



“LT Foods Limited Q4FY2021  
Post Result’s Conference Call”

May 27, 2021



**ANALYST:**

**MR. MANISH MAHAWAR – ANTIQUE STOCK  
BROKING**

**MANAGEMENT:**

**MR. ASHWANI KUMAR ARORA – MANAGING  
DIRECTOR & CHIEF EXECUTIVE OFFICER –  
LT FOODS LIMITED**

**MR. VIVEK CHANDRA – CHIEF EXECUTIVE  
OFFICER – CONSUMER BUSINESS – LT FOODS  
LIMITED**

**MS. MONIKA CHAWLA JAGGIA – VICE  
PRESIDENT – FINANCE & STRATEGY – LT  
FOODS LIMITED**

**MR SACHIN GUPTA – GROUP FINANCIAL  
CONTROLLER – LT FOODS LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to LT Foods Limited Q4 FY2021 Post Results Conference Call hosted by Antique Stock Broking. 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. Manish Mahawar from Antique Stock Broking. Thank you and over to you Sir!

**Manish Mahawar:** Thank you Aisha. On behalf of Antique Stock Broking, I would like to welcome all the participants on the call of LT Foods. From the management we have Mr. Ashwani Kumar Arora, Managing Director and CEO, Mr. Vivek Chandra, CEO, Consumer Business, Ms. Monika Chawla Jaggia, VP, Finance & Strategy, Mr. Sachin Gupta, Group Financial Controller on the call. Without further ado, I now hand over the call to Mr Arora for opening comments post which we will open the floor for Q&A. Thank you and over to Mr. Arora!

**Monika Chawla Jaggia:** Thank you Manish. This is Monika. Good afternoon everyone and thank you for joining us on our earnings conference call. I would like to highlight that certain statements made or discussed on the conference call today will be forward looking statements and a disclaimer to this effect has been included in the results presentation shared with you earlier. Result documents are available on the Company’s website and have also been uploaded on the stock exchanges. A transcript of this call would also be made available on the investor section of the Company’s website.

I would like to begin by taking you through the key highlights of Q4 and of the FY2021.

Our consolidated revenue for the FY2021 was up by 12% at Rs.4686 Crores versus Rs.4173 Crores last year on account of increased sale from the US, Europe, and organic business.

The gross margin expanded by 232 bps to 31.1% due to change in product mix and lower input cost.

The EBITDA margins also expanded by 58 bps to 12.8% versus 12.2% last year and was up by 18% from Rs.509 Crores to Rs.598 Crores.

The Company has generated significant cash flows amounting to Rs.345 Crores driven by strong performance in FY2021 that lead to decline in overall debt by Rs.205 Crores. This

further lead to a fall in the finance cost by 34% and the overall fund cost was down by 242 bps from 7.45% to 5.12%.

The PAT increased by 45% to Rs.289 Crores while the margins expanded by 140 bps to 6.2%. The earnings per share was also up by 49% to Rs.8.57 per share versus Rs.5.77 per share.

Last year in Q4, there was a lot of panic time which was not the trend in this lockdown and therefore in Q4 FY2021 the revenue was down by 6% from Rs.1218 Crores to Rs.1147 Crores versus last year.

The gross margin expanded by 329 bps to 31.8% due to change in product mix and lower input cost.

EBITDA was lower by 8% on year on year basis due to investments in the international operations aligning with our overall strategy to grow in those markets. The margins were marginally lower by 26 bps on year on year basis.

The finance cost was down by 46% as the overall debt was down by Rs.205 Crores.

The PAT increased by 2% to Rs.60 Crores while the margins expanded by 42 bps to 5.2%.

Now I would like to update you on all the efforts taken towards strengthening the balance of the Company. The Return On Capital Employed improved by 193 bps to 15.6% and a normalized ROCE on account of the funds brought in the fire insurance claim is 16.3%. Return on equity improved by 283 bps to 15.3%. The debt equity ratio improved from 0.91 to 0.66 times as the overall debt of the Company was down by Rs.205 Crores to Rs.1253 Crores on year on year basis. This is to reiterate that the majority of our debt is working capital debt, which is required because of the nature of our business and our focus is to maintain the debt to EBITDA ratio between two to three times, which stood at 2.1 this year. Current ratio has also improved significantly to 1.70 from 1.52 last year.

Now I would like to hand over to Mr Vivek Chandra for the further business update for the FY2021. Thank you.

**Vivek Chandra:**

For FY21, the Company reported a revenue of INR 4686 Cr registering a growth of 12% on a Year-on-Year basis. US, Europe and the Organic business have been big drivers of this growth. India consumer pack business has shown robust growth.

Our growth continues to be broad based.

