



“LT Foods Limited  
Q4 FY’23 Post Result Earnings Conference Call”  
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**MODERATOR: MR. SUMANT KUMAR – MOTILAL OSWAL FINANCIAL  
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**Moderator:** Ladies and gentlemen, good day, and welcome to the LT Foods Q4 FY'23 Earnings Conference Call, hosted by Motilal Oswal Financial Services 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 presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sumant Kumar from Motilal Oswal Financial Services Limited. Thank you, and over to you, sir.

**Sumant Kumar:** Thank you. Good afternoon, everyone, and a very warm welcome to LT Food Q4 FY'23 post result earnings, earnings call hosted by Motilal Oswal Financial Services Limited. On the call today, we have management team being represented by Mr. Ashwani Kumar Arora, MD, and CEO; Ms. Monika Chawla Jaggia, VP Finance and Strategy; and Mr. Sachin Gupta, CFO. We will begin the call with key thoughts on the management team. Thereafter, we'll open the floor for Q&A session. I would now like to request the management to share their perspective on the performance of the company. Thank you. Over to you, Monika.

**Monika Chawla Jaggia:** Thank you Sumant. Good evening, 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 company's website and have also been uploaded on the stock exchange.

A transcript of this call will 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 last quarter 4 financial year '23.

Our consolidated revenue for quarter 4 financial year '23 was up by 19% at INR1,836 crores vs. INR 1,537 crores in Q4 financial year '22 on account of increased sales from Basmati and other specialty rice and convenience and health segment. The gross profit for the Q4 FY'23 was up by up to INR 609 crores from INR515 crores. And the gross profit margin contracted by 30 bps on account of increase in the input cost and decrease in freight costs.

The company did an additional investment in brands, and there was a decrease in the freight cost as a percentage of revenue. The freight cost decreased by 230 bps, which led to a decrease in the other expenses, by 140 bps versus last year. This is a reduction in other expenses led to an increase in EBITDA. The EBITDA for Q4 was up by 29% on a year-on-year basis to INR200 crores from INR163 crores. The PBT was up by 35% to INR149 crores from INR110 crores. The PAT for Q4 was up by 75% to INR132 crores from the INR75 crores. The earnings per share for Q4 stood at INR4.01, up by 79% on a year-on-year basis. The cash profit for Q4 was up by 52% to INR167 crores from INR110 crores. Our consolidated revenue

for financial year '23 was up by 28% at INR6,979 crores versus INR5,451 crores in financial year '22. This is on account of 31% growth in Basmati and speciality rice segment and 11% growth in our organic segment.

The gross profit was up by 31% to INR2,402 crores from INR1,836 crores, and the margin expanded by 70 bps to 34.4% from 33.7%. This is on account of change in product mix and the partial size increase. The EBITDA was up by 20% to INR744 crores from INR620 crores in financial year '22. The PBT was up by 25% to INR535 crores from INR428 crores. The PAT was up by 37% to INR423 crores from INR309 crores. The earnings per share stood at INR12.59, up by 38%.

The cash profit was up 27% to INR550 crores from INR432 crores. Now I would like to highlight the key ratios of our balance sheet. The debt equity ratio stood at 0.34 times. This is to reiterate that majority of our debt is working capital debt, which is required because of the nature of the business and our focus is to maintain the debt-EBITDA ratio between 2 to 3 times. It's stood at 1.3 times, which is lower than the benchmark that we set for ourselves.

Current ratio has also increased significantly to 1.96 from 1.78 last year. The return on capital employed stood at 17.8%. The normalized return on capital employed on account of insurance claim stood at 18.5%. The return on equity stood at 18.4%, up by 309 bps and the interest coverage ratio also improved from 7.2 to 7.5 times. Now I would request Mr. Ashwani Arora to give you an update on the business and the strategic initiative.

**Ashwani Kumar Arora:**

Thank you, Monika. Good evening and thank you for joining us on the call today. In financial year '23, the Company continues to deliver on all the strategic pillars plus growth, margin expansion and further strengthening the balance sheet with a 28% growth in revenue, gross profit growth of 31% and PAT growth of 37% and significant strengthening of the balance sheet.

Basmati and other specialty rice segments saw a growth of 31% and Convenience & Health segment witnessed to grow to 36%, which is 2.5% for our revenue. The organic segment also saw a growth of 11%. We are delighted to share that the company's market share in India as per AC Nielsen stood at 29.6%, up by 230 bps on the back of marketing initiatives across all the mediums and increasing distribution reach.

