



“LT Foods Limited Q3 and Nine Months FY2018
Earnings Conference Call”

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ANALYST: **MR. NIKET SHAH - MOTILAL OSWAL SECURITIES LIMITED**

MANAGEMENT: **MR. ASHWANI KUMAR ARORA - MANAGING DIRECTOR & CEO - LT FOODS LIMITED**
MR. VIVEK CHANDRA – CHIEF EXECUTIVE OFFICER (GLOBAL BRANDED BUSINESS) - 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 Q3 and nine months FY2018 Earnings 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. Niket Shah from Motilal Oswal Securities. Thank you and over to you Sir!

Niket Shah: Thank you so much. We at Motilal Oswal are extremely pleased to host this call to discuss Q3 FY2018 results for LT Foods. From the management today, we have Mr. Ashwani Kumar Arora, Managing Director & CEO, Mr. Vivek Chandra, CEO of Global Branded Business, Ms. Monika Chawla Jaggia, Vice President Finance & Strategy, and Mr. Sachin Gupta, General Manager Finance. I will hand it over to Monika for the opening remarks, post which we can open the floor for Q&A session with our management. Thank you, over to you Monika!

Monika Chawla Jaggia: Thank you Niket. A very warm welcome to all of you at this LT Foods earnings conference call for the third quarter and nine months ended financial year 2018. I am Monika from the Investor Relations team at LT Foods. Along with me, I have Mr. Ashwani Arora our managing director and Mr. Vivek Chandra, CEO of Global Branded Business and Mr. Sachin Gupta, the GM Finance joining in for this call.

Anything which is said during this call, which may reflect our outlook for the future or which may be construed as a forward-looking statement must be viewed in conjunction with the risk that the Company faces. A presentation on the performance has been uploaded on the stock exchange and the Company’s website for the ready reference. A transcript of this call would be shortly available on the investor section of our website that is www.ltgroup.in.

With this, we are now ready to begin with the opening comments on the performance of the Company and our strategy for the growth from the managing director. Post this we would be available for the question and answer session. Now with this I will pass it over to Mr. Ashwani Arora.

Ashwani Kumar Arora: Thank you Monika and very good afternoon to all of you. It is a great pleasure to greet all of you once again on behalf of all our Board of Directors and the senior management. We begin by thanking all of you for having spared time and joining us here today to discuss our third quarter and nine month ended earning call for the year 2018.

Before we discuss the financial performance of this quarter allow me to quickly highlight developments of Basmati Rice sector in India.

This year has been an increase in the paddy prices to the extent of 25% to 30% due to the lower crop production and lesser carry forward stocks. The increased input cost has pushed most of the companies to increase prices in order to maintain their margins. In addition, there has been 5% GST on the branded basmati rice; however, you will be happy to note that diversification of the Company in multiple geography and across products has helped it in expanding its margin as well as increasing its market share not only in India but globally as well.

Some of the proactive measures taken by the Company this year to tide over the shortage of crop have been stated as follows:

The backend team of the Company has worked extensively with the farmers to increase their yields through sustainable farming methods. Today we have approximately 40000 acres of land under sustainable crop production across Haryana and Madhya Pradesh.

Crop protection survey have been carried out on a regular basis helping in advanced planning and in diversifying its procurement into additional area, which helped the Company to assure quality procurement at a minimal cost.

It has built adequate reserve of quality paddy stocks across all its major facilities in North and Central India to take care of the next season.

Now let me give you overview of the strategic update with focus on this quarter –

LT Food achieved a major milestone this quarter by raising Rs.400 Crores through QIP from renowned Indian and global funds such as SBI, DSP Blackrock, Morgan Citi, among others. You will be happy to note that the shareholding base has now expanded to include Private Equity investors, Indian and International FIIs, HNIs and retail thereby leading to a healthy mix of shareholders.

Through this fund raising, both Indian and Global investors showed their faith in the future growth drivers of the Company such as expanding the product portfolio and geographical presence in the key growth and stable market like India, US, Europe, UK and Middle East by leveraging its brands, distribution and infrastructure. Their faith in the Company has given us more confidence to continue to work with the same momentum. The funds raised will be utilized to augment long-term capital for deleveraging and therefore strengthening the balance sheet further. With the induction of these long-term fund, the debt equity ratio and current ratios have been seen an improvement from 2.51 to 1.26 and 1.08 to 1.30 respectively.

