



“LT Foods  
Q3 FY2021 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day, and welcome to the LT Foods Limited Q3 FY2021 Earnings Conference Call hosted by Elara Securities Private Limited. 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 opening commentary by the Management concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note, this conference is being recorded. I now hand the conference over to Mr. Akhil Parekh from Elara Securities Private Limited. Thank you, and over to you, Sir.

**Akhil Parekh:** Thanks, Vikram. On behalf of Elara Securities, I welcome you all to Q3 FY2021 conference call of LT Foods. From management side, we have Mr. Ashwani Kumar Arora, Managing Director and CEO, Mr. Vivek Chandra, CEO Consumer Business, Ms. Monika Jaggia, VP Finance and Strategy and Mr. Sachin Gupta, Group Financial Controller. Without taking much time, I will hand over the call to the management for the opening remarks and after which we will open the floor for Q&A session.

**Monika Jaggia:** Thanks, Akhil. Good afternoon, everyone, and thank you for joining our earnings conference call. I hope that you and your loved ones are well and safe. I would like to highlight that certain statements made or discussed on the conference call today will be forward looking statements, and a disclaimer to this effect has been included in the results presentation shared with your earlier. Result documents are available on Company’s website and have also been uploaded on the Stock Exchanges. A transcript of this call would 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 9M FY21 results.

Our consolidated revenue for the nine-month period was up by 19% at Rs.3,524 Crore versus Rs.2,967 Crore last year on account of increased sales from U.S., Europe, and the Organic business.

The gross margin expanded by 188 BPS to 29.1% due to change in product mix and lower input cost.

The EBITDA margins also expanded by 97 BPS to 13.1% versus 12.1% last year and was up by 28% from Rs.358 Crore to Rs.460 Crore.

The Company has generated significant cash flows amounting to Rs.279 Crore, driven by strong performance in 9M FY21 that led to decline in overall debt by Rs.229 Crore. This further led to a fall in the finance cost by 29% and the overall fund cost was down by 175 bps from 7.5% to 5.7%.

The PAT increased by 63% to Rs.229 Crore, while the margins expanded by 176 bps to 6.5%. The earnings per share was also up by 67% to Rs.6.81 per share versus Rs.4.08.

On quarterly basis, the revenue was up by 9% from Rs.998 Crore to Rs.1085 Crore on account of increased sales across geographies and business segment versus last year.

The gross margin expanded by 214 bps to 29.2% due to change in product mix and lower input costs.

The EBITDA margin also expanded by 95 bps to 12.7% versus 11.7% last year was up by 18% from Rs.117 to Rs.138 Crore.

The finance costs were down by 36% as the overall debt was down by Rs.229 Crore, and the fund cost was down by 240 bps from 6.9% to 4.5%.

The PAT increased by 44% to Rs.69 Crore, while the margins expanded by 155 bps to 6.4%. The earnings per share was also up by 46% to Rs.2.07 per share versus Rs.1.42 per share.

Now I would like to update you that all the efforts that we have taken for strengthening the balance sheet of the Company has started yielding results and the result of it is that the ROCE of the Company improved by 347 bps to 16% and the normalized ROCE on account of the funds blocked in the fire insurance claim is 16.7%. The return on equity improved from 12% to 16.8%. The debt equity ratio improved from 1.02 to 0.75 times as the overall debt of the Company was down by Rs.229 Crore to Rs.1369 Crore on year-on-year basis. This is to reiterate that majority of our debt is working capital debt, which is required because of the nature of our business, and our focus is to maintain the debt-to-EBITDA ratio between two to three times, which today stood at 2.2. Current ratio has also improved significantly to 1.65 from 1.49 last year.

Because of our continuous focus on working capital optimization our net working capital has reduced by 25 days to 235 days in 9M FY21 versus 260 days last year.

The Company adopted a revised dividend distribution policy last quarter and in line with the same, Company has today announced an interim dividend of 50 paisa per share. So, the total interim dividend announced in the financial year 2021 is Rs.1 per share.

I now hand over to Mr. Chandra for further business update for the 9M FY21.



*LT Foods*  
*January 29, 2021*

**Vivek Chandra:** Thank you Ms. Monika. Good afternoon, everyone.

For the nine months till December, the Company reported a revenue of Rs.3,524 Crore registering a growth of 19% on a year-on-year basis. U.S., Europe, and the organic businesses have been big drivers of this growth.