Our retail outlet reach also increased by 9.1% and stood at 176,741 outlet. Also, Daawat consuming household increased by 31.3% on a year-on-year basis to 45.38 lakhs which is heartening. We are glad to share that we have concluded our strategic transaction with SALIC, which is PIF, Saudi Sovereign Fund. Successfully SALIC now holds 9.22% equity stake in LT Foods through a primary and secondary investment of INR455.5 crores.

The move came to accelerate LT Foods organic and inorganic expansion plans across

business segments, give a boost to our future growth plan particularly in the Middle East and Saudi Arabia region and fortify our position as a leading player in the industry.

The India business kept the growth momentum. Our business reported a growth of 14.4%. Wherein the specialty and mid-segment registered phenomenal performance and surpassed the industry standard by reporting 15.7% and 15.2% growth.

We have identified 3 platform for the extension of our brand, a specialty rice, second, is health and third is convenience platform. In all of these platforms, we have expanded our portfolio during financial year '23.

In the Specialty rice segment, we launched another variant of regional rice. In the health segment, we launched black rice, which is another initiative to cater to the health-conscious consumers in the Convenience segment, the Daawat Briyani kits, Royal ready-to-heat is performing as per our expectations. In the U.S., we continue to maintain our market share of 50% with our flagship brand Royal. We increased ready to keep food production capacity.

Sales of Royal RTH foods grew by 37%, which took Royal RTH to the fourth largest brand in the ready-to-heat right segment in the U.S.

During the first half of the fiscal, we entered into achieving with Golden Star trading with the brand, which we have bought of Jasmine rice. We have successfully integrated the operations of the golden star into LT Foods America and deliver to our expectations. We command a significant market share of approximately 30% in the Continental Europe in Basmati rice category. This year, the Europe business has grown by 23%.

In the Middle East market, U.A.E., Kuwait and Iraq were the top-performing countries accounting for 78% of our Middle East business. U.A.E. experienced remarkable +121% growth, reaching volume of market share of 4% in financial year 22-23. Kuwait showed growth strong +78% growth, achieving a volume market share of 3.7%. Lebanon had a significant volume market share of 7.8%.

We have delivered 50% year-on-year growth in the e-commerce platform in U.A.E. We hold a 16% market share in far East, despite the price increase impacting overall export to the region, we managed to mitigate the impact and maintain our position in the market. Our focus lies in strengthening our distribution network and achieving over 90% product penetration in all countries.

To boost the growth of Jasmine rice segment, we also opened an office in Thailand to support strategic procurement of Jasmine rice. We continue to make visible progress in our ESG program in each of our focus area, we are committed to training 50,000 partners on sustainable farming practice by 2025. We are also on the track of having 2.5 lakh acres of

organic farmland by 2030. We have highlighted our ESG framework and ESG scorecard in the earnings presentation. We're also significantly prioritizing digital transformation assets to enhance our operations closely.

We maintain an optimistic outlook for our overall business, and we continue to strive towards building a robust forward thinking, sustainable, profitable, and expanding business globally. Now we open the session for questions and answers.

**Moderator:** Thank you very much. The first question is from the line of Amit Aggarwal from Leeway Investments.

**Amit Aggarwal:** Congratulations on good set of results. Sir, my question is regarding the dividend. So this time, your dividend has been less than last year, in spite of the we've been promised in early conferences that 20% of the dividend will be distributed to the stakeholders, 40% of the profit to distribute to the shareholders.

And second question is regarding investments in plant and machinery. Sir, we've been spending about INR50 crores around about every year on plant and machinery. Will the FMCG business acquire so much investments in plant and machinery. Can you elaborate the investments it has been this much for the last 2 years? These are the 2 questions.

**Ashwani Kumar Arora:** So answering to the first question on the dividend. We have said that we will deliver 20% dividend our stand-alone basis and we will doing that in this financial year also, like the last year. And on the plant and machinery, last year, we had invested mainly on the two things. One is on the green power generation with turbine we have installed turbine, which we will run on the half by products of the company.

And the second, we have invested in the solar power. Third, we have invested on the warehouses because earlier we were storing goods by renting out the warehouse outside. So the plan is to build a warehouse. So the main investments have gone in that. And the third is because in Europe, the operations are growing so we are investing mainly in the packaging side of the business.

**Amit Aggarwal:** So can you give more details how much power generation and in the past 2 years and how much for the warehouse?