The Company's transition under GST regime has been quite smooth as you may be aware government has imposed 5% GST on branded basmati rice. This has helped organized players like us. Our consumer pack business has been growing by 14% especially driven by the high margin category which is in line with our overall strategy of increasing share of premium product

in our product portfolio. The HORECA business is still under going some realignment with the GST regime due to the absence of input credit to the sector. Fortunately most of our clients are direct and hence the impact is low, but our bulk business has degrown because of the GST.

The Company continues to make investment in various marketing initiative to promote this flagship brands “Daawat” and “Royal”. It has been actively participating in various events both in India and Overseas.

Besides advertising the focus continues on strengthening supply chain, Company has been working on channel wise strategy to expand and strengthen its footprint, not only in urban but rural as well. It has emerged as partner of choice across various channels such as modern trade, general trade and wholesale. It is now working towards e-commerce, which holds future potential.

I am pleased to inform that various initiatives have helped the Company to increase share of the branded business from 56% to 61% of the overall revenue.

Further our market share of branded basmati rice in India now stands as 28% as per the recent survey conducted by AC Nielsen.

Beside rice portfolio the Company continued to focus on rice based convenience and health product. The new initiatives in these areas are performing well. The Daawat Quick Cooking Brown Rice has seen a growth of 50% on a year-on-year basis. Rozana Gold Plus, which has healthy blend of white basmati rice and quick cooking brown rice, is also growing at a steady pace. These products are also available on selected food and grocery e-commerce platforms as well.

Daawat Sauté sauces have been well accepted by the consumer during its test launch and hence we are planning to launch this product pan India in the next three to four months. Kari Kari Japanese Rice Cracker from our JV Kameda Seika is also doing very well in its test launch phase.

Now moving to international business, our international branded business grew by 16% in volume terms. Our recently inaugurated plant at Rotterdam, Europe will commence commercial operations within this quarter. We have also launched the new avatar of leading brand Daawat for the UK and European market. The Company is looking forward and believes that this step will help us to grow more share in branded segment in Europe.

As mentioned in the last call, the Company has set up a facility in US to manufacture two-minute organic retort rice. LT Food America has already won the order for one of the largest global supermarket chain in the US to manufacture our product for their North American Stores. Our business from clubs, food service, private label and retail segment have been consistently performing as per our plan. We have recently got our product “Royal” and “EcoLife” listed at

Wal-Mart in addition to already established relationship with Costco and other chains. Further we have been continuously making investment on strengthening our brand as well as on the expanding our distribution network.

Middle East is also doing well and growing in line with our plan.

Our organic business is doing very well with more than 80000 farmers families across 15 states in India. The focus is currently on ingredient business. Overall this business have seen a growth of more than 30% over the last year. Company has upgraded and modernized this existing organic facility to help to cater to the international market as well as launching the brand in Indian market.

Now I request my colleague, Ms. Monika to take you through the financial update. Thank you.

Monika Chawla Jaggia: Thank you Sir. I would present the financial performance for the period of nine months ended December 31, 2017 on consolidated basis.

The Company registered revenue of Rs.2572 Crores, which is an increase of 10% on year-on-year basis.

The overall gross profits have increased by 10% on year-on-year basis to Rs.730 Crores and our branded business gross margins have improved by 120 bps.

EBITDA has increased by 5% to Rs.310 Crores on year-on-year basis. The growth in EBITDA was less compared to the growth in the revenue due to increased operational expenses arising out of the launch of new operations at Rotterdam and the higher marketing spends. Overall EBITDA margins still remain healthy at 12.06% versus 12.5% on year-on-year basis. Further to highlight that the branded business, EBITDA has improved by 83 BPS.

Reduction interest and depreciation helped the Company to growth its PBT by 27% to Rs.171 Crores.

PAT witnessed an increase of 20% on year-on-year basis to 110 Crores resulting an improvement of EPS to Rs.4.10 versus Rs.3.43 on year-on-year basis. EPS is based on fully diluted basis adjusted for the stock split from Rs.10 per share to Rs.1 per share.

Now let me share with you the growth and the realization split between India and International. Total India branded volume was valued at Rs.675 Crores as against Rs.602 Crores last year, which is an increase of 12% on year-on-year basis. The average realization increased to Rs.50 per kg that is an increase of 16%.

At international level, there was increase of 23% valued at 890 Crores as against Rs.725 Crores last year. The average realization increased to Rs.96 per kg that is an increase of 6%.