The Basmati and Specialty Rice segment of our business, which contributes to the bulk of our revenue grew by 9% bolstered by growth in demand, especially in our international businesses. Our organic business which now accounts for over 10% of the revenue grew an impressive 51% versus last year.

New products business also grew by 45% and it now accounts for 1.5% of our revenue. The biggest contributor to NPD revenue and to its growth has been the RTH business in the US. This year also saw the successful expansion and launches of Kari Kari (Japanese rice based snack), Daawat Cuppa Rice and Daawat Sehat the iron and vitamin fortified rice. All of these initiatives are poised for big growth in the coming years and will transform our business to value add and consumer food business.

I will now share some more details on the businesses.

Our US business delivered another strong year in terms of growth, margin expansion and strengthening of financial metrics. The branded business revenue was up by 7% in the FY 21 versus last year. The revenue growth was primarily driven by growth in our flagship brand “Royal” holding about 50%+ market share that is present across channels. The Company has adopted various marketing initiatives to drive Top of Mind Awareness for its flagship brands “Royal” and “Daawat” in this region. Campaigns also reached multi-cultural consumers to expand the consumer base of Royal.

Royal Ready to Heat (RTH) has been performing well and witnessed a growth of 97% in FY2021 versus last year. This product has been very well accepted by the consumers and the Company has adopted a multitier campaign to build awareness, consideration, and trial of Royal RTH. RTH continues to gain new listings and in the already listed chain, it gains new distribution, and it does well poised to maintain its business growth in the future.

Europe business continues to grow year on year resulting in a growth of 92% versus last year and also significant improvement in its return ratios. The Company has been extensively working on expanding its customer base by the way of new listings with mainstream customers, listing of the brand with well-known supermarket chain “Jumbo”, increasing traction of brand “Daawat” in UK’s ethnic market, etc. The Company is also expanding its product portfolio by launching Daawat “Boil in Bag” in this year and also plans to further expand its portfolio on the health and convenience platform by leveraging its brand equity of “Daawat” and distribution network.

To better service the demand from expanded reach, LT Foods has made further investments in an additional packaging lines in Europe.

Our key markets in the rest of the world have been performing in line with our expectations lead by our flagship brand Daawat and other brands such as Heritage, Devaaya, Rozana. The Company has adopted various initiatives to build brand preference by consumer promotion, increasing availability by adding new geographies, increase brand pull by launching campaigns of the digital platform, etc. The Company has also expanded its product portfolio by launching products on the convenience platform such as Daawat Cuppa Rice, Daawat Sauté Sauces and Kari Kari.

Our India business overall has been impacted by the severe hit to the HORECA business due to the lockdowns and non operations of hotel, restaurants and also catering business for the big part of the year. Daawat was a leader in this segment with the majority market share in organized hotels and restaurants. Daawat was also a very highly penetrated brand in catering business.

The HORECA business saw some recovery in the Q3, but the same was impacted again in the Q4 due to the second wave of the pandemic. The consumer business on the other hand not only remains strong but gained due to Daawat' s established wide distribution and our strengthening of Daawat' s leadership in ecommerce. The total consumer pack business saw a growth of 8% versus last year. Our ecommerce has grown significantly and was up by 70% in FY2021 versus last year.

The Company rolled out various digital campaigns to increase engagement with its consumers. Our campaign for the health product range received a lot of traction across social medial and many well known personalities from all walks of life have participated in the campaign.

The second was the trend of experiential cooking at home and Daawat marketing campaign promoted the relevant products for this trend namely Daawat Biryani and Daawat Saute Sauces.

Organic business has also registered a revenue growth of 51% in FY2021 with a revenue of Rs.556 Crores. The revenue growth was driven by new product lines and an increase in demand for organic product as consumers moved towards safer and healthier foods. Our soya meal business has seen a sharp increase this year aided by our soya meal plant set up last year.



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At LT Foods, we closely monitor consumer trends & preferences. The modern day consumer is making discerning choices basis which we have expanded our product offerings on the health & convenience platforms. In FY21 our new products portfolio was up by 45% versus last year and contributed 1.5% to the overall revenue.

Daawat Cuppa Rice, which was launched in this year and met with very good consumer response. Consumer found it to be a good option for meals as these were convenient and we believe we have winning recipes. Cuppa rice is currently available across India in all channels and has also been launched in UAE and Australia.

Daawat Sauté sauces was rapidly expanded specially in to Ecommerce to cater to emerging need to consumer need of convenience.

Kari Kari snacks has continued its momentum of growth and has shown a growth of 239% in FY2021 versus last year. Product launched in January 2020 has received very good consumer response and is currently available across ecommerce and several modern trade chains and stand alone outlets. Company also started exporting Kari Kari to Australia and UAE.