**Ashwani Kumar Arora:** So you send that email, we will send you directly.

**Amit Aggarwal:** Okay. And this dividend thing sir, I'm talking about 2022 to 2023. So this was 1 year aberration or still will be looking for an awesome dividend?

**Ashwani Kumar Arora:** Sorry. Because your voice is breaking.

- Amit Aggarwal:** So the dividend for 50% dividend for last fiscal year, is the more aberration or you're talking about still to be?
- Ashwani Kumar Arora:** So the previous one dividend was the interim dividend. So there will be, of course, final dividend that also will be declared and as per the policy adopted by the company
- Moderator:** Thank you. The next question is from the line of Abhishek Maheshwari from Sky Ridge Wealth Management. Please go ahead.
- Abhishek Maheshwari:** Congratulations on good set of numbers. We are very pleased to see the improvement in margins and good profit growth. So a couple of questions, sir. You made a volume growth of 18% in FY'23 against a revenue growth of 28%. I think 10% was contributed by increase in Basmati prices correct to assume that?
- Ashwani Kumar Arora:** Just I will pass over to Sachin.
- Sachin Gupta:** So in this year, the volume growth what we have achieved in the Basmati and the specialty, that is a 10% volume growth. and the realization has increased by 20%. So the is 32% of the revenue growth from the Basmati.
- Abhishek Maheshwari:** Actually, what I'm seeing in the press release is LT Foods reported an offtake volume growth of 18.2% for FY'23 versus category growth of 9% in the same period. So volume growth is 18%.
- Sachin Gupta:** Growth that has been stated as India, India volume growth, India volume has been stated. So it has been correctly reported that is India volume growth.
- Abhishek Maheshwari:** Okay. So overall basis, you are seeing it was a 10% volume growth. Okay. And going ahead, do you see this to maintain similar levels in FY'24 also 10% to 15% volume, sir?
- Ashwani Kumar Arora:** Next year, as we are optimistic and the category is growing across the geography we are working. So we are positive to deliver double-digit growth.
- Abhishek Maheshwari:** This will be via new geographies. And we are hoping to see good distribution in the Saudi, Middle Eastern market with the new selection?
- Ashwani Kumar Arora:** It's not short term, but that's medium to long term. So at present whatever the base we have, we are seeing deposited as said, double-digit growth is expected.
- Abhishek Maheshwari:** But sir, if they are planning the 15%, assuming 15% volume growth in FY'24 also. And I'm sure that Basmati prices are even higher than what they evolved 1 year ago. So the realization might should be over 30%, 40%, right? I mean, value-wise, revenue growth?

- Ashwani Kumar Arora:** So value growth in the price impact has already come in the last quarter. And as I said, we always build our business plan on roughly 6% to 7% volume growth and 5% to 6% on the value growth.
- Abhishek Maheshwari:** And I'll get back to this maybe later on. Secondly, sir, do you see that at 11.5% EBITDA margins, you are at the peak of the operating leverage, or there is still some potential that operating leverage will kick-in with higher volumes and EBITDA margins quite improve?
- Ashwani Arora:** If there is a potential, we have given the guideline that by year 2025 our return on equity will be, we are targeting 20%, return on capital employed 23%. So there is still a room for the margin expansion.
- Abhishek Maheshwari:** Okay. And one question before I get back to the queue. So regarding SALIC, I mean, can you elaborate on what talks are going on over there? Will SALIC itself be your distributor, or will you be looking for some other distributors? I mean what are the thoughts going on what is a strategic plan to enter that market?
- Ashwani Arora:** SALIC is our investor company, we will not distribute that. A lot of strategic discussions are happening. I'm sure we will come up with the winning proposition.
- Moderator:** Thank you. The next question is from the line of Shubham Shukla from Voyager Capital. Please go ahead.
- Shubham Shukla:** Well, we were aiming for EBITDA margin to be at 13.5% in the next three years. Margin outlook still the same despite remains flat to negative for an entire year.
- Ashwani Arora:** If I understood your question correctly, as I said, we are targeting to improve our margin here.
- Shubham Shukla:** My question was like you did 10 plus margin this year, EBITDA margin, and we are aiming for 13.5% -- we were aiming for 13.5%.
- Ashwani Arora:** Yes. So this quarter, we have delivered 11.4%. And next year, we are targeting to improve on the margin further.
- Shubham Shukla:** Okay. And second on the SALIC deal, we have intention to do 150,000 tons of business in Middle East, and we were around 40,000 tons odd. Is it the product price are too down for that market? So did we record any growth in volume from there?
- Ashwani Arora:** This we have done in case because they have invested one of the reasons is the food scarcity. So under that, they have done an agreement with us that in case they need, we will supply them 150,000 tons.
- Shubham Shukla:** I think I can get to, like, we are doing 40,000 tons in Middle East. Did you see any increase

in our business there?

