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Date: 3rd June, 2022

To,

The Bombay Stock Exchange (BSE Limited)
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E)
Mumbai – 400 051

Sub: Transcript of Earning Conference Call for the Q4 FY 22.

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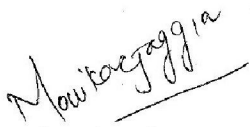
Dear Sir/Madam,

Pursuant to the Regulation 30(6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed the Transcript of the said earnings conference call organised on 30th May, 2022 post declaration of Financial Results for quarter and year ended March 31, 2022.

You are requested to take the same on your record.

Thanking You,

Yours truly,
For LT Foods Limited



Monika Chawla Jaggia
Company Secretary
Membership No. F5150



**“LT Foods limited
Q4 FY 22 Earnings Conference Call”**

May 30, 2022

MANAGEMENT: **MR. ASHWANI KUMAR ARORA - MD AND CEO, LT
FOODS LIMITED**
**MR. VIVEK CHANDRA - CEO - CONSUMER
BUSINESS, LT FOODS LIMITED**
**MS. MONIKA CHAWLA JAGGIA - VP FINANCE AND
STRATEGY, LT FOODS LIMITED**
**MR. SACHIN GUPTA - GROUP FINANCIAL
CONTROLLER, LT FOODS LIMITED**

MODERATOR: **MR. SUMANT KUMAR - MOTILAL OSWAL
FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to LT Foods Limited Q4 FY '22 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 and then “0” on your touchstone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sumant Kumar from Motilal Oswal. Thank you and over to you, sir.

Sumant Kumar: Thank you. Good afternoon. A very warm welcome to LT Foods Limited’s 4Q FY’22 post results earning call, hosted by Motilal Oswal Financial Services Limited. On the call today, we have the Management team being represented by Mr. Ashwani Kumar Arora, MD and CEO; Mr. Vivek Chandra, CEO - Consumer Business; Ms. Monika Chawla Jaggia, VP Finance and Strategy; and Mr. Sachin Gupta, Group Financial Controller.

We will begin the call with key thoughts from the Management team, thereafter, we will open the floor to Q&A session. I would now like to hand -- request Management to share their perspective on the performance of the Company. Thank you, and over to you, Ms. Monika.

Monika Chawla: 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 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, FY’22. Our consolidated revenue for Q4, FY’22, was up by 31% at INR 1,537 crore versus INR 1,169 crore in the Q4, FY’21. This is on account of increased sales from all three business segments, that is, Basmati and Other Specialty Rice, Organic Food and Ingredient Business and Convenience and Health segment.

The Gross Profit was up by 27% from INR 404 crore to INR 515 crore due to change in product mix.

The Company did an additional investment in brand and also there was increase in the freight cost by 3.5% that led to an increase in the other expenses by 40% versus last year.

The EBITDA was up by 18% from INR 138 crore to INR 163 crore.

The normalized EBITDA margins on account of increase in freight cost was 14.1% versus 11.8% on year-on-year basis.

The finance cost reduced by 2% and the overall fund cost was constant at 5.2%.

The PBT stood INR 110 crore, up by 24%.

The PAT stood at INR 75 crore, up by 26%. The earning per share stood at INR 2.24, up by 27%.

The cash profit was up by 21% from INR 91 crore to INR 110 crore.

Our consolidated revenue for FY '22 was up by 14% at INR 5,451 crore versus INR 4,773 crore in FY '21. This is on account of increased sales from all the three business segments, that is, Basmati and Other Specialty Rice, Organic Food and Ingredient Business and Convenience and Health segment.

The Gross Profit was up by 14% from INR 1,608 crore to INR 1,836 crore and the margins to that 33.7%.

The Company did an additional investment in brand up by 50 bps, and also there was an increase in the freight cost by 180 bps that led to an increase in other expenses, which were up by 139 bps versus last year.

The EBITDA was up by 4% to INR 620 crore from INR 598 crore in FY '22. The normalized EBITDA margins on account of increased freight costs was 13.6% versus 12.5% on year-on-year basis.

