Sachin Gupta: So, that was 6.6%.

Shubhankar: So, Q3 we expect this number to be here. You expect to go up a bit and then Quarter 4 you want to come down.

Sachin Gupta: It will be in this lines itself. So, it will remain as such. Yes, we are focusing on improving other operational efficiencies, bringing in more operations so that we deliver the kind of profitability which we are delivering. So, yes, the freight cost will remain more or less at 6.4% to 6.6%, this level.

Shubhankar: Not going to go up from here basically you will say?

Sachin Gupta: No this won't go up.

Shubhankar: And then with respect to your ready to heat and ready to cook, this basically had a 9% EBITDA loss I mean negative. So, H1 you had a breakeven at 100 crores of revenue. But for Quarter 2 on 44 crores revenue, you had a significantly lower OPEx it seems like. What level you will again breakeven because you exited one brand. So, what level you will do break even?

Sachin Gupta: We will be breaking even at a revenue of around 350 to 400 crores. So, that will be the breakeven point and this we wish to achieve. We have plans to achieve at 2 to 3 years' time frame. So, that's the breakeven level.

Shubhankar: And finally, so with respect to the Supreme Court verdict for the insurance related matter, we thought that because it is already a couple of months, we thought that there'll be something final because after the Supreme Court verdict you got in written, so the money should have hit your bank in a month time. But it's been two months. There is no update on the same as of now.

Ashwani Kumar Arora: That's true. We have won in Lower Court, we have won in High Court, we have won in Supreme Court. But executing court takes time, they will take date and all this. So, we all know that the system. But I think everything is clear. It's a matter of some days only.

Moderator: The next question comes from Pradyumna Choudhary from JM Financial Family Office.

Pradyumna Choudhary: The first question is, last year was a year of higher paddy prices. So, why have we really seen a decrease in input costs for this year? Ideally it should have gone up. That's the first question.

Ashwani Kumar Arora: Can you repeat your first question?

Pradyumna Choudhary: Yes, last year paddy prices were high. So, ideally one year later the input cost should have actually gone up. While in our numbers we can see that the input costs have fallen.

Ashwani Kumar Arora: No, input costs have not fallen yet. So, you mean to say you are referring to gross margin.

Pradyumna Choudhary: Yes.

Ashwani Kumar Arora: But we have taken the price hike also.

Pradyumna Choudhary: So, then our revenue growth in Basmati in Q2 was only 3% and volume growth was 7%. So, despite the price hike, the value growth that is as in the average realization growth has actually been in negative territory.

Ashwani Kumar Arora: Let me check the number. But it depends on the mix, as we play on a different price point. So, sometimes the mix, some quarter the mix changes. But answering your first question, the gross margin has increased because we have taken a price hike also whatever comparative to the input cost increase.

Pradyumna Choudhary: Maybe like later in the call if you can just double check on this because I am very surprised. 3% revenue growth in Basmati which is suppressing our overall revenue growth as well. Where in a quarter where we have taken price hike that somehow is not adding up.

Sachin Gupta: So, the GP margin improved because as a percentage to the cost increase, we have increased the sales price. So, our GP margin has improved as you can see in the quarterly or the half yearly results. Yes, if you have to compare our quantitative growth in this half year, the quantitative growth is almost as equivalent to that of the growth of my revenue. So, we have increased by 12% in the quantity terms. The revenue, the price it is just a mix that has changed. So, that has increased my overall margin levels in this half year this quarter.

Pradyumna Choudhary: Just trying to clarify. I am just talking about Q2. Our Basmati volume growth was 7.3%, our revenue growth was 3%. So, like roughly the realization was down by 4% for us. So, you are saying this 4% decrease in realization is all because of mix change towards lower value?

Sachin Gupta: Because of the product mix. The mix in the product that has given otherwise our GP margins have improved. If you compare the quarter-on-quarter basis our GP margins have increased in this quarter.

Pradyumna Choudhary: And why would that be a customer down trading, is that the thing?

Sachin Gupta: Because of the mix actually, we have in a basket, we have a three range, a $3, $2, $1. $3 contributes around 40% to 45% of the GP margin. $2 contributes 30% and a $1 20%. So, a mix change of course has a positive effect on my GP margins. That's what we were explaining the GP margins from here as the marketing spends are improving, so our GP margins yes will improve. Yes, our spends will also improve and yes it will have a long-term effect going forward.