So that is all from our side in terms of the update of the business and the financial update for the nine months. So now we open the floor for question and answer, please.

Moderator: Thank you Madam. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Rahul Maheshwari from IDBI Mutual Fund. Please go ahead.

Rahul Maheshwari: Good afternoon Sir. I have two questions. First of all in your commentary, you told that we are focusing on those supply chain more towards the rural, can you elaborate on what measures you are taking what are the checks you are making and any targets to make you're strengthening a backend and all those?

Ashwani Kumar Arora: So the whole objective is to improve the margin and growth, so first of all whatever the backend and supply chain we are taking measure is the ideas to improve the margin by 1% by bringing that efficiency.

Rahul Maheshwari: By which timeline 1% by what time Sir?

Ashwani Kumar Arora: 1% in the next one year, so that is the plan.

Rahul Maheshwari: Okay and what kind of rural distribution and urban distribution, any numbers specific or any targets you want to or what kind of model do you want to get into for distribution?

Ashwani Kumar Arora: So rural we have a plan to have distribution the town up to 50000 and then distribute through that town to the rural market also.

Rahul Maheshwari: And for urban?

Ashwani Kumar Arora: Urban we have 700 distributors across all cities.

Rahul Maheshwari: Okay, so this 1% gain, which is there that, would be purely coming from the distribution efficiency?

Ashwani Kumar Arora: No. One is the gain is through the efficiency and the growth will come from the topline and the scale.

Rahul Maheshwari: 1% gains on EBITDA front you are talking off?

Ashwani Kumar Arora: Yes. EBITDA. That is the plan.

Rahul Maheshwari: Okay and the second thing in the breakup of India branded sales and international branded sales, the average realizations for Indian branded was 16% whereas sales was 12%, so there was a volume degrowth kind of thing?

Ashwani Kumar Arora: Wherein?

Rahul Maheshwari: India branded sales because your realization has grown by 16%, whereas your sales has grown by 12%, so any commentary on volume that what kind of volume number Sir?

Ashwani Kumar Arora: Yes, as I told by in commentary that our consumer pack business has grown by 14% but the bulk pack business has degrown because of this GST.

Rahul Maheshwari: So has it been stabilized or going forward also you find the pressure in your bulk pack business?

Ashwani Kumar Arora: So bulk pack business whatever has been the impact supposed to be, so has already been done, so we are not seeing further decline in because of the GST.

Rahul Maheshwari: At this consumer pack 14% YOY, it is a purely volume driven or a value driven kind of thing?

Ashwani Kumar Arora: 14% is the volume driven.

Rahul Maheshwari: Okay and can we expect this sustainability going forward, rest all things remaining the same?

Ashwani Kumar Arora: Yes. So we have seen CAGR growth in consumer pack above 12% and that we are hoping to see in future also.

Rahul Maheshwari: Okay and for international, the growth was very fantastic, 23% growth and just a realization gain has been just a minute on volume front any picture on the international sales, what are the driving force?

Ashwani Kumar Arora: You know two, one is of course US is our main market and then Europe and the other part of the world.

Rahul Maheshwari: Okay. So it is in terms of the base business has been growing rapidly or the new driver business in the form of the snacks and all this has been started gaining and how much it can contribute going forward whatever the steps you are taking in terms of rice, food products, so any target by one or two year it might contribute to what extent to with the overall topline kind of thing?

Ashwani Kumar Arora: So like whatever the growth you have seen till now is mainly from our the core business but in future we are adding these value-added product and that will be so we are planning in the next five years that it part of 10% of total, like I have just discussed that in brown rice we have grown, quick cooking brown rice 50% year-on-year and this new product Rozana Gold Plus mixed with brown rice is also doing very well.