Growth continues to be broad based. Basmati and Specialty Rice segment of our business grew by 15%, bolstered by the growth in demand, especially in our international business and with the recovery of demand in India. New product business also grew by 50% and now accounts for about 2% of our revenues.

Q3 FY21 revenue at Rs.1,085 Crore has registered a year-on-year growth of 9% versus Q3 FY20. The big drivers of this growth have been Europe and the organic business.

In Q3, we saw some unwinding of trade inventories stocked up in the COVID-induced panic buying of the first two quarters and that has muted the growth rates to some extent in Q3, particularly in the U.S. and Middle East. The business trends in these markets however remain robust and at a higher sales rate than previously. Q3 has also benefited with the restoration of India HoReCa business.

I now share some more details on the businesses.

Our U.S. business saw a revenue growth of 16% in the nine months ended December 2020. The broad distribution presence across all trade channels coupled with our flagship brand “Royal” holding about 50+ percent market share in this region, led to increased household penetration and consumption during the COVID impacted months. This higher level of consumption has sustained. Further supporting this penetration and consumer business has been an increased availability through new listings on the e-commerce platforms and a robust digital marketing program.

Royal ready-to-heat has been performing well, and the Company is leveraging the strong brand equity and distribution network of Royal to market these products in North America. RTH business driven by a mix of new distribution and rate of sales increase behind aggressive marketing in awareness and trial tactics has delivered growth of 279%+ versus year ago leading to 1.0% share of the RTH Grocery Segment, as per AC Nielsen. This share gain represents 0.6 points gain versus a year ago.

Europe business continues to grow quarter-on-quarter resulting in a nine month growth of more than 90%. LT Foods has expanded its reach in new countries and also expanded to new customers such as Jumbo more than 600 store supermarket chain in Europe. To better service this demand from expanded reach, LT Foods has made further investment in additional packaging lines.

LT Foods Europe has also expanded its product portfolio and recently launched boil in bag variant under the brand “Daawat”.

Our key markets in the Rest of the World has continued strong growth momentum. Total revenue in the rest of the world has also delivered a double digit growth.

India business has started recovering in the third quarter with the restarting of the HoReCa business. Consumer business continued its strong growth with the growth in small pack businesses at 14% in 9M FY21. Overall, India business registered a growth in Q3 FY2021 versus Q3 last year.

Our marketing programs continued to build the consumer business and focused on the consumer trends of Health with marketing campaigns on Brown rice and Daawat Sehat. Second was the trend of experiential cooking at home and Daawat’s marketing campaign promoted the relevant products for this trend.

Organic business has also registered a revenue growth of 67% in 9M FY21 with a revenue of Rs.443 Crore. Demand for organic products has been very strong from U.S. and Europe as consumers moved to safer and healthier foods. This led to very good demand for the NBFL organic business in 9M FY21.

NBFL BV, a subsidiary of NBFL has recently acquired a 30% stake in LEEV, Netherlands with the right to increase the stake up to 51%. This transaction will help NBFL in augmenting its business growth, wherein NBFL will be an ingredient supplier to the organic branded consumer portfolio of LEEV.

In 9M, LT has also made good progress on its new product initiatives. Daawat Sehat, the fortified rice, which has met with very good consumer response in its lead market of Delhi NCR was expanded to other geographies.

Daawat Cuppa Rice, which was launched last quarter has also met with very good consumer response and it is now being expanded to e-commerce and general trade in India and has also been put in test market in international markets.

Daawat Sauté Sauces was rapidly expanded especially in e-commerce to cater to the emerging needs of consumers for convenience.

Kari-Kari has continued its momentum of growth and has shown a growth of about 325% in 9M FY21 versus 9M FY20. We are also starting to export Kari-Kari on a trial basis.

I now invite Mr. Ashwani Arora to give his comments on the strategic imperatives driving the business.

**Ashwani Kumar:** Good afternoon and thank you for joining us on the call today.

My colleagues have shared the results with you. We continue to deliver on three strategic pillars, that is Growth, Margin Expansion and Strengthening of Financial Metrics with the objective to build a progressive, sustainable, profitable, and growing business to create value for all stake holders.

LT Food has adopted various organic and inorganic routes to expand its reach to new geographies as well as strengthen its share in the existing ones. The Company has been expanding its product portfolio in its core Basmati as well as health and convenience segment and has further strengthened its distribution reach across globe to reach its consumers. All these growth initiatives have helped the Company to achieve its strategic pillar of Growth.

On the margin expansion front, the Company has seen margin expansion across all geographies and segments on year-on-year basis.