The Company has generated significant free cash flows amounting to INR 373 crore up by 8% driven by strong performance in FY'22, that has led to decline in overall debt by 229 crore. The Finance cost reduced by 21% and the overall fund cost was down from 5.2% to 4.8%.

The PBT was up by 6% to INR 428 crore from INR 402 crore.

The PAT was up by 7% to INR 309 crore from INR 289 crore. The Earnings per Share stood at INR 9.13 up by 7%.

The Cash profit was up by 9% from INR 432 crore to INR 398 crore.

Now, I would like to highlight the key ratios of our balance sheet. The Debt-equity ratio improved from 0.7 to 0.5 times as the overall debt of the Company was down by INR 229 crore to INR 1,061 crore on yearly basis. This is to reiterate that the majority of our debt is working capital debt, which is required because it's the nature of our business and our focus is to maintain the Debt to EBITDA ratio between two to three times, which stood at 1.7 times versus 2.1 times. Current ratio has also improved significantly to 1.78 from 1.70 last year. The return on capital employed stood at 15.6%. The normalized return on capital employed on account of the insurance claim, stood at 16.2%. Return on equities stood at 14.4%.

Because of our continuous focus on the working capital optimization, our net working capital has reduced by 28 days to 207 days in financial year '22 versus 235 days last year.

That's all for my side.

Now, I would request Mr. Ashwani Arora to share the business updates with you. Thank you.

Ashwani Arora: Thank you, Monika.

Good evening and thank you for joining us on the call today.

In Financial year '22, the Company continued to deliver on all its strategic pillars, that is Growth, Margin Expansion, and further Strengthening the balance sheet. We had a 14% growth in Revenue, Gross Profit growth of 14% and PAT growth of 7% and significant strengthening in the balance sheet.

Satisfying growth has come from all the businesses. Basmati and Other Specialty rice with a growth of 9%, Organic Food and Ingredient business with a growth of 19%, and Convenience and Health segments with a growth of 62% which is 2% of our revenue and has crossed a milestone of INR 100 crore and has reached to INR 121 crore.

This is the first year of the big new product initiative going in the market, and the initial sign of consumer acceptance are very positive, and we are continuing our progress to achieving 10%

of our revenue over the next five years from these new product lines.

We will continue to maximize shareholders return by keeping our focus on profitable growth, digitization, HR transformation and ESG that will act as enabler for the next level of growth.

The Company has adopted a structured approach for its ESG, that is, Environment Social and Governance initiatives.

The Company has always delivered its growth and expansion metrics in an environmentally responsible and socially conscious manner, which has given the Company already functioning program to dovetail into the structure of the ESG initiative.

Programs like LT's pioneering Sustainable Rice Production, Watershed management, adoption of villages for livelihood and clean drinking water are already impacting at a large level and are now being scaled up. We will share more insights on ESG, HR and digital transformation projects in the due course. Thank you. Now we open the session for question and answers

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session.

Our first question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

Arpit Shah: I just wanted to understand, what is our road map? to let's say reach an ROC of 23%. Because if I see for the last decade or so, we have been hovering around 14%, 15%. So what are the levers we have in the Company where we can take the ROC to 20% plus? Is it going to come through operating margins or is it going to come through a reduction in working capital? So what would the roadmap over there?

Ashwani Arora: Thank you, Arpit for this question. And the roadmap we have defined is to improve the product mix and with scale. This is the two things. And third is, optimizing the working capital. I think all these three initiative will take us to the ROC of 20%, which we are working towards -- 23%.

Arpit Shah: What is the timeline you use to measure – how much would be the timeline...

Ashwani Arora: If you see historically, we have improved on our gross margin. We have taken the advantage of scale, but for the last two years,

because of COVID, this inflationary pressure has impacted. So in the coming year, we will see the improvement in the ROC.

Arpit Shah: Currently LT Foods is generating close to INR 500 crore of cash flow from operations every year. So other than the minimal INR 100 crore INR 150 crore, our cash flow requirements are not very large. You believe that buyback is an opportunity to deploy capital given the valuations that we trade at, let's say the enterprise valuation of a Company below 3500 crore and our free cash flow is closer to INR400 crore. So would it make sense to go for a buyback?