Pradyumna Choudhary: This was just a follow up because I couldn't get the clarification. My second question is remaining. So, on the second question, I understand that a freight increase was there, and we previously spoken about 4 crores a month of freight cost increase but if I look at other expenses YOY it's gone up by 96 crores. So, what would explain the difference? I know the freight cost increase would add up to around 12 crores and digital spends would add up to another 12 to 15 crores but that should be maximum 25 to 30 crores of increase whereas it has gone up by around 96 crores. What explains the remaining?

Sachin Gupta: So, if you compare it with the half year-half year numbers, the other expenses in this half year is 676 crores as compared to 523 crores the last half year. So, in that the major spend increase is the logistic cost. The logistic cost from 270 it has increased by almost 100 crores in this territory. Yes, there has been certainly certain increase in other costs as well as the scale of operations. And that is in the percentage terms has remained the same more or less as the revenue. The major increase has come as change in the percentage that has come in the logistic cost.

Pradyumna Choudhary: But earlier we were guiding for 4 crores increase per month, in logistic cost?

Sachin Gupta: That all depends upon the business also. Now the business has increased and that has resulted. But yes, the business overall has increased, the cost as a percentage, I have just told you that it has increased by more than 1.8% in the logistic cost. So, an increase of almost 100 crores. So, that's 40 to 45 crores a quarter increase. That is because of the two factors, the business increase and as well as the Red Sea effect.

Moderator: The next question is from Yash Mehta from Aart Ventures.

Yash Mehta: I wanted to ask that decline in 80 basis points of the EBITDA margins, how much of this is attributable to the Red Sea crisis? How much of this decline is attributable to the Red Sea crisis?

Ashwani Kumar Arora: You mean to say the decrease in the EBITDA margin?

Yash Mehta: Yes.

Ashwani Kumar Arora: As we said that our logistic cost has increased to the revenue 1.6% as compared to last year. So, I will say half it will go because the natural freight cost has increased. That we have already taken in our pricing. But roughly I will say in the range of 1% has really attributed to the Red Sea.

Yash Mehta: 1% of the of the…..

Ashwani Kumar Arora: Yes. So, roughly we have impact of Rs. 27-28 crores on our budgeted number, the Red Sea that counts for 1.2%.

Yash Mehta: What is the volume growth that you see that you will be able to achieve in FY25? And what are the margins do you see that you will be able to achieve at the end of the year?

Ashwani Kumar Arora: So, as per earlier guidance given, we will be having a growth of about 10% and the EBITDA margin will be in the range of 12%.

Yash Mehta: 10% is the volume growth, right?

Ashwani Kumar Arora: Yes 10%-11% whatever we have done in H1.

Sachin Gupta: And this is for the full FY25?

Ashwani Kumar Arora: That's right.

Moderator: The next question comes from Hitesh Goel from Riddhish Advisors.

Hitesh Goel: I just wanted to understand in 2Q what was the Basmati revenue growth in India and exports because it's only 3%? So, basically, is there a big decline in the export segment in 2Q only I am talking about.

Ashwani Kumar Arora: As compared to last year. So, I think we can explain that. But the good thing is to measure H1 so that we have grown 11.7%.

Hitesh Goel: No, I understand that but I am just trying to understand is there some one-off because of Middle East crisis?

Ashwani Kumar Arora: Nothing else.

Hitesh Goel: So, can you give those numbers, so that we have some sense on India and on 2Q only?

Sachin Gupta: The growth in the India market is 9% whereas the international market we have grown by 5%.

Hitesh Goel: But the overall revenue growth is only 3%.

Sachin Gupta: That is the quantitative growth. So, quantity wise we have grown in this. If you compare it with the overall market revenue wise, so we have grown better in India the value terms, that is 10% growth that we have witnessed in the revenue terms. And the international market it is on a year-on-year basis there is a growth of 2% in the value.

Hitesh Goel: But this is not adding up because your growth overall is only 3% revenue which you've given in the slide.

Sachin Gupta: Revenue growth in the Basmati category, the specialty and the Basmati category.

Hitesh Goel: I am talking about only Basmati. I am not talking about the organic. Internationally is there a decline in Basmati? That's what I want to understand on a YOY basis.

Sachin Gupta: So, the Basmati market we have grown by 4%. So, there is a mix. So, international contributes almost 60%-65% of my revenue. So, there the growth is almost 1.5% whereas the India market has grown outpaced. So, there is the difference.

Hitesh Goel: And mix you said is adverse because revenue in 2Q only I am not going 1H.

Sachin Gupta: I am also talking about the Q2 year on a year basis.