The Company continues to focus on strengthening the financial metrics, which is reflected in the improvement in the debt-to-EBITDA and return ratios.

We are positive on the outlook of the business going forward as well and will make all efforts to maintain the momentum of growth and deliver on strategic focus areas.

Thank you. Now we open the session for question and answers.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sudhir Bheda from Right Time Consultancy Services. Please go ahead.

**Sudhir Bheda:** Congratulations on a very good set of numbers and healthy year-on-year growth and particularly ROCE has improved a lot of congratulations. Sir my question is since this year is a good year for the rice industry as a whole because are lot of paddy is available at the lower price so going forward will things remain sustained for us particularly in terms of margin as well as sales growth in FY2022?

**Ashwani Kumar:** Thank you Sudhir, as far as growth is concerned, I will answer that first. As we mentioned earlier that the category is growing, the consumption is growing across geographies and we have been able to deliver a CAGR growth more than 10% in the past. And going forward also we see that the opportunity will grow in this category. As far as the margins are concerned, we are very confident that we will maintain and grow our margins.

**Sudhir Bheda:** That is great, so you are expecting incremental margin improvement in FY2022 right?

**Ashwani Kumar:** Yes, we will maintain and grow.

**Sudhir Bheda:** And how organic business is doing, Sir? Because in Q3 growth has slowed down in organic business, how is it panning out and what are the prospects for next year?

**Ashwani Kumar:** As Ms. Monika and Mr. Vivek have already mentioned, our organic business has grown 67% this year, this growth has come because we have added new products to our portfolio which is soya meal. Going forward, we are expecting a double-digit growth.

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

**Amit:** Thank you. Sir, there have been news that in last quarter there were significant demand in Europe and India exported more than 70% growth year-on-year so did we also see any such kind of an exponential demand or anything on that you can share?

**Ashwani Kumar:** Good evening Amit as mentioned earlier, our European business has grown by 100% in 9M FY21 versus last year.

**Amit:** No but this quarter particularly there were significant jump so anything on that?

**Ashwani Kumar:** Yes, there are two things mainly there is one primary sale from India and another one secondary sale from Europe. So, for Europe normally imports from two countries which is Pakistan and India but in this quarter, I think the whole of the Europe has imported more from India than Pakistan.

**Amit:** Okay because from where I see as the data presentation our 49,000 tonne has grown to 59,000 tonne. This is done on a quarterly basis because I treated as a quarter because that news pertains to this particular quarter, so I was just trying to correlate that.

**Ashwani Kumar:** So Amit, one is primary sale, 70% growth is against last year and Europe has imported more from Pakistan in the last year, this year Europe has imported more from India so as far as growth in Europe is concerned that is not like which is reflecting in export from India. Hope that clarifies the answer.

**Amit:** Sure, in terms of this new tie up with Jumbo stores, it mentions in the presentation that more than 600 stores that it has. So what kind of additional sales are we looking

at? You also mentioned that additional packaging line has been put up so if something can be shared?

**Ashwani Kumar:** Jumbo is a very big chain of Netherland that is good news that Daawat got listed there. It is too early to say how much sales we will get. And about that the new line as the business is growing, we need to have more packaging line to meet the increase in demand.

**Amit:** Okay any ballpark estimate that you have in mind when you put up this additional packaging line?

**Ashwani Kumar:** So, you mean to say how much volume we will do?

**Amit:** Yes, through this new tie up Jumbo store.

**Ashwani Kumar:** In Jumbo we have just launched the brand as I said it is too early, but in Netherland the consumption is roughly around 2000 tonne and Jumbo is a big chain, but how much we will do, the brand takes time.

**Amit:** Okay and Sir on the dividend policy, it says in the last quarter also there were 20-30% of the profits of the Company. And last time you mentioned that you are planning for half yearly, so this 20% will you do it on a quarterly basis of the total profits and how it would be because that numbers are not reconciling currently?

**Ashwani Kumar:** Okay so 20-30% of the yearly profit on the standalone basis

**Amit:** Okay any reason for considering only standalone profits?

**Ashwani Kumar:** That is the policy the Board has approved.

**Moderator:** Thank you. We have next question from the line of Jainam Gilani from Money Bee Securities. Please go ahead.

**Jainam Gilani:** Sir my first question is, with the current capacity what kind of top line we can do and what is the future capex plan? My second question will be on the procurement side and what price have we procured paddy during this season as compared to last year?