Our brand Daawat Sehat the iron and vitamin fortified basmati rice saw a significant growth versus last year and has received very good consumer response in its lead market of Delhi NCR. Its distribution has been expanded in India via modern trade, general trade, and ecommerce. On the marketing side a 30-seconds film was launched on digital to promote the products across India.

In addition to the business achieved, Daawat Sehat is an SSSAI certified brand and addresses the pressing national need of malnutrition and under nutrition.

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

**Ashwani Kumar Arora:** Thank you Vivek.

Good afternoon and thank you for joining us on the call today. I hope that you and your loved ones are all safe and well.

The ongoing pandemic has impacted every aspect of our lives and created much uncertainty across the globe. At LT Foods, we have responded to the same with agility by prioritizing the health and safety of our team members across the globe along with ensuring the ability

of our products through our global supply chain hubs to our loyal consumers and also serving the community.

On the operations front, the Company has well entrenched distribution network with global supply chain hubs to reach its consumers in 60+ countries. With the Company's complete control on the value chain and highly mechanized and automated infrastructure, we have been able to meet the growing demand of our consumers.

This year, we saw an increase in our Basmati and other Specialty Rice business lead by increased home consumption and enhanced presence in international markets. This has been achieved with a combination of the strategy adopted by the Company and efforts of our people in implementing them.

The trend that has particularly accelerated during the current scenario is that the people are more health conscious and switching to more packaged products and the new channel that has emerged and gained traction during these times is ecommerce and digital engagement. The Company's investments on strengthening its presence on the e-commerce platforms and digitalization has been the major ingredient for increasing consumer engagement in this year. We will continue to enhance our digital capabilities going forward as well to improve consumer engagement and drive sales through E-Commerce.

All the efforts of the Company mentioned above have been directed towards delivering on its three strategic pillar of Growth, Margin Expansion and Strengthening of Financial Metrics.

Our Growth Strategy has been to expand our consumer base through effective marketing mix and Go-to-Market (GTM) strategies that focus on improving our distribution network across all channels – General Trade, Modern Trade, E-commerce, etc.

On the margin expansion front, the Company has seen a margin expansion across all geographies and segments on Y-o-Y basis through continuous scale and improving product mix.

The Company continues to focus on strengthening its financial metrics by free cash flow generation and prudent working capital management.

These efforts on the Strategic Pillars highlight the underlying resilience of our Company and the performance of our Management Team.



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We are positive about our category growth in the core business with the strong brands maintain and grow our share.

In short term, we are expecting slow down in India market because of the pandemic whereas the international markets are performing well, and we deliver in line vis-à-vis our targets. We are looking forward to growing further via organic route and also keep evaluating inorganic routes to further strengthen our business.

We are also optimistic on the outlook of our overall business as we progress on our journey of creating strong, progressive, sustainable, profitable, and growing consumer business across all geographies.

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

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Resham Jain from DSP Investment Managers. Please go ahead.

**Resham Jain:** Thank you for the opportunity and good evening team. Congratulations on back to back two good years in terms of overall performance. Sir I have three questions. The first one is on the current basmati market and the outlook on the same in terms of prices, what kind of inventory is there in the market and also in context to that this year we have built a slightly larger inventory compared to the previous year. So how should one look at it from the growth perspective given that you have built slightly higher inventory this year?

**Ashwani Kumar Arora:** Good afternoon Resham. Thank you very much for all the appreciation. So one you said on the basmati market, the last year crop was good, and we are expecting that the crop based on the indications we are getting will be okay next year also. So the prices are very stable. Regarding the inventory, of course you know that this business is all about aging and this year we were expecting higher growth. So we have the higher inventory. The other is that for strong product quality or supply chain we have built up this inventory level. Hope that answers your question Resham.

**Resham Jain:** Yes Sir. So basically in anticipation of likely higher growth some of the inventory buildup has happened. Obviously, this is aging so it will come probably next year or may be the second half of next year?

**Ashwani Kumar Arora:** Yes.

**Resham Jain:** Okay. Sir my next question is on the Europe geography where you have mentioned that more investment has happened in the geography and new listing has also happened with the mainstream retailers so what kind of growth are we expecting based on this newer initiatives which has happened in Europe for the next year?

**Ashwani Kumar Arora:** So as far as your question is concerned, I can explain it market wise. In Europe, the category is growing. In the US the category is also growing, and so is in the rest of the world. The only thing is that in India because of the pandemic, we are evaluating how that will pan out, but overall the category is growing and wherever the category is growing we have a very strong brand in all these regions. So, we are expecting that if the category is growing it depends on which part of the world we are talking from 5% to 10%, we are expecting to grow inline with that growth.