Hitesh Goel: But then how did the gross margin improve if mix is adverse on a YOY basis?

Sachin Gupta: In the mix also, you have different categories of products. So, we have a premium product and in that also in there are certain products which give me a higher margin. Under $2 also there is a certain product which give me a higher margin. So, we have we are focusing on the products which give me more margins. So, in fact that's the reason in spite of having lower, not increased margins we are able to increase the revenue growth, we are able to have a higher GP margin. So, our focus is having bettering our GP margins.

Hitesh Goel: My second question is in the international market, the Middle East if you look at 1H also, your rest of the world growth was only 7%. So, the Middle East is growing fast. So, which market has got impacted that our revenue growth has got impacted.

Sachin Gupta: So, the European market has impacted and that too because again we want to focus on more margin where the margins are growing. So, that is also we want to focus on high margin markets. So, that's the reason.

Hitesh Goel: So, is there a stress in exports or are you seeing revival in second half in terms of growth?

Sachin Gupta: No there is no stress. In fact, we are growing in different markets.

Hitesh Goel: But can we achieve 10% kind of growth in exports in second half? Are you seeing that kind of orders?

Ashwani Kumar Arora: That's what we are expecting and that's the guidance we have given input year basis.

Moderator: The next question is from Resham Jain from DSP Asset Managers.

Resham Jain: I have a couple of questions. The first one is on the Organic business. Last five-six quarters after some issues last year we have seen a continuous growth in that business. So, if you can just explain what is driving the growth in the organized piece?

Ashwani Kumar Arora: Every product is contributing rice of course and then soya also and other product portfolio which is the oil seeds. So, all these all categories participating but bigger is the rice.

Resham Jain: Ans this business, how are you seeing growth here? Because we had this import related issues from India and then we have set up our some of the sourcing from African region. So, from the growth perspective how are you seeing visibility here in the next 1-2 years?

Ashwani Kumar Arora: We are positive, we are expecting again 10% to 12% growth in organic also. Our stock and sell in Europe and America is really helping us in strengthening our organic business. What we are doing is to the main growth drivers, we are adding is to source from the other part of the world also. Like we are sourcing from Africa, we are sourcing from Brazil to add more products in our stock and sell portfolio. So, we are expecting, with this incident of soya we have learned that we should not get into very commoditized organic business. So, we learned from there. We have to catch up now. This year we are expecting to do more than 1,000 crores in organic. So, that's building up. We are expecting both in terms of growth and margin expansion.

Resham Jain: Recently there's non- Basmati rice export, there has been some relaxation. In the past I remember that there were like certain opportunities on that front and which you cashed in 2-3 t years back if I am not wrong. Are you seeing that also as an opportunity from the export market perspective?

Ashwani Kumar Arora: Definitely, Resham, we will evaluate the opportunity and normally we are not into non-Basmati business and business which is not sustainable in nature but in a branded segment where sustainability comes, we will definitely evaluate. But this is positive news for overall the industry.

Moderator: The next question comes from Shivam Dave from Prodigy Investment.

Shivam Dave: I wanted to understand on that disclosure that we had a substandard quality rice, any color on that on anything that you have?

Ashwani Kumar Arora: So, this is a very normal thing. I keep collecting samples. So, they have not awarded any this thing on us on any. So, they have picked up on the basis of this and then it will get to lab and then the final result will come. So, the weight and measurement. So, nothing, no harm, all is in control.

Shivam Dave: The second question I had is on the ready to heat and ready to cook segment. Now, when I look at the last three quarters, we have grown about 30% in terms of volume growth. But then this one quarter I think we've de-grown by 15%. What is the reason for this sudden sharp decline in volume growth?

Ashwani Kumar Arora: As our RTH and ready-to-cook business is growing. It's the only one product we have discontinued, in the phase of discontinuing is Daawat Sehat which were selling in India. But the main business is growing which is RTH and ready to cook business.

Shivam Dave: Can one product make such a big impact on your volume growth?

Ashwani Kumar Arora: It's a new business for us. We are learning also from there and Daawat Sehat was 18.5 crores of business. So, 18.5 crore business we have not lost but we have discontinued.

Shivam Dave: And just one follow up on the ready-to-cook segment. How is the working capital cycle for that? Is it lower than our Basmati business or is this on the same line?

Ashwani Kumar Arora: Ready-to-cook?

Shivam Dave: Yes.

Ashwani Kumar Arora: That must be 90 days working capital side.

Shivam Dave: The whole cycle as such, right?

Ashwani Kumar Arora: Yes.