**Ashwani Kumar:** Good evening Jainam answering to the first question, whatever growth plans we have for two years and as far as India is concerned, we have enough capacity to deliver that growth. The capex going forward apart from the maintenance capex will be mainly on the warehousing and some green energy, but it will remain within the guidelines we have given.

- Jainam Gilani:** Okay and Sir regarding the procurement of paddy?
- Ashwani Kumar:** So, procurement of paddy, our average buying price is 26.60 of paddy.
- Jainam Gilani:** And what was in last year Sir?
- Ashwani Kumar:** It is 5% more than last year.
- Jainam Gilani:** Sir another thing our gross margins are better comparable to our competitor but why does that not transfer into the bottom line?
- Ashwani Kumar:** So, we have a different business model in USA and Europe. We do stock and sell model and all the distribution cost comes to us, so therefore expenses side are on a higher.
- Moderator:** Thank you. We have next question from the line of Amit Vohra from PCS Securities. Please go ahead.
- Amit Vohra:** Good afternoon and thanks for taking my question. Congrats on a good set of number, wanted to understand what is the Company that you acquired, can you give some more numbers what is the top line what are the profits?
- Ashwani Kumar:** On the LEEV?
- Amit Vohra:** Yes please.
- Ashwani Kumar:** So LEEV we have got a very good deal. The Company is valued at 1 million Euro and we have taken a 30% stake and with this stake it will help our organic Company to have a consumer facing reach and they have a very good distribution reach in the whole of the Netherlands.
- Amit Vohra:** No what is the size of the Company in terms of top line, EBITDA margins and profitability and for their debt on the book?
- Ashwani Kumar:** 4 million euros is the revenue size.
- Amit Vohra:** And what will be the profits EBITDA margins and PAT is their debt on the book?
- Ashwani Kumar:** There is no debt and EBITDA are 100,000 Euro.
- Moderator:** Thank you Sir. We have next question from the line of Aditya Kondawar from JST investments. Please go ahead.

- Aditya Kondawar:** So on this LEEV stake that is it only to be a raw material supplier to them or are we going to also explore getting the products here because we have already have the Cuppa Rice here in India so it is may complement a healthy foods or the ready-to-eat portfolio. So, any idea on that?
- Ashwani Kumar:** Yes, Aditya that is also thought that if these can also be brought into.
- Moderator:** Thank you. We have next question from the line of Aditya Mehta from GK Capital. Please go ahead.
- Aditya Mehta:** Yes, congratulations Sir and thanks for the opportunity. Sir my question regarding this quarter is that In this quarter numbers around Rs.1100 Crore of revenue is there any impact of stocking up or not or this is normalized?
- Ashwani Kumar:** The impact that we have seen in these numbers is that certain level of inventory has come down in the trade and therefore some of the international sales has been to that extent depressed so as you ask the question you could say that this quarter is normalized whatever in Q1 to Q2 may have been built up.
- Aditya Mehta:** Okay so we can assume 1100 base going forward for next coming years?
- Ashwani Kumar:** For the next quarter, yes it will be a good base to assume.
- Aditya Mehta:** And what is our capacity utilization right now?
- Ashwani Kumar:** It is around 65 to 70%.
- Aditya Mehta:** And what is the maximum that we can do?
- Ashwani Kumar:** We can do 90-95%.
- Aditya Mehta:** Then there is still lot of room left. Now coming to EBITDA margin the management has guided that we want to achieve 15% EBITDA margin in long term so in what timeline it is achievable?
- Ashwani Kumar:** So, Aditya as mentioned earlier in the next two year tthat is the goal we are working towards.
- Aditya Mehta:** Okay within the next two years we will be able to achieve 15% EBITDA margins.
- Ashwani Kumar:** As I said the idea is to improve our margin, return on capital employed and that will do through EBITDA margin improvement and working capital efficiency.