**Ashwani Arora:** Yes. Middle East is a focus, and we have good plans to grow the Middle East business.

**Shubham Shukla:** Okay. And if I could just get the Golden Star revenue and EBITDA margin, we were told that profitability of, let's say, is largely in line with LT Foods margin, basically -- give those numbers?

**Ashwani Arora:** So the Golden Star the profitability for that has been consolidated, which is amounting to INR31 crores, a 51% share.

**Shubham Shukla:** Could you repeat that again, you are not loud enough.

**Ashwani Arora:** INR31 crores is the profitability of Golden Star, that has been consolidated in the financial number. And that is 51% share.

**Shubham Shukla:** Okay. And the revenue will be?

**Ashwani Arora:** The revenue side of the -- after the taking over 51% and the rest are 52 million.

**Moderator:** Thank you. The next question is from the line of Mohammed Patel from Care Portfolio Managers. Please go ahead.

**Mohammed Patel:** The International business has done very from INR2,800 crores to INR3,800 crores. So can you give us some colour on any specific geographies that have done well?

**Ashwani Arora:** See, all geography has done well. The US has grown Europe has grown. All geography has grown on the similar percentage almost similar.

**Mohammed Patel:** Okay. Can you highlight growth by geography, or some of the key's geographies?

**Sachin Gupta:** Europe is growing by 23% on year-on-year basis and the revenue growth in marketing if I look at the US has grown by 48%. So these are the major geographies. If I talk about the Indian brand the revenue has growing by 16% volume growth and the value growth is 37%.

**Mohammed Patel:** It is very difficult to hear you. Second question is, is the freight cost only reason of improvement in margins? And if yes, do we see that we shall pass on the benefits in correcting prices downwards in coming quarters?

**Sachin Gupta:** Freight cost was one of the reasons for the growth in the margins in the quarter as well as year-on-year basis. So of course, certainly, certain part is to be passed on. But I think, the whole part will be passed on. So we are expecting a margin expansion in the going forward years as well. There was certainly the scale also kick in and I was able to have a 44% expansion in the profit on out of scale asset. And there was a GP also increased. So all these



factors impacted to an increase in the overall EBITDA margin in this quarter.

**Mohammed Patel:** So if you pass on, then there will be an impact -- negative impact on the margins?

**Sachin Gupta:** Not really because the freight cost after that also have decreased further.

**Mohammed Patel:** Okay.

**Sachin Gupta:** We have an inventory lag of the previous year, we did not pass on that increase. So post March, there was certainly a price decrease, but that too –after keeping the margin intact.

**Mohammed Patel:** Okay. Share on JV was INR19 crores in Q4 FY'23. So this is a substantial jump from the last quarter, which was INR8 crores. So what explains this? And what is the run rate that we should expect going forward?

**Ashwani Arora:** This quarter, it has got an impact of rate. So going forward, not this kind of margin, but we are positive on the JV we are expecting 12%, 13% EBITDA margin.

**Mohammed Patel:** Okay. And you mentioned in the opening remarks that...

**Ashwani Arora:** Just to explain further on the growth, this is a part of value growth and quantitative growth, and it has impact of rupee depreciation also. So just to clarify on that. Last year, the market was opened up after COVID. So food service has delivered good performance.

**Mohammed Patel:** Okay. You mentioned in the opening remark that you hold 30% market share in the Europe continent. So can you throw some light on who holds the remaining 70%?

**Ashwani Arora:** So there are different European players they hold. Yes continental.

**Moderator:** Thank you. The next question is from the line of Santosh Joshi from AD Financial Services Limited. Please go ahead.

**Santosh Joshi:** So congratulations, sir, for good set of numbers. I have two basic questions. Please give a volume breakup of domestic and exports. And within exports, how much is Basmati and how much would be non-basmati? Thank you.

**Ashwani Arora:** Mainly Basmati, I will hand over to Sachin to brief you.

**Santosh Joshi:** So I guess about a percentage, what would be the volume breakup of domestic and export? And within exports, basmati, and non-basmati?