- Rahul Maheshwari:** What kind of margins on these value-added products you are making on?
- Ashwani Kumar A:** Value added product that is 35% to 40% gross margin whatever we are doing.
- Rahul Maheshwari:** And on base businesses how much is the gross margins right now?
- Ashwani Kumar A:** This is 28% to 29%.
- Rahul Maheshwari:** Any capacity expansion or something in plan or capex plan for the year?
- Ashwani Kumar A:** So, whatever the capex was needed for the next five years, so we have done this year. So in future we are only seeing the maintenance capex.
- Rahul Maheshwari:** And to what extent that can be?
- Ashwani Kumar A:** That can be in the range of 50 Crores per annum.
- Rahul Maheshwari:** Thank you.
- Moderator:** Thank you Sir. We have a next question from the line of Mangesh Bhadang from Param Capital. Please go ahead.
- Mangesh B:** Good afternoon Sir and thanks for taking my question. Sir, I was looking at the margins and on Q-o-Q as well a Y-o-Y this quarter it is down, so I just wanted to know is it because of the trading business that, which could have reported really low margins or it is because of the raw material related issues?
- Ashwani Kumar A:** If you see, the PAT margin has improved 20% against the same period.
- Mangesh B:** No, I am talking about EBITDA margins in this quarter?
- Ashwani Kumar A:** EBITDA margin is a kind of three things, which has happened, one is in this year we have just started the European operation, so there is a loss in that Rs.10 Crores and then we have write of some bad debts in the range of 14 Crores, in nine months time, so that is the 25 Crores, if you normalize that our EBITDA margin has improved to 13.38%. So that is an improvement of 83 BPS, which Monika has just spoken about.
- Mangesh B:** So this loss in Europe has been taken in this quarter because you have started the operations as of now right?
- Ashwani Kumar A:** Yes, just now.
- Mangesh B:** And it is not related to the trading business where the margins can be volatile?

- Ashwani Kumar A:** No, so this year if you see, the trading business is very less than 100 Crores in the first nine-month.
- Mangesh B:** Right and Sir, now that we have completed the QIP, when do we start seeing reduction in the interest cost will it be from the next quarter or probably it will be in a phased manner?
- Ashwani Kumar A:** Yes, in this quarter whatever, you will see the impact of the reduction in the cost.
- Mangesh B:** In March itself?
- Ashwani Kumar A:** In March, the first quarter yes.
- Mangesh B:** Sir, I will just back in queue if I have more. Thank a lot.
- Moderator:** Thank you Sir. We have a next question from the line of Shubhankar Ojha from SKS Capital. Please go ahead.
- Shubhankar Ojha:** Thanks for the opportunity Sir. So, what I want to understand the pricing scenario, there has been hike in the paddy cost 25% to 30% increase there, so what is the pricing scenario as of now and I think I also talk about the demand part of it?
- Ashwani Kumar A:** The procurement is almost done. So prices are strengthening further. We are very hopeful these prices are going to firm till the next quarter and demand side is, as whatever the natural growth category growing so that has been either in export or India.
- Shubhankar Ojha:** Now, this procurement is completely done, so what are the inventory figures as well as the paddy inventory?
- Ashwani Kumar A:** Total inventory value is around 1800 Crores, so paddy is 220000 tonne and rice is 115000 tonne.
- Shubhankar Ojha:** What was our average procurement cost for paddy?
- Ashwani Kumar A:** This is 30911.
- Shubhankar Ojha:** 30?
- Ashwani Kumar A:** 31.
- Shubhankar Ojha:** Rs.31 per kg.
- Ashwani Kumar A:** Yes.

- Shubhankar Ojha:** And if you can give the latest, what was the usage to the entire, QIP money has been used retire debt?
- Ashwani Kumar A:** Partly it has been.
- Shubhankar Ojha:** At the end of, I mean obviously after using the QIP money, what is the number?
- Ashwani Kumar A:** So, you mean to say the debt?
- Shubhankar Ojha:** Debt I mean to say.
- Ashwani Kumar A:** So, debt by March 31, 2017, we have a plan to reduce from Rs.150 Crores to Rs.200 Crores because the prices have been increased, so the rest has been used as working capital.
- Shubhankar Ojha:** Thank you Sir and all the best.
- Moderator:** Thank you Sir. We have a next question from the line of Prajesh Maroo from Money Curves. Please go ahead.
- Prajesh Maroo:** Thanks for taking my call. I have two to three questions. One is that if you can give me the exact quantity breakup for branded and non-branded sales for Q3 in nine-months?
- Ashwani Kumar A:** In nine-months?
- Prajesh Maroo:** Yes, for the quarter and nine-months.
- Ashwani Kumar A:** I will give that nine-months, it is 225000 tonne for the nine-month for branded.
- Prajesh Maroo:** Non-branded, Sir?
- Ashwani Kumar A:** Branded is around 78000 tonnes.
- Prajesh Maroo:** And for the quarter can I get?
- Ashwani Kumar A:** For the 9 month around 78000 tonnes.
- Prajesh Maroo:** Branded one?
- Ashwani Kumar A:** Yes, branded.
- Prajesh Maroo:** Thank you so much.