- Moderator:** Thank you. We have next question from the line of Keshav Garg from CCIPL. Please go ahead.
- Keshav Garg:** Sir how much does Iran constitute of our turnover and Sir Iran 35% of India's Basmati rice is going to Iran import our brand and until a breakthrough with US sanctions is achieved, so do not think you think that there can be a glut in the Basmati rice market and then we might face inventory loss?
- Ashwani Kumar:** Good evening. Answering your first question, LT Food is not in business with Iran, we do zero export to Iran. As far as this issue is concerned it is not a new news. The trade knows and accordingly the price discount has been done. But it is not that goods are not going to Iran, the export to Iran is continuing.
- Keshav Garg:** Okay Sir so basically you do not see any issue on that front?
- Ashwani Kumar:** Not likely.
- Keshav Garg:** Okay Sir and in the past historical experience Sir have you ever-faced inventory loss?
- Ashwani Kumar:** Some time may be in the past but not now because all our buying is done in a very systematic manner and all our business is branded business, so margins may have impacted, but we have not taken any inventory loss.
- Keshav Garg:** Okay Sir and Sir also wanted to understand about the realization in the industry who is enjoying the highest realization in domestic branded market as well as in export side?
- Ashwani Kumar:** Who means?
- Keshav Garg:** Sir I mean which Company, are we enjoying the highest realization, Sir basically just to give an idea about the brand that which brand is enjoying the most premium pricing in the market?
- Ashwani Kumar:** Like there are three price points in India and as a brand we are at par with the competition.
- Keshav Garg:** Okay Sir basically the domestic as well as in the export side?
- Ashwani Kumar:** Yes.
- Moderator:** Thank you. We have next question from the line of Resham Jain from DSP Investment Managers. Please go ahead.

- Resham Jain:** Good afternoon, good results and good to see the margins trajectory continues to remain very positive. So I have two questions, One is on the procurement side, have we completed the procurement, or it will continue in the month of February itself and in percentage terms if you can say how much procurement is over from our side?
- Ashwani Kumar:** Procurement is still going on and we have procured roughly about 65-70% of our requirement. Seasonal procurement has been done.
- Resham Jain:** Okay Sir we have seen good reduction in debt last year and that is continuing this year as well so just from debt perspective will we see further reduction in absolute term going into next year, because in terms of capex, our overall capex is not very significant in FY2022 as you mentioned. So what can be the exact number, but in a band what can one see?
- Ashwani Kumar:** The plan is to utilize all the free cash flow in three parts, in dividend, for the growth of the business and reducing the borrowings. So we will be maintaining the debt EBITDA ratio as I said between two to three. This is what we are working towards.
- Resham Jain:** But because your cash generation, for example, if I look at the first nine months, you used a significant amount of money to reduce your debt and next year also since there is no capex whatever 20-30% dividend and that was standalone?
- Ashwani Kumar:** So Resham, yes we will keep reducing the borrowing in the coming year also.
- Moderator:** Thank you, we move to the next question from the line of Vibhooti Jain from Quest Investment. Please go ahead.
- Vibhooti Jain:** Thank you for the opportunity I had a few questions from my end on the LEEV acquisition, you mentioned that Nature Bio will be supplying inputs, raw materials to the Company. So, were you supplying raw materials earlier? Or is this a new business for the organic business.
- Ashwani Kumar:** Nature Bio Foods will supply the ingredient to this Company, and we will also launch the new product of Nature Bio in the LEEV brand in Netherland.
- Vibhooti Jain:** Sir what are the new products that will be launched.
- Ashwani Kumar:** This is new business to NBFL.
- Vibhooti Jain:** Okay but it will be ingredient supplying that we will be doing.
- Ashwani Kumar:** No, we were not supplying before.

- Vibhooti Jain** Okay got it and can you give us quantum of the size of the opportunity so will Nature Bio be the exclusive supplier for those ingredients which you currently have in your product portfolio and what is the size of the business if you can give some quantum?
- Ashwani Kumar:** We are in the process of finalizing the plan so it will be finalized soon and we will have a clear picture post that.
- Vibhooti Jain** Okay but will the Nature Bio Foods be exclusive supplier to the Company?
- Ashwani Kumar:** Exclusive means whatever Nature Bio Food can supply they will be exclusive for the super food category.
- Vibhooti Jain** On the stake increase you said that the Nature Bio Foods has a right to increase its stake to 51% so is there a timeline by when you can increase the stake and is the valuations fixed for the same 21% or it will be decided later whenever you increase the stake to 51% in LEEV?
- Ashwani Kumar:** We have taken five years for this option, so at the end of five years.
- Vibhooti Jain** Okay so in the opening remarks you alluded that the Indian HoReCa business is recovering now so can you give a comparison as to at what levels is it currently now as compared to pre-COVID levels so to get a sense as to how well it has recovered?
- Ashwani Kumar:** To get a sense of how well it has recovered since in the peak COVID months, the HoReCA business was down to about 15-20% of this normal level during peak COVID times and it is now restored to about 60-65%.
- Moderator:** Thank you. We have next question from the line of Arpit Jain from Samridhi Capital. Please go ahead.
- Arpit Jain:** Congratulations and thanks for this opportunity. Sir my first question is the Europe business is contributing almost 14% of your revenues. Few quarters back the margin was almost around breakeven and the focus was on improving the margins and we had a management change as well, I just wanted to know how has been the margin in group segment and what is the guidance there. Sir my second question is we were also accelerating our growth in the snacks market and we launched few products there, so currently it is almost negligible in overall. So how do you look at that market going ahead Sir?
- Ashwani Kumar:** Okay so Europe is positive PAT now.