**Sachin Gupta:** India there's a revenue of 3 lakh tons and international the revenue is 284,000 tons, volume wise.

- Santosh Joshi:** Okay. And within export, how much would be non-basmati?
- Sachin Gupta:** So this is total Basmati. And in non-basmati last year after September, the sales was 43,000 tons.
- Santosh Joshi:** 43,000 tons. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Shubhanshu from PIA. Please go ahead.
- Shubhanshu:** My first question is regarding the Daawat acquisition that has been done inside the LT Foods. In this quarter's consolidated number, have we consolidated the Daawat's revenue fully or did it be happening from next year?
- Ashwani Arora:** So Daawat was earlier fully owned subsidiary of majority owned by LT Foods. And we have acquired the SALIC stake in LT Foods. It is not having any impact on that, earlier also it was a consolidated too now also consolidated.
- Shubhanshu:** No. So the remaining 30% won't we are dumped in revenue to 30% of the consolidation we were consolidating it 100% previously also?
- Sachin Gupta:** Now after, in the month of March, it is 100% subsidiary steady. So 100% profits are expected, so my minority shareholding has now been eliminated. So if you look at into my financials, there is a decrease in the minority shareholding. That has gone in the investment.
- Shubhanshu:** Okay. Got it. And on the front of trade payables, I'm seeing this around 1,078 due to trade due to others can you can jump from last year and the September balance sheet that you gave. What is the reason for that?
- Sachin Gupta:** So we are able to maintain a good relationship with our suppliers and we made a relation where we secure the supplies from the supplier. So for the inventory in the warehouse, as per the accounting standards, we have to improve that inventory and the rates in our books. So this is the arrangements which we had made with our supplier. So that has resulted in an increase in the trader's current credit.
- Shubhanshu:** Okay, sir. And just last question. This is on one of the ASG metrics that you mentioned. Under renewable energy, you have mentioned the baseline was 46% and then FY'23 it's 42%, is there a drop somewhere, or is this a base of electric consumption has increased?
- Ashwani Arora:** So you mean to say, ESG. On the ESG target how we are going now?
- Shubhanshu:** Yes sir, ESG. On the climate change in the presentation, you mentioned in the renewable energy, baseline at 46% and FY'23, 42%. So why is there a dip from baseline, is my question?

- Ashwani Arora:** The consumption will grow.
- Shubhanshu:** It's a consumption growth.
- Moderator:** Thank you. The next question is from the line of Sunil Inani from KM Financial Advisors. Please go ahead.
- Sunil Inani:** I just wanted to understand, can you please let us know what are your plans for non-basmati? And what all variants of non-basmati has been launched so far?
- Ashwani Arora:** Non-basmati not our focus even in the last two years. Basmati export is not our focus. In the last two years, we have done only for China because LT Foods was among the few companies which were allowed to export China that was having a good margin. But strategically, non-basmati is not except the regional price, which we do we call it and specialty rise. So that we will keep growing in.
- Sunil Inani:** Right, sir, and what are your capex plans going forward?
- Ashwani Arora:** So it will be similar in the range that we have done in the last year. So similar we will be increasing the production. Some will go in generation of power, and some will go in capex.
- Moderator:** Thank you. The next question is from the line of Amit Jeswani from Stallion Asset Private Limited. Please go ahead.
- Amit Jeswani:** A great set of number. My first question is, and my team has been asking you the same question multiple times, but sir your equity today is INR2,800 crores assuming you do a INR500 crores PAT next year, you'll be at INR3,300 crores and broadly to achieve the 20% ROE okay, which you have guided, you'll have to do INR660 crores of PAT that would be super.
- As of today, sir, we are -- our market cap is INR4,000 crores. And you are now 40% bigger than the market leader, the old market is leader. If you reinvest this cash flow that you're generating, I'm just seeing your last 4 year's free cash flow is INR1,000 crores, right, your operating cash flow minus capex is INR1,000 crores.
- Sir, it makes no sense for you in our humble opinion, so why are we not doing buybacks at the INR4,000 crores market cap. You're less than 9 PE, 10 PE your ROC will be north of 20%. If you can reduce your equity, you've been looking at a very large EPS. Our EPS today is INR12.5. You're targeting closer to INR18 EPS and if you do a buyback of INR300 crores, INR400 crores, you're looking at north of INR20. I'm just trying to understand, sir, you're thinking about it. Because you've built a building business in the last 70 years. You've got one of the better auditors. Just trying to understand how you think about it.