Moderator: The next question is from Mohammed Patel from Care Portfolio Managers Private Limited.

Mohammad Patel: My first question is, how much more in volume terms will we be buying inventory as compared to last season?

Sachin Gupta: How much will we buy?

Mohammad Patel: Inventory how much more will we buy?

Ashwani Kumar Arora: That is as per the growth. We will buy as per our demand here. So, we are growing in volume terms 10% to 12% year-on-year. Accordingly, we will source our….

Mohammad Patel: I was just trying to understand if you will take advantage of lower prices and buy more.

Ashwani Kumar Arora: We may, it depends. The season has just started. We will see just how the pricing behaves. Maybe we will source more. But it depends, it's too early to say that and we don't want to speculate on that.

Mohammad Patel: My second question is that we have relaunched the Royal Atta, so, what are your thoughts on the same?

Ashwani Kumar Arora: That's doing good. So, we have launched Royal Atta 6 year back but this India little destruction on the wheat flour, again we have started importing wheat and then processing and selling it again. So, we have relaunched it kind of thing. Adding on that's not a big ticket to our revenue.

Moderator: The next question comes from Abhishek Maheshwari from Skyridge Wealth Management.

Abhishek Maheshwari: Just two questions. Regarding the insurance claim, you mentioned that you have won at District Court, High Court.

Ashwani Kumar Arora: Yes Abhishek, just explained that we have won in all courts but in the executing court it is taking time. Sometimes judge is not there, sometimes another party takes date. But they say it's a matter of few days. I think we should get our money.

Abhishek Maheshwari: So, is it that you only once you get the money in the bank then only you will recognize that or will you wait for the written order from the relevant quote and then recognize.

Ashwani Kumar Arora: No, the court has already awarded in our favor. Now it is the matter of execution and execution court is taking it up but it is taking as usual judiciary 2-3 months, so hopefully.

Abhishek Maheshwari: October to December probably we should see the exceptional gain in our book?

Ashwani Kumar Arora: We are hopeful, now the next date is 5th of November. We are hopeful for the resolution.

Abhishek Maheshwari: Lastly regarding the freight cost, I think as Sachin sir mentioned that Q3 obviously because of shipments the cost will be higher. But Q4 on which should we expect normalization or only from first quarter FY26 should we expect this?

Ashwani Kumar Arora: Quarter 4 to Quarter 1 you will see a better performance. There will be some leftovers because it takes for us to reach always in water, in store we have a 5 to 6 month inventory. So, fully Quarter 4 will start improving and Quarter 1 we are positive here.

Abhishek Maheshwari: But fright cost?

Ashwani Kumar Arora: So, I said as per today's situation we are in the freight market it's coming down.

Abhishek Maheshwari: What I am trying to ask is, so the freight costs have come down to pre-Israel crisis level, Israel attack level? Because it had moved up. It has come down again. So, 6 months you have, probably from Q1 onwards we should expect?

Ashwani Kumar Arora: So, little bit improvement should come in Quarter 4 and then Quarter 1 will be more clear.

Moderator: The next question is from Rohan Patel from Turtle Capital.

Rohan Patel: One of your opening remarks, you said that we are having a good crop this time. The crop offtake is good by 10%-12% and paddy prices are down. So, can we expect that we maintain our gross margin, or we are going to also expect the gross margin to be coming down as well?

Ashwani Kumar Arora: We will definitely maintain and improve and that's what we are expecting because it's another 2 months, 3 months, in the months we will source. But we are optimistic that if the sourcing price remains the same what has been opened up then we are expecting to have a better margin in '25-26. That's the kind of what we see.

Rohan Patel: So, we can expect that your EBITDA margin if you can provide any guidance to be somewhere between in the lines of 12% to 14%?

Ashwani Kumar Arora: Yes, that's the guidance. 12 is already there. So, we will improve from there.

Rohan Patel: Second thing that I wanted to know as I am new to your Company. So, how are you catering to the UK market? I am asking from sourcing point of view because if you see sale of Basmati Rice was banned from India to UK and Europe due to pesticide residue issues. So, can you just explain me how are we sourcing from big geographies?

Ashwani Kumar Arora: No, it is never banned. But there were some issues where the Indian product was not matching to the MRL level of UK or EU. But as an LT we have a big farmer program where we make sure that the we have a product of compliant product and we are doing our regular export to UK and EU. Sometime our EU unit sources from Pakistan if India is not competitive. But as an LT food we are regularly exporting our brand from India, Daawat both UK and EU.