Ashwani Arora: Yes. That makes sense. But as I said, we are evaluating all these metrics.

Arpit Shah: And, and also wanted your perspective on the industry for the next, since the next five years What would the industry growth look like? And what kind of market shared do we have in all the countries we are operating? Be it in Europe, U.S., India, even in the Middle East, what will be the market share LTF will be holding in those markets?

Ashwani Arora: On the category growth, I will speak, and then I will pass on to Mr. Vivek for answering your next part of the question. As far as category is concerned, if you take India, India as a category is growing in double digit. And so is in America and Europe. Middle East is only the territory which is not growing. But all these three categories are growing and LT has a strong presence in all these three categories.

Arpit Shah: So these double digit number would be -- let's say close to 15%? Or it will be much lower than that?

Ashwani Arora: So I told you America, India and Europe, they are growing in the range of double digit.

Arpit Shah: I just wanted the range. What will be the range for double digit? Will it be...

Ashwani Arora: 10% to 15%, I would say.

Vivek Chandra: So, in terms of market share, our brands have grown at a faster rate than the market and there we've picked up market share. So in India, we've picked up almost a 1.5% share, and especially in the channels where the growth is coming. So in ECom, we have leadership share. In modern trade as well, in stores like Reliance and DMart. We are market leaders in E-Commerce channels like Amazon. So that is as far as India goes. In North America, we run

close to a 50 share and I'd say, close to it, would about 49%. Europe is about 20% market share. Far East, in the market where we are operating, we are in the 21% overall share. So that's really the share positions that we have across with, as we say, eight-odd markets where we are the absolute market leaders with numbers, like 49% in America. So, I hope that answers the question.

Arpit Shah: Got it. Thank you so much. Just one last bit on ROC again. I'm just putting a pressure on there. You think the ROC, it would come 20%, 23% by just improving the product mix? Because if I see your premium portfolio, and if I see your gross margin is in between 32% to 35%. And even if I see your organic portfolio, gross number is not that – very high. So you thought of – so where would that margins would be driven from?

Ashwani Arora: If your question is around that, are we sure about that? We are, yes, we are sure about that. And I told you how we will achieve that.

Sachin Gupta: The new products will be requiring lesser of my working capital, the working capital cycle in the new products is comparatively less. It requires a working capital cycle of 90 to 100 days. Once that 10% of my total revenue comes from the new product, I will have a reduced working capital and my overall margins that I am projecting an overall increase in the margins in the Basmati segment, an increase of 1.5% for the next five years Both these things will be contributing to the ROC of more than 22%.

Arpit Shah: And what will be the share of new products you're having right now?

Sachin Gupta: It is currently 2% of my total revenue.

Arpit Shah: And you expect this to go to 10% in the next five.

Sachin Gupta: Yes, yes. That's absolutely right.

Arpit Shah: And that should drive 1.5% increase in your operating?

Sachin Gupta: Yes.

Moderator: Thank you. We'll take the next question from the line of Kriti Sood from NVS Research. Please go ahead.

Kriti Sood: Hi, thank you for taking my question. My first question is regarding Golden Star acquisition. So if you can give a little more

color, like, was it funded internally or through borrowing? And what is the EBITDA margin for Golden Star?

Ashwani Arora: Hi, Kriti. We are in the phase of completion. This is information is confidential, but maybe in the next call we will be able to explain more on it.

Kriti Sood: My next question is that, paddy prices are higher about 20%, 30%, and we are yet to increase our prices in a meaningful manner. So how do we plan to mitigate the rising input costs? And how would our strategy evolve in terms of procuring paddy?

Ashwani Arora: Paddy procurement has already been done. And as far as prices increase is concerned, partly, we have passed on to the consumer and it is well accepted. Only thing is, we have got a price increase in the freight, which is, just roughly three times of what we have paid last year. That we are in the phase of passing.

Kriti Sood: Okay. All right. And if I may ask one more question. There has been a slight de-growth in the organic segment as compared to the previous quarter. Can you please let us know the reason for the same? And what is your percentage of organic business, India versus international? What is the split here?