- Ashwani Arora:** No, we have -- as said in the last con call also, we are positive and because at that time, some deal was happening. And we are positive that in the next board meeting we may discuss about that.
- Amit Jeswani:** Got it. And Arora ji, typically, whatever you're guiding, you've been able to achieve for last multiple years. How confident are you on the INR650 crores kind of PAT in FY'25 of the 20% ROE? That is the minimum PAT that you will have to achieve from INR420 crores PAT today.
- Ashwani Arora:** So we are very confident. That's why we have given the guideline.
- Amit Jeswani:** Got it. And the capex that you're doing, is that what KRBL was also doing and that's why the margin difference between you and KRBL have now come down, on the power side?
- Ashwani Arora:** Can you repeat again?
- Amit Jeswani:** Sir, are you investing in power that KRBL doing. So now your margins will actually move higher from the 11% level closer to 14%, 15% in the next two years, is that the trade year?
- Ashwani Kumar Arora:** That's what the guideline is that we are targeting to have EBITDA margin, 13.5%. That's what is one of the building blocks.
- Moderator:** The next question is from the line of Jigar Upadhyay from Amtiger Consultants Private Limited. Please go ahead.
- Jigar Upadhyay:** Congratulations on the wonderful results. Sir, I wanted to understand what is typically the realization for domestic rice sales and export rice sales? And broadly, what is the differential?
- Sachin Gupta:** So realization in the Indian market is INR60 per Kg and the international space is INR134 per KG.
- Jigar Upadhyay:** INR134 per KG?
- Sachin Gupta:** Yes.
- Jigar Upadhyay:** So -- okay, okay. So now coming to my next question. So export would give you typically better margins. So do you track gross margins on a per ton basis. And if yes, what will be the ideal benchmark gross margin per ton for domestic and exports?
- Ashwani Kumar Arora:** So we don't calculate per ton. We calculate the margin on the revenue.
- Jigar Upadhyay:** Okay. So any particular benchmark that you would have said with its standard in terms of domestic export?

**Ashwani Kumar Arora:** Let me answer your first question. The margin is definitely better in the international market. But there is a difference in the product which stands in India and the product mix which we sell in international market. So what was your second question?

**Jigar Upadhyay:** The second question was, I mean, on the gross margin, if you track it on a per ton basis. And if you have a benchmark in terms of if not per ton, would you have a benchmark in terms of a percentage?

**Ashwani Kumar Arora:** Yes, that's what -- we don't do our pricing on per ton.

**Jigar Upadhyay:** Got it. Got it. And in terms of the total volumes that you would have, how much would be private label and branded?

**Ashwani Kumar Arora:** So mostly, it's a branded business. We do private label in Europe. So that will be in the range of roughly for specialty rice, Basmati rice, INR700 crores.

**Jigar Upadhyay:** Okay. So private label would be close to INR700 crores.

**Ashwani Kumar Arora:** The organic business is, again, mostly private label business. So again, that will be in the range of INR700 crores. Out of INR7,000 crores, INR1,400 crores will be private label, but that's very strategic in nature. So we don't do trading we do private kind of strategy with the good retailers and good food companies.

**Jigar Upadhyay:** Understood, sir. So just lastly, from a gross margin perspective, how should one model the growth for your business in terms of domestic and export?

**Ashwani Kumar Arora:** How much growth will come from India and how much growth it has is what you're saying?

**Jigar Upadhyay:** Right, sir.

**Ashwani Kumar Arora:** In quantity terms, the growth in volume like India will be the biggest, followed by the international. But in value growth, both will be the same.

**Jigar Upadhyay:** Okay. Sir, I meant the gross margin, in terms of domestic and exports. I mean how should typically one build gross margins as far as domestic sales and export sales are concerned?

**Ashwani Kumar Arora:** Internationally, the gross margin percentage, I can't tell you right now, but gross margins are more in the international business and lesser in India.

**Moderator:** The next question is from the line of Ajay Rajguru from Amtiger Consultants. Please go ahead.

**Ajay Rajguru:** What is the size of distribution in India? And how many number of distributors and total outlet that you reach directly and indirectly?

**Ashwani Kumar Arora:** So in general trade, as you said, the retail outlet, we cover 171,000 outlets. And we are across all omnichannels and 110, distributors are at 1,200 distributors.

**Ajay Rajguru:** 1,200 distributors.

**Ashwani Kumar Arora:** Yes.

**Ajay Rajguru:** What is the -- how you direct reach number of direct reach?

**Ashwani Kumar Arora:** So this is a direct reach we do. yes.

**Ajay Rajguru:** Direct reach, yes. Okay. Okay.

**Ashwani Kumar Arora:** We have 8 distribution centres in India.

**Ajay Rajguru:** 8 distribution centres in India.

**Ashwani Kumar Arora:** Yes. we had a sales team of around more than 300 people. So, they are on the ground. It's typically, like for any FMCG companies, the route to market is.