- Moderator:** Thank you Sir. We have a next question from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.
- Kashyap Jhaveri:** Thank you for the opportunity. I missed out the inventory figure, you said 1800 Crores is total inventory of which paddy is how much?
- Ashwani Kumar A:** 220000 tonne and rice and 115000 tonne.
- Kashyap Jhaveri:** And you said the cost of the paddy is roughly about?
- Ashwani Kumar A:** Rs.31 is the paddy and Rs.51 is rice.
- Kashyap Jhaveri:** What is the realization in average for the January, you have mentioned about Rs.50 per kg is nine months right?
- Ashwani Kumar A:** Rs.50 per kg is in India.
- Kashyap Jhaveri:** That is for nine months?
- Ashwani Kumar A:** Yes, for nine months and export are 96.
- Kashyap Jhaveri:** That I got, which is plus 16% and plus 6%, this number for Q3 was how much?
- Ashwani Kumar A:** Like the average realization?
- Kashyap Jhaveri:** Yes, average for Q3.
- Ashwani Kumar A:** Rs.53 around India and export is Rs.100.
- Kashyap Jhaveri:** In recent months there have been some reports had international, basmati prices have been coming down, is that right, if you look at some data, which is coming in newspapers?
- Ashwani Kumar A:** No, the other way around the price is strengthening.
- Kashyap Jhaveri:** For export and for domestic?
- Ashwani Kumar A:** Both, because the input cost is all driven with the paddy prices, so paddy price is up by 23% in procurement season and now is further strengthening.
- Kashyap Jhaveri:** Sir, in January this Rs.53 per kg would have gone up by much number?
- Ashwani Kumar A:** That will be in the just Rs.56 will be the realization.

- Kashyap Jhaveri:** And about same Rs.3, Rs.4 in the international export market?
- Ashwani Kumar A:** No, export it takes time to react, so export market will be from the next quarter, so in branded you have to slower, you have to lead time three to four months.
- Kashyap Jhaveri:** Thank you very much Sir.
- Moderator:** Thank you. We have a next question from the line of Ojasvi Agarwal from IndiAb Capital. Please go ahead.
- Ojasvi Agarwal:** Good afternoon again Sir. Sir, my question is again related to the financial only, there is a surge in other income, which is at high level, and could you tell me what major of the further income would be?
- Ashwani Kumar A:** Sorry, what was your question?
- Ojasvi Agarwal:** Sir, the other income figure for Q3 of December if you could tell me, it is about 17.5 Crores, so could you tell me what this other income would be?
- Ashwani Kumar A:** This is mainly from the exchange difference.
- Ojasvi Agarwal:** Exchange difference, and Sir, the gross margins specifically had dropped quite a bit in this particular quarter as of December 2017, are they likely to go up now in the next quarter onwards?
- Ashwani Kumar A:** So, the gross margins have not been dipped as compared to same comparison it was 28.3% and now it is 28.4%. So if you normalize then you know the margin has improved by 1%.
- Ojasvi Agarwal:** This is after taking one off cost, which you had mentioned?
- Ashwani Kumar A:** Sorry.
- Ojasvi Agarwal:** Sir, because of the one off, which you are taken, because of the European operations and the bad debt?
- Ashwani Kumar A:** That is below GP.
- Ojasvi Agarwal:** Thank you Sir.
- Moderator:** Thank you. We have a next question from the line of Kiran Singh from Karvy Stock Broking Limited. Please go ahead.