**Resham Jain:** Okay and Sir my third question is on new product. All the three products which you mentioned if you can tell us whether those products have settled down in terms of whatever initial typical region which happens with this brands and now are these brands ready to take off from here on because if we look at some absolute revenue perspective they are still like very small so let us say in the next three to five years what kind of scalability opportunity do you see from this new product baskets like currently I think they are doing some Rs.18 Crores to Rs.19 Crores sales if I am not wrong per quarter? So from scalability perspective how do you see them doing let us say three to five years from here on?

**Ashwani Kumar Arora:** So Resham I will ask Mr. Chandra to add on to this, but broadly I will tell you we have defined three engines for our business. One is our core business. The other is organic business and the third is these new products based on convenience platform. So regarding this convenience business, broadly in the five year what we have set a target for ourselves is from Rs.700 Crores to Rs.900 Crores or roughly 10% to 12% of our business and now I will ask Mr. Chandra to add to your question that how these products are doing.

**Vivek Chandra:** Yes thank you. I think the biggest example of how this is going to ramp is in the US RTH business so that is in its third year in the market. The first two years were sort of gaining listing, creating awareness and in this year this business has more than doubled. We would see similar for all; we have now had Kari Kari in test and sauces in test for about almost one and a half years and they have now expanded nationally, and we are seeing similar sort of trajectory. Daawat Sehat which has met both its social need as well as the consumer need actually has ramped up higher. So I think if we were to see in terms of new products and the kind of success rates that new products have, we actually are enjoying a better success rate

and we do believe that these will ramp up to the kind of numbers that Ashwani just mentioned.

**Ashwani Kumar Arora:** In the last four to five years whatever the development has happened in this third engine, which is NPDs, we are all internally very excited.

**Resham Jain:** Okay. Sir just one bookkeeping question. You have this two line items employee expense if I look at last year for almost the similar level of sales was Rs.46 Crores, this year it is almost Rs.67 Crores and similar is other expenses, which has increased from Rs.126 Crores to Rs.160 Crores? If you can just explain what are the components in this two costs?

**Ashwani Kumar Arora:** I will pass on this question to Mr Sachin Gupta.

**Sachin Gupta:** The increase in the employee cost is basically on account of strengthening of the European operations. The European operations are in full swing and in order to have that kind of revenue the employees were required. So the employee growth is on account of the increased sales. Regarding the other expenditure, the other expenditure the increases are on account of the sales growth, which has been made in this year. Second the increase is on account the legal and professional charges, which have been incurred. This is basically on account of our supply chain management project to strengthen the supply chain facilities.

**Ashwani Kumar Arora:** I wanted to add in Resham on the employee cost. If you see the Europe has given a last year growth of roughly 92% growth and now the facilities are running on the full capacity for this year. We were looking for more people to run that operation. Another is we are strengthening our European operations for the next level of growth. So that is the people and on the other expenses it is a mix of all these things – increased sales, some cost on logistics some other costs and all these things.

**Resham Jain:** Okay because this is quite steep actually. Almost 43% increase in employee?

**Ashwani Kumar Arora:** As you see our full year numbers, for full year we are on the same matrix. If you see our Q1, Q2 and Q3 we are not far from average.

**Resham Jain:** Yes. Thank you. I will come back. Sorry for asking many questions. Thank you.

**Moderator:** Thank you. The next question is from the line of Meet Jain from LKP Securities. Please go ahead.

**Meet Jain:** Thanks for the opportunity. My first question is regarding realization? So in the presentation you can see that the realization in the business has dropped significantly so can you throw some light on that?

**Ashwani Kumar Arora:** Sure Meet it is basically because of mix. This year we have exported non basmati to China so that is how, but as far as basmati the same product is concerned, the realization has not decreased.

**Meet Jain:** Okay I mean basically due to exporting non basmati products to China?

**Ashwani Kumar Arora:** Yes we have exported to China some non basmati. So the average is coming down yes, but apple to apple there is no dip in realizations.

**Meet Jain:** Also in the previous con call you mentioned that our freight cost increased about 90% in this year so other expenses which the previous participant also mentioned that the increase is also part of that?

**Ashwani Kumar Arora:** Your voice is not clear. You are saying the other expenses the logistic cost higher is the part of that. That is what you are saying.

**Meet Jain:** Yes?

**Ashwani Kumar Arora:** As I said it is a mix of all the things, but logistic cost has definitely increased.

**Meet Jain:** The last question is regarding the HORECA business so in the Q4 how was the recovery of HORECA business seen and what is the current scenario?

**Ashwani Kumar Arora:** Q4 is better than Q2 I will say, but was not at par with to the pre COVID levels.

**Meet Jain:** So can you tell how much recovery did you find in Q4? Can you quantify how much percentage of recovery have you seen in Q4 in HORECA business?