**Moderator:** The next question is from the line of Shashwat Paliwal from Ascent Financial Advisory Limited. Please go ahead.

**Shashwat Paliwal:** I wanted to ask some of the volume CAGR. What is the 5-year volume CAGR? In the branded segment?

**Sachin Gupta:** Just a minute. So in the volume segment, my 5-year CAGR is around 14%.

**Shashwat Paliwal:** 14%. Okay. So any plans for the non-basmati segment, if you can further elaborate on that?

**Ashwani Kumar Arora:** Non-basmati segment we spoke, we have done in the last few years, China this year, we have done around 30,000 tons and in last year more than 100,000 tons. But it's not a strategic focus that was only to China, we have done. And now the non-basmati export is ban from the last 3 quarters. So, in terms of the original rice, we call it. So that's in Daawat and Royal in America.

**Shashwat Paliwal:** So it does give us better margins in gross margin terms, right?

**Ashwani Kumar Arora:** So it's similar in terms of the returns on capital, but the idea is to expand our portfolio by leveraging our brand equity and distribution.

**Shashwat Paliwal:** Okay. And you recently talked about the private label, which is between INR1,400 crores of private label you are referring to. Am I right?

**Ashwani Kumar Arora:** Yes. That's approximately.

**Shashwat Paliwal:** Okay. So one last question is when you talked about the capex. So I mean, what capacity would you be adding in a newly operational Gujarat plant?

**Ashwani Kumar Arora:** We are doing capex investment in power generation, warehouse and the capacity enhancement. So this year, we are increasing our capacity, roughly by 100,000 tons.

**Moderator:** The next question is from the line of Ritesh from Sky Financial Advisors. Please go ahead.

**Ritesh:** Congratulations for good results. Sir, my question is, can you explain the current distribution network for export business?

**Ashwani Kumar Arora:** So for India have just explained, if you heard as I can repeat. So U.S. is again a similar distribution we have, we present only channel there also in U.S. and Europe, U.K., we have direct distribution and rest of the world we do distribution through our distributors.

**Ritesh:** Okay. And sir, mainly what are the terms of distribution like commission percentage or...

**Ashwani Kumar Arora:** It depends on country to country, whatever the margin is for the FMCG company, we follow .

**Moderator:** The next question is from the line of Rusmik Oza from 9 Rays Equiresearch. Please go ahead.

**Rusmik Oza:** I just want to know; you said the realizations have gone up 20% in financial FY'23. Can you get the figure, how much was the realization gain in Q4 of FY '23 on the Basmati rice side?

**Sachin Gupta:** So in Q4, the realization INR62 per Kg from India and INR139 per Kg from exports. And my overall realization INR102 per Kg.

**Rusmik Oza:** Okay. And similar related question, sir, we've been reading that rice shortage was 20-year high, and you also have a threat of El Nino going forward. If I combine both this, then is there any possibility of further price increases in both rice and Basmati rice segment going forward for at least next couple of quarters?

**Ashwani Kumar Arora:** So we are not expecting any further price hike against the last quarter.

**Rusmik Oza:** Okay. So is it fair assume that the last quarter run rate would continue for next few quarters? Or will there be fluctuation going forward?

**Ashwani Kumar Arora:** We are expecting to be a little better.

**Rusmik Oza:** Okay. Okay. Sir, last question is, you've now got into the ready-made food segment of biryani and other things and the amount is pretty small right now. It's only contributing INR5 crores,

but any strategy going forward, how to scale it up and what kind of margins you are looking at in this business?

**Ashwani Kumar Arora:** So as I just said in the opening speech, we have chosen the three platforms: One is the specialty, and the other is health and the third is the convenience. So under convenience, we are building up this portfolio. And our long-term kind of thing is 5-year time, we wanted to have 9% to 10% revenue coming from this platform.

**Rusmik Oza:** Okay. Okay. And the margins could be how far better in this segment? How will the margins be in this convenience segment it is 9% to 10% of the business in future, what kind of margins we're looking at in this segment?

**Ashwani Kumar Arora:** Any business we are choosing that the gross margin should be in the range of 30% to 35%.

**Moderator:** The next question is from the line of Abhishek Maheshwari from Sky Ridge Wealth Management. Please go ahead.