- Kiran Singh:** Good afternoon Sir. Thanks for giving me the opportunity. Sir, since you are active in Europe and American market, there has been an issue relating to pesticides, how much impact it has on your overall sales in USA and Europe?
- Ashwani Kumar A:** In Europe if you see in the last quarter we have had enough quantity to runaway in the six-month appreciation and on the other side we are, as I mentioned that we are working on the sustainability farming programme and we have enough quantity to service the Europe market as per Europe compliant product.
- Kiran Singh:** How much serious is this issue Sir?
- Ashwani Kumar A:** Issues is say registration issue. I am sure the Company has registered his Food Safety Data and in the next nine-months we will get a registration in Europe.
- Kiran Singh:** So, how are emerging demand scenario in international market for basmati rice and any order from China side?
- Ashwani Kumar A:** China is not a big market for basmati, so main market for basmati is Middle East, Europe, America and India, so rest are very small market, but main market is Middle East, Iran has opened, Saudi is growing, Middle East is growing, at a lesser pace Europe and America is growing at a bigger numbers.
- Kiran Singh:** Do you expect any import order from Iran in recent future?
- Ashwani Kumar A:** As far as the LT Food concerned we are not in the Iran business, but as an industry yes, India is getting the orders.
- Kiran Singh:** Which geographical segments you are accounting more that you think there is actual growth in the international business?
- Ashwani Kumar A:** As far as LT Food is concerned we are operating in more sustainable or politically sustainable geography. We are very strong in India, America, and Europe and in the lower Gulf, so we are not working in politically unstable market, which is like Iran.
- Kiran Singh:** Secondly Sir, you talked about that loss in European business operations of 10 Crores that led to deterioration in EBITDA margin, what other factors have been there in contributing deterioration in EBITDA margin?
- Ashwani Kumar A:** One was I said the written off bad debt and the other was European preoperative expenses we had just done in Europe.
- Kiran Singh:** The written of bad debt to what extent Sir?

- Ashwani Kumar A:** 14 Crores.
- Kiran Singh:** 14 Crores; Sir, any capex plan and you said that there would be maintenance only to the extent of 500 million or so?
- Ashwani Kumar A:** Capex, this year we will be doing a capex of around Rs. 50 Crores.
- Kiran Singh:** 50 Crores and how is the domestic market demands scenario are emerging?
- Ashwani Kumar A:** Sorry.
- Kiran Singh:** How is demand scenario appearing in the domestic market?
- Ashwani Kumar A:** Domestic is growing as I said our consumer pack business is growing 14% and as per Nielsen 9% to 10% market is growing.
- Kiran Singh:** Sir, you talked about market share, where does your Company's market share extensions in India?
- Ashwani Kumar A:** Sorry.
- Kiran Singh:** What is market share of your Company domestic?
- Ashwani Kumar A:** 29%.
- Kiran Singh:** 29% and globally export market?
- Ashwani Kumar A:** Globally, like in US have 50% market share.
- Kiran Singh:** Thanks a lot Sir.
- Moderator:** Thank you Sir. We have a next question from the line of Aakash Manghani from BOI AXA Investment Managers. Please go ahead.
- Aakash Manghani:** Thanks for the question. See on one of the earlier questions, you asked question on the gross margin decline, I had a similar question, I think for this quarter versus last year, the gross margins are down by 5%, 500 BPS, I am not sure how you are seeing that, it was up, could you help me in the calculation or am I missing something here?
- Ashwani Kumar A:** If you see the nine-month gross margins, we have almost same 28.3% was the first nine-month, now it is 28.4%.
- Aakash Manghani:** No, for this particular quarter, Q3 versus Q3 last year, they are down by 5%?

Ashwani Kumar A: This year we have done major export to Europe, which is brown rice, which has a lower gross margin for Europe business, so if you see the branded business, in this quarter our gross margin has improved 29.5%.

Aakash Manghani: Europe is what proportion for sales for you?

Ashwani Kumar A: Last quarter was big shipment, so it was 150 Crores last quarter we have done.

Aakash Manghani: So, that was one of the big shipments or on a sustainable basis we will be doing 150 Crores?

Ashwani Kumar A: No, that will because as I said to you that we have shipped for the six month because of the issues they have done by December 31, 2017 you can ship as much as, so they will not have any issue.

Aakash Manghani: Sir, but if I analyze on nine-month basis, this 28% odd gross margin that you are seeing that sustainable going forward?

Ashwani Kumar A: Yes, rather we are working on improving the same gradually.

Aakash Manghani: Could you talk about over the next two to three in terms of strategy, what is your growth strategy if I take about markets and also I like to understand what is your strategy to increase the EBITDA margins from here to whatever the target is and what is the target?