Rohan Patel: Even if we have to see the international operations that you have in America as well as in UK, so all the rights are being sourced from India or you have some more diversified geography. You want to keep diversification on geography for sourcing.

Ashwani Kumar Arora: So, we call it specialty rice. So, in specialty rice Basmati, we do, and we do the regional specialty which is Sona Masuri. Sona Masuri and Basmati for America we only source from India. As far as European we call it EU and UK, partly we source from India and partly we source from Pakistan. But all other brands in UK and EU goes from India. So, the rice we do the private label for the stores that is done by India and Pakistan. I hope that clear your question.

Moderator: The next question comes from Tom A. Kadavil from Geojit Financial Services Limited.

Tom A. Kadavil: I just wanted guidance on the depreciation for FY25 and also the share of associate profit for FY25.

Sachin Gupta: The share of profit for the associate in this half year was 19 crores and that's what your question was, the share of profit?

Tom A. Kadavil: Revenue for the entire year.

Sachin Gupta: That will be in the range of around 30 crores, 30 crores profit that will be coming from the associate.

Tom A. Kadavil: On the depreciation front, can you give guidance on the entire annual figure FY25?

Sachin Gupta: It will be more or less in the same range that is there the half year, the 87 crores, it will be around 175 to 180 crores.

Tom A. Kadavil: And another question that I have is on the Basmati, what is the Q2 volume, India and international?

Sachin Gupta: So, the Q2 volume in India, this quarter the volume in India is 89,000 tons, the international is 82,000 tons.

Tom A. Kadavil: And realization for Q2?

Rohan Patel: The average relation in Q2 is Rs. 102.

Tom A. Kadavil: And can you get a breakup of India and international?

Sachin Gupta: 63 and 144.

Moderator: The next question comes from Raman KV from Sequent Investments.

Raman KV: You are setting up a plant in the UK as well as you are setting up a plant in the USA wherein with respect to US, the new plant in USA the production capacity is going to double. And at the same time, from what I understood from the presentation you are setting up a manufacturing facility in Uganda as well. So, can you give me an estimate about when will this plant or setting up of the plant will be done and from when they will start contributing towards their revenue?

Ashwani Kumar Arora: So, UK plant has already been set up and we just done inauguration in July. That has started contributing. Regarding the USA, we are doubling our capacity of ready to eat plant. Right now, we are producing 15 million pouches which is totally sold out. Now we are doubling to 35 million. So, of course whatever the growth will come year-on-year that will be serviced from that increased capacity. And Uganda is a small investment, very small investment. That is mainly for our organic business where they are putting the soya mill.

Raman KV: But when will the UK-US plant be like start? So, it's like a value addition plant or what?

Ashwani Kumar Arora: So, already we had a plant which is producing ready-to-eat products, which is microwave rice. We have set up the plant 5 years back. Now the capacity is fully sold out. Now we are expanding our capacity to double.

Raman KV: So, when will this expansion be done?

Ashwani Kumar Arora: That's a continuous process. To service the continuous growth of the market.

Raman KV: Also, you said that you are discontinuing Daawat's fortified.

Ashwani Kumar Arora: Yes fortified.

Raman KV: I didn't understand. Can you give some more clarity on that?

Ashwani Kumar Arora: So, what we have done, 4 years back, 5 years approximately, we have launched in India Daawat Sehat Rice which is the fortified because government was promoting, the trend was coming the fortification. But that has not met our expectation in terms of growth and market share. So, we decided to discontinue that product.

Raman KV: I just have one question with respect to inventory management. Whatever we produce we pack it and sell it to the retailers. Like either like a big chain of retailers or shops at the local level and there is a freight cross angle also. So, if there is any damage during the freight or are we supposed to pay for the damages, or it's based on a contract basis?

Ashwani Kumar Arora: If I understood your question correctly that we operate like any other FMCG company operate. We are accountable and responsible till consumer consume it. So, guarding whatever what you call is replacement that is very small, sometime packet get damaged.

Raman KV: Can you give a figure about what might be the replacement?

Ashwani Kumar Arora: That’s very less. I don't have right now definitely. But that's very less, not even in percentage.

Moderator: Thank you. Ladies and gentlemen, we would take that as our last question for today. I would now like to hand the conference over to the management for closing comments.

Ashwani Kumar Arora: Thank you so much. If any question is left or not cleared, I request everyone to send your questions to our IR department. We will definitely clarify all queries. Thank you.

Moderator: Thank you. On behalf of LT Foods Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.