**Ashwani Kumar Arora:** In HORECA business.

**Meet Jain:** Yes.

**Ashwani Kumar Arora:** I will say pre COVID levels it is roughly around 60%.

**Meet Jain:** 60%?

**Ashwani Kumar Arora:** Yes compared to pre COVID levels.

**Meet Jain:** Pre COVID levels? Yes so in Q3 also we mentioned that our HORECA business recovered around 60% to 65% so there is not much improvement in Q4?

**Ashwani Kumar Arora:** No. Actually HORECA started opening in the Q3. And in Q4 in the last month there was again a surge in COVID. The second wave started in the mid of March that impacted the HORECA business.

**Meet Jain:** The current scenario also most of our business has been impacted like HORECA?

**Ashwani Kumar Arora:** As I told that HORECA business is roughly globally 15% of our revenue and India is roughly 25% of our revenue. That will have a clear impact in the coming quarters, but as far as consumer business is concerned, last year also we had grown by 8% and in the April month we have seen growth. May is a little slow, but international business is as per our plan that Mr. Chandra just mentioned.

**Meet Jain:** Right. Thank you Sir. Thanks for the opportunity.

**Moderator:** Thank you. The next question is from the line of Yash Gupta from Angel Broking. Please go ahead.

**Yash Gupta:** Thank you for the opportunity. Good afternoon everyone. The first question on the international volume so basically we have done a volume of 97,000 metric tonnes as compared to the almost 70,000 something, but our sales is on the constant size as you have mentioned that China thing has come up so can you just quantify the number what we have exported to China and how the things are looking in this Q1 FY2022?

**Ashwani Kumar Arora:** Sure. I will pass on this question to Mr. Sachin Gupta.

**Sachin Gupta:** So as far as China business is concerned in Q4 we have exported around 23,000 tonnes of non-basmati rice.

**Yash Gupta:** And what was the value of it?

**Sachin Gupta:** It was at an average rate of Rs.22 to Rs.23.

**Yash Gupta:** And how is this looking into this cycle of quarter? In Q1 is the same line?

- Sachin Gupta:** Q1 it will be on the same lines of around 20,000 to 25,000 tonnes.
- Yash Gupta:** Have you lost some volume other than China in the international volume?
- Ashwani Kumar Arora:** Saudi Arabia we have lost some volume as on account of the pandemic some of our customers they have procured and stocked too much quantity and also their HORECA business has not opened up. But we are expecting that it will come back in the next quarter.
- Sachin Gupta:** As far as the branded business is concerned nothing has been lost across as well.
- Yash Gupta:** The same Saudi lost has been seen in this last Q1?
- Sachin Gupta:** On the private label business not on the branded.
- Yash Gupta:** Second question on that you have given revenue growth guidance of around to be 10% for FY2022 despite high base of 2021 so I just wanted to understand from you what was the thought process behind it from where we think the next leg of growth will go into come in 2022?
- Vivek Chandra:** We are on a growth momentum and this momentum is coming because across firstly as Ashwani Ji has mentioned the category is growing across the globe and all our marketing and selling investments that we have done is helping us grow faster than the category. The second reason why there is headroom for growth is the fact that while we are a leader brand there is still a lot of headroom available in terms of share growth across most of the markets that we are in and in the peak markets where we got bigger shares we have actually invested a lot in terms of expanding our consumer base, so if I was to summarize what we are saying is that there is a category growth which we will more than participate in, second we are expanding the consumer base either through share gain or through expanding consumption of basmati, third we have very entrenched and well-established distribution reach and we are expanding that network. All of these combined which is the four of our strategies will continue to drive our growth.
- Yash Gupta:** Okay Ashwani Sir do you want to add anything on to this point?
- Ashwani Kumar Arora:** So whatever Mr. Chandra said as you know if you see our CAGR growth it is almost in double digit and we believe that core category will keep growing in this space, whatever the forecast we have given so India may get impacted as I said, but internationally we are seeing that consumption growth will keep happening and as a strong brand we will have a

share of that growth but for India we have planned bigger growth, but because of the pandemic second wave we may see a delay in our growth program.

**Yash Gupta:** Sir last question on that inorganic growth that we are talking about on the TV channels and in the starting comments also can you throw some light on the inorganic growth?

**Ashwani Kumar Arora:** As a Company we always see grow through organic and inorganic routes. If you see historically Royal has been acquired brand and we have acquired brands from Unilever and 817 Elephant. As a strategic thought we are open to evaluating any opportunity available in our space as per our roadmap. So if you ask me any immediate plan, nothing is available, but we are open to evaluating any inorganic opportunity available.

**Yash Gupta:** As of now no proposal on the desk?

**Ashwani Kumar Arora:** I cannot disclose that but as I said we are open to evaluating any inorganic opportunity if available.