Ashwani Kumar A: So, the plan is to grow depend on market-to-market, but average growth what we have planned is 12% on an aggregate and we have a different geography wise strategies. Handing over to Mr. Vivek Chandra

Vivek Chandra: Good afternoon. India is the market, which is growing at about 10% to 12%. We are the leading brand and we believe we will get more share of this growth, which is further bolstered by the fact that we will continue to invest on the brand. As we spoke earlier there is a continuous drive to expand availability through more distributors and through more coverage of stores by our distributors and our sales organization and the second big plan of our growth in India rests on the development of the Horeca business for which we have a dedicated sales organization, which is expanding the Horeca base. So India will be one big driver of growth. The second big drive of growth that we will have is the United States. In the US, the market itself is growing with the conversion to basmati across all the cities and with the 50 % share we are positioned across all trade channels to be able to cater to this increasing demand, so as a result of that when the Hispanic population or the ethnic population they is looking for basmati then Royal is the brand, which they are most likely to find them in market that they purchase. The other driver of the US growth would be the startup of the ready to heat the two-minute organic rice, where the plant is now going on stream and there is already an order from one of the big retailers that has been procured. Europe would be the third driver with the facility, which has come up in Europe taking

away the cost disadvantage that we had because of the duty, which was there on fully milled rice, so our facility there, therefore gives us this entry into the European market and there is a large chunk of that growth that we believe we will be picking up from Europe and the last real big driver of our growth is our organic business. Mr. Ashwani Arora spoke about how we have expanded the backend and the supply points of the organic produced from India and there is a going forward CAGR of 23% that we have. So these are the drivers of the revenue line. EBITDA would increase. We are looking at about a 2% points increase in EBITDA over the next four years driven by one scale so as we get more revenue the operating leverage is going to flow down and that actually is going to be the biggest driver. In our calculations so far we have not put the efficiency drivers in our computation, but they are likely to add another percentage points once we prove them. So that is the revenue and the EBITDA drivers that we see over the next three to four years.

Aakash Manghani: Thanks for that. Is there no driver coming from the change in sales mix for example, the branded business is 61% and I believe it is a higher margin business for you, you can talk about what the margin is over there, but over the next to four year?

Vivek Chandra: You are absolutely right. The mix which is more branded and more organic itself is going to take our GP from which is reported at about 28% to 28.5%, in three year' time that would change to above 30.5%, so there is a 2% increase in GP, which the mix of moving to branded and moving to organic will give, so thank you for pointing that out.

Aakash Manghani: So, what you are saying is 2% from gross margin and 2% from operating leverage, so that is a 4% increase over the next four-year?

Vivek Chandra: I think the composite we talking of 3% improvement on EBITDA. We do not give the gross numbers, but I think when you open up the decimal points you probably look it about 33% point increase on EBITDA from these two.

Aakash Manghani: And for this to happen your branded share needs to go what share of the overall?

Vivek Chandra: 65%, of the total growth that we have got going forward about two-thirds of that growth is going to come from the branded business and once you bring into it organic branded plus organic accounts for almost 75% to 77% of all the growth that is there.

Aakash Manghani: This is fair enough. What are the growth rates specifically in organic business over the next two to three years you are looking at and what is the EBITDA margin you plan to do in this segment?

Vivek Chandra: Organic would in the next five year CAGR of 23% and the EBITDA margin on that is 16%.

Aakash Manghani: With all these number where does ROCE shape up for you by the next three or four years?

- Ashwani Kumar A:** At the end of four years ROIC would be 22%. It will go from the current 15% to 22%.
- Aakash Manghani:** Fine. Thanks a lot.
- Moderator:** Thank you Sir. We have a next question from the line of Runjhun Jain from Nirmal Bang Securities. Please go ahead.
- Runjhun Jain:** Thank you. Just one clarification Sir. What is the current basmati price going on vis-à-vis the last year?
- Ashwani Kumar A:** You mean to say paddy price?
- Runjhun Jain:** In mean to say rice not paddy, the selling price?
- Ashwani Kumar A:** Rice has a different variety so it ranges from.
- Runjhun Jain:** So what is the paddy price that is the correct parameter to look?
- Ashwani Kumar A:** So, paddy price is again the variety wise, but I can tell you the average price, this year 31, last year was 25.
- Runjhun Jain:** And the last quarter Sir, I mean it is not quarterly?
- Ashwani Kumar A:** The procurement starts in the month of October.
- Runjhun Jain:** October, fine Sir. Thank you.
- Moderator:** Thank you. We have a next question from the line of Alpesh Thakkar from Motilal Oswal Securities Limited. Please go ahead.
- Alpesh Thakkar:** Congratulations for good set of number Sir. Just one question, we had acquired Gold Seal Indus Valley and Rozana brand from HUL to strengthen our presence in Middle East as far as I know that we have been talking, that Middle East is not our focus right now, especially Israel so can you please through some light on the Middle East part that you had acquired this brand, so what is the strategy going forward for the growth out there?
- Ashwani Kumar A:** Let me correct, first of all Middle East is a big under Middle East in Iran, Iraq, Saudi and lower Gulf, but we have a focus in the lower Gulf and Iraq and in the lower Gulf Indus Valley and Rozana was very strong brand in Oman and Qatar and the idea was to strengthen that market, so lower Gulf we are growing 12% to 13% year-on-year and Indus Valley and Rozana acquisition is also going as per plan.