Ashwani Arora: Sure. So, Kriti, if you see on an annualized basis, the organic business has grown 19% year-on-year. And, the last quarter is was mostly B2B business and sometime shipment, staggered to the quarter-to-quarter. But if you see on yearly basis, they have grown by 19%, which is an extremely strong number.

Kriti Sood: Okay. And what percentage of your organic business would be India versus international?

Ashwani Arora: It's mostly export business to Europe and America.

Moderator: Thank you. Our next question is from the line of Aman Madrecha from Augmenta. Please go ahead.

Aman Madrecha: Yes. Thanks for the opportunity. I think that I was asking, as you mentioned that, the growth in the Middle East market is in single digit. So could you just highlight on the region? Why is it so? Is it because of saturation or some other factors driving the growth over there? Because as you know, Middle East is the largest consumer of Basmati rice.

Ashwani Arora: Okay, Aman. So, good question. The reason is, last year, I think because of the COVID situation, they have stocked up their inventories and that has an impact on this year's sales. So as far

as consumption is concerned, Middle East is a very kind of matured market. So growth is very minimal in this region. And because of the political situations also, Iran is kind of plus minus.

Aman Madrecha: Okay. And sir, could you give us the breakup of the current inventory on books, in terms of paddy and rice?

Ashwani Arora: You mean to say inventory?

Aman Madrecha: Yes, inventory. What amount of paddy we have on books and what amount of rice we have on books?

Ashwani Arora: So you can send us an mail, we will share the information with you.

Moderator: Thank you. Our next question is from the line of Subhankar Ojha from SKS Capital. Please go ahead.

Subhankar Ojha: Yes, hi. Thanks for the opportunity. So couple of them, I have. What's your further debt reduction action plan for FY'23? I mean, you've done a great job by approx. INR 230 crore of debt reduction. What's your plan for FY'23? That's one, and secondly, what's your ad spend as a percentage of sales for FY'22? And what is your plan for '23? And third is, in terms of this freight cost passed on, how much of that you were able to pass for '22? And where are you in terms of negotiating with your clients in terms of passing on this freight cost hike? Because your competitor has said clearly that they were able to pass on the freight cost almost entirely to the customers, so where are we in doing that?

Ashwani Arora: Okay, so, hi, Subhankar, good evening. So I will answer your question line-by-line. So on the debt, the free cash flow, as per our policy, it will go in three parts in dividend and growth and in reduction of the borrowing, but we are not, now, very keen in the reducing borrowing. We will look for an opportunity where we can use this capital in a productive manner.

Okay. And on the freight cost, it depends on market-to-market and competitive landscape. We will evaluate how much to be passed on and how much to be kept. That's a very strategic call. It depends from market-to-market.

On the ad spend, Yes. So ad spend is 2.3% of revenue

Subhankar Ojha: All right. And will that go up a bit because you launched new products which are doing, I think, really well. We have any plan to spend more on the ads?

Ashwani Arora: No, we have, at the moment, enough portfolio, to grow it. We have ready to eat; we have ready to cook in our portfolio. And as I said we are getting a very good interest of the consumer. And the categories are large enough to give us a volume of that. Vivek, you wanted to add on this?

Vivek Chandra: Yes. And as we build each of these, we will be increasing the ad spend. But we also will have a synergistic impact because all of them are under the Daawat family brand. Overall, the ad spend will go up to close to 3% next year, from the 2.3% this year. But, ad spending is something that you take a call on quarter-to-quarter basis once you see what's happening in the market and with the business. But the philosophy is to spend behind these initiatives.

Moderator: Thank you. Our next question is from Sanjay Awatramani from Envision Capital, please go ahead.

Sanjay Awatramani: Yes, good evening. And thank you for giving me this opportunity. Sir, can you highlight the realization value for rice, which is Basmati and non-Basmati, for exports and for domestic markets?

Ashwani Arora: Yes, Sanjay, we can.

Sachin Gupta: So, the realization in the domestic market is INR 51. And in the export, it is INR 110.

Sanjay Awatramani: Okay. Sir, this 3% you mentioned for ad spends, this will be for FY'23, right?