**Yash Gupta:** Okay Sir thank you Sir.

**Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Thanks a lot for taking my question. First question Sir I think we have been growing steadily in the past many years and this was happening till I think December quarter and I think first quarter onwards when the pandemic is struck so I am talking about fourth quarter of last financial year onwards, we came to this 1100, 1200 sort of a quarterly run rate of revenues and since then we have not been able to build on that so last five quarters our revenues are more or less at a similar level this is despite adding more capex of Rs.100 Crores per year and adding significantly in terms of employee cost like our employee cost is up 30% but that traction in revenue growth momentum has stayed flat in the last five quarters so then given how we are positioned today all these capex plus higher employee cost when can we expect some delivery on the growth part given all this?

**Ashwani Kumar Arora:** Thank you Sarvesh for this very good question. If you see Sarvesh last year our average quarter was roughly 1035 this year we have delivered average quarter 1150 that is an excellent growth 12% growth, we have given here. So the kind of business that we are in, this quarter-on-quarter growth is not something that is expected in this business and whatever the growth strategy that has to be implemented in one-and-a-half years before that and whatever we have done in the last two years that has resulted in this year and that is

how the Company has delivered an excellent topline growth and a bottom line growth of 45%. Also, regarding the capex last year we have invested capex in two areas, one is roughly Rs.50 Crores in the growth and Rs.50 Crores is building infrastructure and setting up green energy plant. We have put 3.5 megawatt power plant, that will help us generate our own fuel that will help the Company lower its cost of power. We are also building warehouses to enhance our supply chain and also lower our logistic cost. Remaining we have invested in the organic business that has given us a growth of 50%+ in this year. The capex done in the organic business by setting up the soya meal plant that has delivered. I hope that answers your question.

**Sarvesh Gupta:** Yes Sir on the employee cost front are we done with increase or are there further hirings and all that which is required as per our business strategy, or should we model in like this level of employee cost going forward as well?

**Ashwani Kumar Arora:** So first of all we are growing Company and our ambition is to grow definitely and there will be investment in the people, infrastructure and brand and that is how the growth will come. The second is as a Company we have operation in India and we have roughly 50% operations in Europe and America. Europe last year we reached the full capacity and that is how we seen a growth of 92% and we need people to run that kind of operations so this extraordinary increase will not come, but as I said Company we will keep investing in the people to bring the growth but we are very conscious on our cost whatever we invest so our people cost average is 5.5%.

**Sarvesh Gupta:** Understood Sir just finally, so on the growth part again, so any guidance Q1 we understand that it will be subdued because of pandemic in India, but assuming this COVID wave is going to go away at least the second wave so any guidance for the remaining part of the nine months for the financial year Sir?

**Ashwani Kumar Arora:** We are very positive on business model, and we have a very strong brand on Daawat, Royal, so the consumer acquisition has already been done and the next programs is to expand the consumer base and we are very positive on our core business, which is specialty rice, organic business and the third is on the new product.

**Sarvesh Gupta:** Any growth numbers that you would want to give for the 9 months?

**Ashwani Kumar Arora:** We are aspiring to always do double digits, but in this year we are all going through difficult times. Very difficult to predict the anything, but as I said we are very committed to grow, we are very positive on our business, and the markets we do business in are politically stable business and also to add that the category is growing.

**Sarvesh Gupta:** In terms of the paddy that you will be procuring for this year are you seeing in general we are seeing commodities going up everywhere right, so of course this year we will be utilizing last year crops and I think we should have some benefit on the margins because of that, but for this procurement cycle any guidance?

**Ashwani Kumar Arora:** It is very difficult to predict at this moment, but as I said initial signal we are getting is that production will not be less this year although we were doubting that because it is pandemic and labor shortage there may be some impact on the production, but till date the signals we are getting is saying that the production will be in line with what we thought so as far as prices are concerned too early comment but we are optimistic it will not be impacting our margins.

**Moderator:** Thank you. The next question is from the line of Amit Vora from PCS Securities. Please go ahead.

**Amit Vora:** Thanks for the opportunity. My first question Sir you have spoken a lot about the other expenses to other participants one thing is how much of this is one time in nature and how much of this is recurring in nature so can we assume that 14% of sales, which is the quarterly run rate for other expenditure are we continuing, or we can go back to 12% of sales as other expenditure?

**Ashwani Kumar Arora:** I think the average will be in the range of 12.5% other expenses.

**Amit Vora:** Right Sir so there are some one-off in this quarter particularly which will not reappear in the coming quarters is what to understand?

**Ashwani Kumar Arora:** As I said we will be in the range of 12.5%.

**Amit Vora:** Alright, Sir another question is on the debt what portion of the debt is Indian debt and what portion of the debt is foreign debt and if you can give me the cost of the borrowing for each?

**Sachin Gupta:** As regarding the debts so Indian debt is around Rs.786 Crores and foreign debts Rs.467 Crores and the average cost of the debt is 5.1%.