- Sachin Gupta:** And the PAT is Rs.15 Cores during that nine months. The PAT was up from Rs. 2 crores last year to Rs. 15 crores this year
- Ashwani Kumar:** I hope that answer your Europe question?
- Arpit Jain:** Yes, Sir. I just want the guidance what are we seeing more margin expansion here?
- Ashwani Kumar:** Our Europe business is doing very good and going forward we are expecting good growth both in terms of revenue and margins. On the snacking business, I will request Mr. Vivek to take up that question.
- Vivek Chandra:** Yes, as we had mentioned that Kari-Kari is our snacking entry and actually met with good consumer response. We put it into our limited shelves and the growth there is almost around 325% in nine months versus nine months for last year. So we are now expanding that, so when you see that it is small it is because it is still in limited distribution but now aggressively that distribution is being expanded because the product has performed very well with consumers and also we are taking that into international markets so we are very buoyant on the prospects of Kari-Kari.
- Moderator** Thank you. We have next question from the line of Sudhir Bheda from Right Time Consultancy Services. Please go ahead.
- Sudhir Bheda:** Sir just I was listening to your call and saying Rs.15 Crore profit in snack business so that includes the Cuppa Rice as well as Kari-Kari.
- Ashwani Kumar:** No, Rs.15 Crore profit is in Europe business.
- Sudhir Bheda:** Europe business, okay so how is this Cuppa Rice and Kari-Kari turnover going in Q3 what are the prospects for next year? what is the quantum you are looking at?
- Vivek Chandra:** See the quantum that we are looking at for all our new products is that this will become a combined of four or five initiatives that we have put in, will become a significant part of our revenue. Our internal target in five years' time is to have about 15% to 20% of our revenue coming from new products and Kari-Kari and Cuppa Rice and are going to be big contributors to that. As I said, right now the revenue is coming from fairly limited distribution, but it is at 2% of our total revenue we have done in nine months.
- Sudhir Bheda:** Yes, I have ordered the Kari-Kari from Amazon, but the Cuppa Rice is still not listed on Amazon.
- Vivek Chandra:** Well last week it has got listed so if you were to now look in Amazon, and it is expanding. It got listed in NCR and Pune, but it will soon be in Amazon nationally.

- Sudhir Bheda:** And what you said in the previous call that we have pilot plant of Cuppa Rice now we want to expand to a full-scale plant. Is that being materialized or how Cuppa Rice is going on right now?
- Vivek Chandra:** Certainly, pilot plants are not going to be able to meet the demand. But for now we are testing the market with the pilot plant and so it really is a scientific approach to new product development and new product capacity enhancement. But certainly, if all our assumptions are met, we will go to a commercial plant.
- Sudhir Bheda:** And last question while we say that we have seen a good growth in Europe because they have imported less from Pakistan and more from India so if things neutralize then our growth will suffer in Europe if they want to import more from Pakistan next year.
- Vivek Chandra:** No, I think about the category in Europe, when we look at a 70% odd growth of Europe from India Basmati exports, that point about switching between Pakistan and India was about category growth of Europe. LT Foods growth is dependent on our distribution, our brand and the strategies that we are pursuing and the sourcing really does not influence that growth, but we have also enjoyed in the nine months more than 90% growth because of the fact that some of these basics are now motoring and delivering towards the growth.
- Sudhir Bheda:** So our growth would not be affected if they want to import more from Pakistan?
- Vivek Chandra:** That is right and we as in Europe operation we import both from India and Pakistan.
- Moderator:** Thank you. We have next question from the line of Amit from Care PMS. Please go ahead.
- Amit:** Thank you, this LEEV brand has been there for how long and second question is there are other investors and where it is written that they have experience of organic segment of more than 50 years so what is their stake in the Company and as a Company of course it is very good for us that we got a 30% stake and further extendable up to 21% in five years so what was the reason because our presence in organic segment is not that long, so if you can just share something on that
- Ashwani Kumar:** Our presence in organic business is for the last 25 years, we are doing this business for 25 years and regarding this LEEV Company they are there since 2010.
- Amit:** Okay what is the stake of the other two investors because we have kind of majority stake so there are other two investors as well in the Company?