Vivek Chandra: Yes. We are giving that as an indicative figure. And when we say ad spend, say is the totality of what we are spending on electronic, print, etc. But yes, indicatively, we will be building it from 2.3%. I mean, if you were to take that as a percentage of the branded sales, it's already at about close to 4%, just under 4%.

Sanjay Awatramani: Sir, any revenue or margin guidance for FY'23, if you can help us with that?

Ashwani Arora: So we will keep the momentum. Next year, you're asking about?

Sanjay Awatramani: That's right. FY'23 I was asking about,

Ashwani Arora: Yes. So we are positive we will keep the growth momentum.

Sanjay Awatramani: And, any major issues or risk you're facing on supply side or container side challenges? If you can highlight some of those.

Ashwani Arora: So risk is, as I explained – we have to pass on the price increase to customer. That's the only risk. On the service level, on supply chain, we don't foresee any short term risk.

Sanjay Awatramani: And, sir, can you tell me the major competitors? I mean, who are the exact competitors for us?

Ashwani Arora: So, in different geography, different competition is there. In India, KRBL is our competitor in consumer space. So again, every different market has different competition.

Moderator: Thank you. The next question is from the line of Romit Nagpal, an individual investor. Please go ahead.

Romit Nagpal: Wanted your view on the recent Adani Wilmar – Kohinoor acquisition, in terms of whether you think it's going to put pressure on margins to grow market share in India, or you see something positive to come out from this.

Ashwani Arora: So, Romit, Kohinoor was present in the market for a long time. So we don't see any big impact of that.

Romit Nagpal: Okay. Fine. The other thing I wanted to ask you is regarding your entry into the ready to use sauces, which you are now present in, is this something which -- what is the size of the market you see here? And is it fairly fragmented or competitive, or is this part of a larger play into becoming a complete food business player?

Vivek Chandra: See, we define ourselves as a Consumer Food Company, giving specialty food in terms of specialty rice and rice value-ads. So all the adjacencies where there is a consumer need, which we can, with our core competence satisfy, we are into. When we talk of sauces, there are two kinds that we have in market. We've just had a very good initial, very well accepted launch of a biryani kit, which is giving sauces for making biryani. And we have rice sauté sauces. Some of these are emerging needs, and those markets will be pioneered by us. Some of these are in the market where we will be taking share. But our philosophy is sort of driven more around the fact that we are meeting consumer needs.

In terms of all the consumption meal occasions in the day and where we can come in, either we pioneer or we'll pick up share. So I think that would depend case to case. In the case of rice sauté sauces, we are pioneering. So the size of the market, we

take more from other cooking sauces like pasta sauces, etc. And that'll be in the region of about INR 400 crore to INR 500 crore.

Romit Nagpal: So would it be fair to say that you are trying to build on your core competence of rice and look at something adjacent into that rather than just being all over?

Vivek Chandra: Absolutely. We are building on what Daawat as a brand stands for and where it extends. So certainly, we are not going to be all over, as you've rightly said.

Ashwani Arora: And we are not seeing only the India market. India is one market and we have a global footprint where, need of these products is very well established.

Moderator: Thank you. Our next question is from the line of Rhea, from LKP Securities. Please go ahead.

Rhea: Thank you for the opportunity. So just continuation with the previous participant. Sir, are we looking at any strategic acquisitions or takeovers of some sort?

Ashwani Arora: Yes. Our growth strategy is to grow organically and inorganically. And on that strategy, we have done that acquisition in USA of a very strong brand of Jasmine rice and we are open and we keep evaluating.

Rhea: And, sir, another question. Sir, is there a chance of the Government going ahead and imposing restrictions on say export of rice as well? And if so, how well are we prepared for this?

Ashwani Arora: As far as I know, Government has clarified their position and we as a Company is in the specialty Basmati. If you see historically, and Government has not done that. But on non-Basmati also, Government has clarified all the rumors

Rhea: Sir if I could just squeeze in one more. Any Capex plans for the next three years?

Ashwani Arora: It's a very normal, we will be spending in the range of INR 80 crore to INR 100 crore.