**Amit Vora:** Yes you have, third question that I have is in case you do not go for an inorganic way of growing what would be the reduction in the debt that you would be looking at assuming that if there is no opportunity that comes through, or it does not materialize?



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**Ashwani Kumar Arora:** As we are saying that from the organic and basmati business we are generating free cash flow in the range of Rs.350 Crores so as a policy that will go for reducing borrowing and distributing as dividend.

**Amit Vora:** Alright Sir again one followup on this one and then I will join back in queue, dividend there has been a lot of confusion I think in the earlier quarter we had mentioned in the presentation 20% to 30% of profits then we kind of said that 20% to 30% of cash flows and now we have set it at 20% to 30% of profits of standalone operation so now this remains as a policy for the time being is that the correct way of looking at it?

**Ashwani Kumar Arora:** Yes and in the last call also we clarified that dividend will be 20% to 30% on the standalone profit of the Company.

**Moderator:** Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

**Anurag Patil:** Thank you for the opportunity. My question is on the GI tag agreement with the European union that is proposed in the coming months how it will benefit us and smaller exporters from India?

**Ashwani Kumar Arora:** This is a positive thing for us, it should have a positive impact on, as Basmati rice industry and as an LT food it is a very positive thing it is nothing negative.

**Anurag Patil:** Will it lead to increased realizations for our private label business there?

**Ashwani Kumar Arora:** Private label business what you say?

**Anurag Patil:** Will this agreement of GI tag will lead to increased realizations for us?

**Ashwani Kumar Arora:** GI is not only restricted to India. GI has a right as far as basmati is concerned Pakistan has the equal rights, so on the pricing power I do not think India will have any impact on that. GI is only a protection, to getting registered nothing else.

**Anurag Patil:** Okay Sir understood. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Amit Doshi from Care PMS. Please go ahead.

**Amit Doshi:** Sir you clarified about the realization fall on the international side, but on the domestic side also there has been realization reduction so is there a change in the pricing anything?

**Ashwani Kumar Arora:** It is more of a product mix, when HoReca sells more than your price realization goes up otherwise it is a product mix change, but as far as profitability is concerned it is not getting impacted with this product mix change.

**Amit Doshi:** Okay so this last March concall you had mentioned you will try, and you want to achieve a margin of around 15% so have you set some target date?

**Ashwani Kumar Arora:** So we are on that journey if you see year-on-year we are improving on the margins, but sometimes the product mix changes like the China business. But overall we are improving our margins.

**Amit Doshi:** Okay Sir.

**Ashwani Kumar Arora:** Specifically, gross margins have also improved.

**Amit Doshi:** On the inventory side in the presentation and in the balance sheet there has been difference in the amount can you clarify or is there some error?

**Sachin Gupta:** You are taking paddy and the rice inventory but we have other items inventory as well that is sitting in my foreign countries. This slide just talks about the paddy and rice inventory.

**Amit Doshi:** You want to say that is almost around Rs.500 Crores plus.

**Sachin Gupta:** Yes.

**Amit Doshi:** Okay so that is the inventory overseas?

**Sachin Gupta:** Yes.

**Amit Doshi:** Okay fine and Sir on the organic business as well as this new product business I understand that we are undergoing at present on year-on-year I do not have to look quarter-on-quarter but there is no seasonality involved therein right so this Q1, Q2 there is a sharp jump and Q3, Q4 is not able kind of have that average number so any particular reason that is not going on a sequential basis?

**Ashwani Kumar Arora:** I think it is the organic with much stronger Q1, Q2.

- Amit Doshi:** Yes why sequential growth is not coming in.
- Ashwani Kumar Arora:** The growth strategies are to add new products, so last year we have added soya meal, which has given a revenue of c. Rs.200 Crores and so we are in the process of adding more products for the next growth engine. There was also a stock up because of COVID in Q1 and Q2.
- Moderator:** Thank you. The next question is from the line of Shikha Mehta from Equitree Capital. Please go ahead.
- Shikha Mehta:** I just have a couple of questions; can you give us an update on the insurance claim and what is happening thereon?
- Ashwani Kumar Arora:** Because of COVID the courts were closed but we are on the last stages of getting our first verdict keeping our finger crossed if everything opens up in June we are expecting that in the next two to three months we will get our first verdict.
- Shikha Mehta:** Sir on the raw material price enquiries now it is too early to talk about pricing, but it should not impact the margin substantially right is that correct way to look at it?
- Ashwani Kumar Arora:** Yes, that is what we are assuming.
- Shikha Mehta:** Sir lot of my subsidiaries are outside India, so I was just wondering what are your policies to bring cash back to the country or how it works?
- Sachin Gupta:** The only way to get cash from the subsidiaries is dividend. As far as cash back is concerned we have adopted the dividend policy. We adopted dividend policy and it is across the globe, the same is applicable for my other companies as well. The subsidiaries will declare dividend if they meet the financial metrics as per the policy adopted. Then the dividend will flow to India.
- Shikha Mehta:** So if you could just give me a breakup of how much cash balance out of country and how much will be inside the country if you have something about Sir?
- Sachin Gupta:** So this is as per our dividend policy and the same is applicable for US as well as for the European entities. In short, that dividend will come from the overseas subsidiary.
- Shikha Mehta:** Okay Sir thank you so much.