**Ashwani Kumar:** 21% with one partner and another 21% with the other partner so roughly 70% is this LEEV partner.

**Amit:** Okay so the promoter is exiting, the person who started the Company

**Ashwani Kumar:** Promoter is there.

**Amit:** So he will be the managing the business.

**Ashwani Kumar:** He and they have appointed the new CEO of this business so he will be managing the business.

**Amit:** Okay and what is the short term and long term debt on our book as on 31<sup>st</sup> December 2020?

**Ashwani Kumar:** The short term debt is Rs.1,145 Crore and the long term is Rs.225 Crore.

**Moderator:** Thank you Sir. We have next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Good afternoon Sir and thanks a lot for taking my question. Sir one basic question that I had was last Q4 of last financial year onwards we have been operating on a higher base because of the COVID and the stocking that happened in the initial quarter of COVID and now that is coming back because of the destocking. So where do you see levers for the growth in terms of the revenues for the overall Company because again now next quarter onwards it will start looking flattish like we have so quarter-on-quarter we are not seeing any traction in terms of the growth so do you see any levers in the near term which can help you display that?

**Vivek Chandra:** See firstly quarter-on-quarter also, Q3 which we say has been impacted by the coming down of trade inventories, so we still have a 9% growth in Q3 versus Q3 last year. The second fact that we look at is that the base at which we are transacting in Q3 is higher than the base which was at pre-COVID which really is the testimony to the underlying growth driving strategies that each market is implementing and as we go forward and we hope that all the HoReCa and other business in India is going to come back. So when we look at the growth driving strategy especially in our bigger geographies and in organic business coupled with the fact that during COVID we have continued to market and the increased consumer base that we have developed which is being sustained these are all going to continue for fairly good strong growth strategies in individual markets.

**Sarvesh Gupta:** Yes, so on the HoReCa versus in house consumption now obviously during the lockdown more consumers would have tried your product so if you can throw some

light on the trends that you are seeing, now that for example restaurants have opened so there is increased consumption out of home, so for in home consumption how is that impacting you?

**Vivek Chandra:** See firstly in our business HoReCa is accounting for about 20% of our total revenue and there have been some fundamental shifts that has taken place and the consumers are continuing to cook, they are continuing to experiment and we as Daawat brand are very well positioned to be riding that trend to be giving the consumer their needs for that trend so we do not see any downward decline in the in home consumption. HoReCa will come on top of that and we are expecting that the growth rates of our consumer business will continue and we have actually had some very strong consumer pack business growth, more than the total business and those sort of trends will continue.

**Sarvesh Gupta:** Okay understood and secondly on the balance sheet side, now every quarter we are getting the impact of reduction in the debt which is also helping us on the interest cost front so now given that we have reached somewhat fairly comfortable or may be in one or two quarters we will reach much more comfortable levels with regard to the debt on the balance sheet so then what is the capital allocation plan post that? Would we continue to reduce the debt continuously to make it zero or there are some other growth areas or growth plans that we have after one or two quarters, because after that basically we will be at a very comfortable leverage as well as return ratio?

**Ashwani Kumar:** Sarvesh we are a growing Company and as we have said in the last call and also that part of our free cash flow will be going in reduction of the borrowing, partly to the dividend and partly to the growth of the business. So we are assuming that 50% of it will be utilized in the growth of the business, roughly 25% in the reduction of the borrowing and partly it will go into the dividend.

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

**Resham Jain:** Thank you once again. Sir just wanted to understand on the logistics cost. We have heard and seen lot of increase in container cost and the overall shipping cost. So any impact which is already there in quarterly number or it is as you mentioned last time, we have certain long term contract, just any further update on that side?

**Ashwani Kumar:** Resham you have heard it right, the freight has gone very high, three times, four times than the normal freight and we are fortunate that we had a long term contract till March and some contract till April so fortunately we have not got any impact of this high cost in our margin, but for next year we are negotiating the freight and we are evaluating our pricing strategy also according to that.