Moderator: Thank you. Our next question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

Arpit Shah: Yes. Thank you for the opportunity again. I was just thinking, let's say, we have seen Daawat from a very long time. And we have

scaled up, let's say, from a INR 1,000 crore revenue. Today you're a INR 5,000 crore brand, and you've grown very consistently with very consistent margins and ROCs, which are very much decent. I'm just trying to get in my head around why we trade at such valuations. Why do we trade it around 7, 8x? Maybe 5x are cash flow from operations

Ashwani Arora: Arpit, that's a good question and thank you for all the compliments. Actually, when we started LT Foods, the revenue was INR 3 crore. And where we are, we are very proud of as an LT Foods. And on the valuation front, I think you are, you people are the better people to guide us or address on that. But for sure we understand as per competitive landscape as a Consumer Food Company, we as a Company is undervalued, very undervalued.

Arpit Shah: So, let's say, we have a INR 400 crore free cash flow coming in almost every year. The ROIC is invested in the stock itself will be a lot better than investment in the business, right? Because if my valuations are, let's say, INR 25 crore, there are INR 35 crore enterprise valuation. And I'm getting a INR 400 crore to INR 500 crore cash flow every year. If you buy back the stock, your ROC would be significantly higher than what you're getting in the business.

Ashwani Arora: Yes. We are evaluating this option.

Arpit Shah: So I just wanted to understand one more piece in the business. Let's say, when we support our farmer in terms of let's say, seed or in terms of nutrients for farming, when it comes to, let's say, buying those crops, buying the paddy, so do we have to be in the bidding place again? Or you can directly buy it from the farmer itself, or you have to come to the Mandi and everything? How does that work?

Ashwani Arora: All the models are available. In some states like Punjab and Haryana, as per Government regulations, we have to buy through Mandi. But in Madhya Pradesh and UP, you can buy directly from the farmers

Arpit Shah: So, Punjab and Haryana would be through Mandis and MP, UP would be directly through farmers So over here, whenever we are making payments to farmer, so those payments are channeled through cash or channeled through banking channels? How does that work?

Ashwani Arora: It's completely through banking.

- Arpit Shah:** Completely through banking, right? And that is true for the whole industry, or would differ
- Ashwani Arora:** Arpit, I can tell you about LT Food, I cannot tell about the industry. But as LT Foods, we pay the farmer through bank.
- Arpit Shah:** And the Royal brand that we have in U.S., where we have 50% market share, so what would be the market share of the number two player, or what is the name of the number two player over there?
- Ashwani Arora:** Number two player, if I can guess is 5% to 6%, less than double digit.
- Arpit Shah:** Okay. And that would be Indian brand or will be U.S. brand itself?
- Ashwani Arora:** Basmati is Indian, but brand can be owned by the American Company or any other Company also.
- Arpit Shah:** Got it. On the Kohinoor Foods, which got just acquired by Adani Wilmar, so what could be the scale of that business? And you see any large aggression from that group on ground currently?
- Ashwani Arora:** That I think that Adani will know. But as far as, the Kohinoor brand is in the market for the last 30 years, and the brand has its own strength. As in, last time when they were, they were in the range of 3% to 4% market share.
- Arpit Shah:** And we've seen KRBL scale up well in the Middle East. We have seen some other Company like Charminar and all of those companies scale up well in the Middle East, but somehow, we have been seeing a single digit or typical double digit kind of revenue share coming up in the Middle East. So why you've not chosen the strategy to go in the Middle East?
- Ashwani Arora:** Yes, good question. Every Company has its own strategy and play from their own strength. And we've chosen to play from India, Europe and America. Middle East is a little mature market. And as a strategic call, we thought let's focus on the other market first and this we can take later from.
- Arpit Shah:** Got it, so currently let's say in India or in the U.S., our biggest advantage is the distribution that we have, let's say with modern trade, E-Commerce, or even general trade. The distribution advantage is very large in India, or even in the U.S. Are you thinking to bring up some smaller products to penetrate those distributions? Be it like chips, be it some other, because in the organic food, we do have other pulses, we do have some other

grain. So is there a way where we can leverage our distribution to scale up some of these organic plants? Is that a possibility to do that?