**Moderator:** Thank you. The next question is from the line of Archit Jain from Samridhi Capital. Please go ahead.

**Archit Jain:** Sir just two quick questions from my side so first one on the European market what has been our share growth over the last year because that is somewhere where we made some strategic investment as well as new management so how is that panning out in our normal basmati segment plus the other product, second question you explained on the exceptional item expense but just wanted to understand we have reduced our margin because of that one time off so that is something of a revenue nature expense that we have incurred outside, if you can just add more to that?

**Ashwani Kumar Arora:** Sure, so first of all, on the Europe we have mixed business here one is private label business and the other is branded, on the private label we have in the Continental Europe we have roughly I will say 25% share and UK as we are not there. In branded business we are improving our share, so I hope that answers your question.

**Archit Jain:** What is the growth that we have seen there in terms of year-on-year basis in the European market?

**Ashwani Kumar Arora:** As I said the category is growing in the range of 8% to 10% in Europe and we are confident that our growth will be in line with the category growth.

**Archit Jain:** Okay.

**Moderator:** Thank you. The next question is from the line of Girish Jain from KJMC Finserv Group. Please go ahead.

**Girish Jain:** Can you give some idea on the net working capital cycle of the Company on a standalone basis as well as on a consolidated basis in number of days?

**Sachin Gupta:** So as on the consolidated basis my working capital cycle is of 232 days in which the inventory days are 251 and the receivable days are 38 and payment days are 57 and as regarding the standalone number the working capital cycle is 172 days and these have improved from the previous year, it has improved by five days in case of consolidated and three days in the case of standalone.

**Girish Jain:** Is it likely to improve further going ahead?

**Ashwani Kumar Arora:** Not big but may be two to three days more.

- Girish Jain:** Okay Sir and how much of capex have we outlined for this financial year?
- Ashwani Kumar Arora:** It is around Rs.80 Crores.
- Girish Jain:** Which is more of an industry question there has been some talks that the sanctions on Iran may be lifted by the US, will that have an impact on the basmati market overall?
- Ashwani Kumar Arora:** Yes that will have positive impact on the basmati rice industry and as mentioned earlier LT Foods is not in Iran business, but as far as industry is concerned this will definitely be a positive news.
- Girish Jain:** Okay, thank you Sir.
- Moderator:** Thank you. Due to paucity of time we take the last question from the line of Aditya Mehta from GK Capital. Please go ahead.
- Aditya Mehta:** Thank you Sir. Thank you for the opportunity. Sir my question is regarding what is the maximum revenue that we can generate from European business with the existing capacity that we have?
- Ashwani Kumar Arora:** Maximum whatever till date we have invested the capex we can do roughly I think €100 million but as the business will grow we will keep growing our capacity also.
- Aditya Mehta:** Regarding our Middle East business we have been seeing lackluster growth in the past few years so what is the strategy over here and why we are struggling to grow in the middle east despite being one of the largest markets for basmati?
- Ashwani Kumar Arora:** Good question everyone had this question and we as a Company believes that we have a better play in India, America, and Europe. Of course Middle East is a big market that is in our roadmap so next phase is to grow from here onwards.
- Aditya Mehta:** Any impact do we see from retaliatory tariff that US is planning to impose on basmati rice?
- Ashwani Kumar Arora:** It may have impact, but basmati is a kind of monopoly in the American market although we are all working with the government should not consider that US Government, but if it happened it will definitely get passed on to the consumer.
- Aditya Mehta:** So can we deviate our supplies from Europe to US like something like that?



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**Ashwani Kumar Arora:** They are putting on the Indian origin products so it does not matter if we deviate the route. So the only option you have is you change to Pakistan, but Pakistan does not have much infrastructure to supply these kind of countries.

**Aditya Mehta:** Okay got it Sir. Thank you and all the best.

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

**Moderator:** Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us and you may now disconnect your lines.

**Contact information:**

Ms Monika Chawla Jaggia

Vice President – Finance & Strategy

ir@ltgroup.in Tel: 0124 - 3055210

**Registered address:**

Unit No. 134, First Floor, Rectangle - 1,

Saket District Centre, New Delhi,

Delhi, 110017

[www.ltgroup.in](http://www.ltgroup.in)

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