- Resham Jain:** And Sir roughly how much if we go up just on a rough term basis?
- Ashwani Kumar:** So roughly I think for Europe and America the freight will be 80-90% higher than last year
- Resham Jain:** And will we be able to pass on this much cost to the customer over there or will it be gradual?
- Ashwani Kumar:** And that is what we are trying, we are hopeful that we will be able to pass on.
- Moderator:** Thank you. We have next question from the line of Subhankar Ojha from SKS Capital. Please go ahead.
- Subhankar Ojha:** So, two questions, one can you please say the absolute number of the European operations for nine months to nine months.
- Ashwani Kumar:** In terms of the revenue?
- Subhankar Ojha:** Revenue, EBITDA, PAT.
- Ashwani Kumar:** Nine months we have done Rs.590 Crore and PAT Rs.15 Crore.
- Subhankar Ojha:** Okay and secondly can you give us some numbers with respect to your recent acquisitions Nature Bio's 30% stake on the entity that you have acquired in terms of revenue;
- Ashwani Kumar:** Revenue is 4 million.
- Subhankar Ojha:** And that is profit making Company.
- Ashwani Kumar:** Yes, it's a profit making Company.
- Moderator:** Thank you. We have next question from the line of Anup Ramachandra from A&P Investment. Please go ahead.
- Anup Ramachandra:** Hi good to see you are doing exceedingly well even in this quarter. I have three questions, the first is we are quite dominant in U.S. market and we are performing really well in the Europe market, I just want to understand what the Company's vision is with respect to Middle Eastern market? Going forward what is the Company's vision or focus towards Middle Eastern market?
- Ashwani Kumar:** We have three strong markets which is India, America, Europe and some part of the world as far as Middle East is concerned, we are looking forward to the partnership

we have done with Salic. So we are in the planning stage to have a strategy for the Middle Eastern market to strengthen it.

**Anup Ramachandra:** Any plans to re-ramp the Management over there or any plans over there, the way we did with Europe?

**Ashwani Kumar:** Not immediately.

**Anup Ramachandra:** Not immediately, okay when do we get to see any traction with respect to Middle Eastern market any timelines?

**Ashwani Kumar:** So Middle East divided in two parts one is Iran that we are not interested in and lower gulf where we are doing reasonably good in Saudi Arabia, so the plan is to focus there.

**Anup Ramachandra:** Okay what about Qatar and all, doing quite well over there?

**Ashwani Kumar:** They are small market we call it lower gulf.

**Anup Ramachandra:** Okay so any plan with respect to Saudi Arabia then.

**Ashwani Kumar:** We are in the process.

**Anup Ramachandra:** And the second question is with respect to the organic business, how are we doing with respect to the plan to introduce or to market Eco life as a B2C business?

**Ashwani Kumar:** Eco life we have launched in some parts of India such as NCR. We are getting good response and soon we will be rolling it out in the other parts of India as well.

**Anup Ramachandra:** And about the international market with respect to Eco life.

**Ashwani Kumar:** We are still evaluating.

**Anup Ramachandra:** So are we going to introduce Eco life first in India and then in international market?

**Ashwani Kumar:** Yes. We have done it in international market. In some market we have started exporting. In USA we are doing it under brand Royal not in Eco life.

**Anup Ramachandra:** As in Royal organic is it?

**Ashwani Kumar:** Yes. We have one portfolio of Royal organic.

**Anup Ramachandra:** This is my third question. With respect to the new product portfolio I have lot of hope with respect to the health segment as to turn around that quick cooking is doing quite well, Daawat Sehat is going to do well, my view with respect to the convenient segment it may be very perspective I just want the Company to take the critical feedback of consumers before we go ahead with the full blown marketing strategy with respect to Sauté Sauces or Kari-Kari, just a suggestion that is coming to my mind.

**Vivek Chandra:** Thank you for the suggestion, I mean it is very valid whenever you come in with new products consumer feedback is critical and that is one of the reasons why we have not gone full blown nationals and are in limited stores to test market to get some feedback. But really valuable suggestion and thank you for that.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I would now like to hand the conference over to Akhil Parekh from Elara Securities Private Limited for closing comments. Over to you Sir.

**Akhil Parekh:** On behalf of Elara Securities, I thank all the participants and the Management of LT Foods. In case if the Management has any closing remarks, please go ahead.

**Ashwani Kumar:** Thank you everyone for your continuous support. Hope we were able to address all your queries. Should you have any further questions, please feel free to contact our investor relation team. Thank you, we look forward connecting with you again in the next quarter, stay safe. Thank you.

**Moderator:** Thank you. On behalf of Elara Securities, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.



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