**Abhishek Maheshwari:** Sir, coming back to my initial query regarding value and volume growth. Sir, you said that you operated a growth target of 5% and 7% in terms of volume and value. But your last 5 years CAGR itself has been 15% in volume growth, right? Are we like a little conservative or what is the strategy here?

**Ashwani Kumar Arora:** Strategy is very clear that grow better than the category that the goal we are following. And we have delivered on that also.

**Abhishek Maheshwari:** Of course, you have believe seeing the numbers. But sir, is it sustainable? Because when you say that you have a growth target, you operated at target levels of 6% or 7%. I mean we perceive it as long-term rate. So I mean, long term, we are targeting double-digit growth in volumes. That's what here.

**Ashwani Kumar Arora:** Yes.

**Abhishek Maheshwari:** And one last question. Regarding inventory level, sir, in your balance sheet, reaching INR3,000 crores inventory, which is 30% higher compared to previous year. Just put a hypothetical -- now someone said, okay, you're seeing in news they like the rice shortage and there also not be very good -- so that is impact, I mean, in terms of procurement for net-easing, and as that is, any-way, because margins do hurt when procurement costs increase, right?

**Ashwani Kumar Arora:** Sorry, I could not follow your question because your voice got cracked.

**Abhishek Maheshwari:** Okay. I'm sorry, I will just ask again. So sir, we have INR3,000 crores inventory as of March 2023, 30% higher than the previous year, okay? Now we are hearing news that monsoon might not be very good and there might be a global rice shortage. For you also, the



procurement cost for the next season will increase, right, in case the rice harvest is not good.

So what I'm asking is in that scenario, do you have sufficient inventory, and do you have that flexibility to be able to pass on the cost increase to the end customer or we work on long-term arrangements supplier with our distributor sorry.

**Ashwani Kumar Arora:** Yes, yes. So first of all, the El Nino impact, fortunately, in the Basmati is mainly grown which is irrigated by canal and groundwater also. So historically, in 2015 also El Nino came, and we have not seen any impact from the Basmati production.

So we are not seeing any impact on the -- rather we are expecting the higher crop next year as the last year the farmer has got roughly 30%, 35% more prices. So we are not -- and as far as our business plan, we are reasonably good covered from that end.

**Abhishek Maheshwari:** And sir, in terms of flexibility to able to pass on the cost?

**Ashwani Kumar Arora:** Yes, historically, whatever the input cost has gone up, we were able to pass to the consumer.

**Abhishek Maheshwari:** Okay. And one last thing, sir, earlier, you mentioned your market share in U.S. is 50% 5-0, right?

**Ashwani Kumar Arora:** That's right.

**Moderator:** Our next question is from the line of Tirath from Elusividya Advisory. Please go ahead.

**Tirath:** Congratulations to the team for great results. And also thank you for better disclosures when it comes to your working capital. So that helps us a lot. Sir, I had just one simple request. Since I think we have two senior management hire like Amit Mehta and given the fact that our international business has become so large, sir could we have somebody like Amit Mehta or Abhinav Arora to come on a con call maybe next quarter or something to the management look into it? Just so that we have a better understanding of how the business is being run.

**Ashwani Kumar Arora:** Sure. We will consider your situation.

**Tirath:** Wonderful. And one last thing. There is an investment of INR76 crores in joint venture -- INR75 crores. So would that be only toward Golden Star?

**Sachin Gupta:** That is mainly Golden Star.

**Tirath:** So would that be primary plus an infusion of some sort?

**Sachin Gupta:** That is a secondary one. That is not a final infusion in some sort of.

**Tirath:** Sorry, sorry, we can't hear you.

- Sachin Gupta:** It is secondary buy. It is not prime infusion.
- Moderator:** The next question is from the line of Vipul Shah from Ripplewave Equity. Please go ahead.
- Vipul Shah:** Yes. Wonderful results, nothing more to add. Just wanted to understand, sir, what is the inventory level in terms of tonnage if you're carrying as of March '23 end?
- Sachin Gupta:** That is at 2,90,000 tons paddy and a rice is 1,25,000 tons.
- Vipul Shah:** And how will we compare with March '22-year end.
- Sachin Gupta:** That is an increase of 29,000 tons.
- Moderator:** Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for closing comments.
- Ashwani Kumar Arora:** Thank you, everyone, for your continued support. Hope we were able to attend your queries. Should you have any further questions, please feel free to contact our investor relationship team. We look forward to connecting you again. Thank you, stay safe.
- Moderator:** Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.