- Alpesh Thakkar:** One more, we had also acquired 817 Elephant brand from DSSS for growing our strength in regions like Canada, Australia, so how is that acquisition like, is it on par and are we still focused on that, so what is thought process?
- Ashwani Kumar A:** So, 817 is a very strong brand in Canada and some part of the eastern part like east coast of the America and yes, again going as per plan.
- Alpesh Thakkar:** Thanks a lot.
- Moderator:** Thank you Sir. We have a next question from the line of Prajesh Maroo from Money Curves. Please go ahead.
- Prajesh Maroo:** Most of my questions have been answered. I had just one question last year you had done the total quantity sales of 5.75 lakhs tonne of approximately, any idea you can give about currently of sales?
- Ashwani Kumar A:** Last year whatever the quantity was including the non-basmati, but this year we are as I said we not doing much of non-basmati business and basmati business for us is growing.
- Prajesh Maroo:** Can you give me how much was last year basmati and non-basmati because that was never discussed in earlier concalls, so that at least we will have the idea that what is the growth last year versus current year, if it is not available then I can send you an e-mail and you can send it to me.
- Ashwani Kumar A:** That will help me, if you can send me the mail.
- Prajesh Maroo:** That is okay, thank you so much.
- Ashwani Kumar A:** Overall basmati is growing at a 7%?
- Prajesh Maroo:** I beg your pardon Sir!
- Ashwani Kumar A:** Overall basmati business is growing at the private label branded and altogether 7%, but I will send you if you can send me the e-mail, I can reply you.
- Prajesh Maroo:** I will do that. Thank you so much.
- Moderator:** Thank you Sir. We have a next question from the line of Shubhankar Ojha from SKS Capital Managers. Please go ahead.
- Shubhankar Ojha:** Thanks for the opportunity again. Sir, do we have any update on the insurance claim I think we have something to report before March?

- Ashwani Kumar A:** What we are expecting by the year-end of 2018, we will have a decision from district court.
- Shubhankar Ojha:** Before March you mean Sir?
- Ashwani Kumar A:** End of December 2018.
- Shubhankar Ojha:** Thanks.
- Moderator:** Thank you. We have the last question from the line of Mangesh Bhadang from Param Capital. Please go ahead.
- Mangesh Bhadang:** Thank a lot Sir. Sir couple of questions related to the earlier ones only. Firstly on Rozana, so you have mentioned the acquisition is going on plan so just for our understanding what would be your expectations in terms of revenue potential of that brand as well as growth? Secondly any clue how much according to you what could be the provisions that could come up in fourth quarter and the probable loss in Europe in the coming quarters, so that we can just understand what is the normalized EBITDA margins could be going forward?
- Ashwani Kumar A:** Europe I think from this quarter, whatever the loss has to be accrued it has been accrued so next year we are seeing a breakeven in Europe and as far as your Unilever acquisition, Indus Valley and the Rozana, as I said we are going as per plan.
- Mangesh Bhadang:** So, what could be the potential there from Rozana and the growth perspective?
- Ashwani Kumar A:** When we acquired Company, the branded revenue was 50 Crores and hopefully, this year we will be doing the same, so we are further strengthening these brand to take if forward.
- Mangesh Bhadang:** Thanks. That is from my side and best of luck for your next year.
- Ashwani Kumar A:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.
- Ashwani Kumar A:** Thank you everyone for listening patiently to us and taking out time from your busy schedule to participate in our earning call. The management shall continue to work towards providing consistent responsible and profitable growth. The mid-to-long-term outlook on this sector looks quite strong led by increasing urbanization and increasing in Millennials like most of you. Thank you.
- Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of Motilal Oswal Securities Limited that concludes this conference. Thanks for joining us. You may now disconnect your lines.