Vivek Chandra: Yes. Firstly, I'd like you say that in addition to the distribution strength, and that certainly is a strength in these markets build over many, many years. The other big strength that we have in these markets is our brands. Our brands are recognized in these markets for premium and consistent quality. They have very good imagery. So these two become very strong leveraging point for us, coupled with our backend strength that we are able to supply from India. We are certainly using this distribution network and the brand.

We've launched, RTH, Royal RTH in the U.S., which is doing very well. This year we've launched Daawat Cuppa Rice in India, in the Middle East, in markets like Australia, we've launched Daawat Sauté Sauces and Biryani kits. These are all riding on our distribution network, which therefore, do take the Daawat brand across consumption occasions and formats, and further strengthen the brand. And the distribution helps us to get it there, far more quickly than somebody else would be able to. And also provides us the efficiency and skill to our distribution

Arpit Shah: Got it. Because the kind of distribution we have in India or even in U.S., we could easily launch a Daawat, let's say Dal, Moong dal or something ready to eat or ready to cook. Those kinds of innovation everything of course, do for all our brands. Even in non-Basmati rice, even without using a Daawat name, we can just launch a new brand in the non-Basmati segment and it's giving up that business, right?

Vivek Chandra: Yes. I mean, it's a good point that you make, and certainly we can do that, Daawat and Royal. Sona Masoori for example, are non-Basmati that are doing well. Kari Kari is a snack that we've come in, which is again, doing well, and is again, riding this network. Other products that you mention, we are always looking for ideas and thank you for those suggestions. We will put them to the NPD team and they will evaluate that through our stage-gate process.

Arpit Shah: Got it. So is there a way where we can actually break out from the growth rate that we are doing regularly, 10%, 12%, 13%, and we can possibly move to less than 20% growth rate in the next two years while we continue to launch innovations through the Daawat brand or through some other brand where you can just leverage our distribution scale up the business because our business channel is set. Our business model is set in terms of

margin, in terms of ROC. We have to just leverage the distribution, right?

Vivek Chandra: Certainly. I think whether it's 20% - when you see a number, you see a composite number. There are markets which are growing in that region of about 20%. But I mean, as Mr. Ashwani Arora has always explained, our levers are three, profitable growth is one of them. And the other in terms of capital deployed in terms of efficiency. So it is the totality of the business rather than just using that to get scale. Because I think our scale is today, increasing at a good enough pace to deliver to us the strengthening of the balance sheet metrics that we have given ourselves five years ago. And we are very happy and proud that we are on that journey year-on-year.

Moderator: Thank you. The next question is from the line of Harish Shah from HS Investments. Please go ahead.

Harish Shah: Thanks for the opportunity. I have two questions. If you can just highlight what is the freight amount for this quarter, as well as the last financial year as compared to the respective quarters and financial year? That is my number one question. And my second question is, if you can share the contribution of HORECA, how much we have grown from this segment overall and on a specific focus on U.S. and Europe. Thank you.

Sachin Gupta: So, our logistic cost during this year is INR 426 crore as against INR 287 crore last year. And in this quarter itself, our logistic cost is INR 140 crore. Last year, same quarter, it was INR 65 crore.

Harish Shah: About the HORECA contribution?

Ashwani Arora: HORECA roughly contributes to our portfolio, if you talk about India it is 40%, but globally it is in the range of 15%.

Harish Shah: And in your key market, that is Europe – U.S., Europe?

Ashwani Arora: Globally, if you take an average, 15% sales come from HORECA.

Moderator: Thank you. Our next question is from the line of Aditya Mehta from Dynamic Invest. Please go ahead.

Aditya Mehta: So I had a couple of questions. My first question would be, could you please tell us about the upcoming product launches, if any? And what sort of investment in the brands do we foresee for FY'23?

- Vivek Chandra:** Yes, Aditya, what we just launched a few products, biryani kit and biryani gravies being one of them, that we will be scaling up. We also have launched a Cuppa rice, which is doing well, and there is therefore again, we are scaling that up. So if we see the next sort of three to six months, we've just got two of these big initiatives in the market, which need to be taken across both India and internationally. And they are doing very well internationally as well. I think that's really going to be in terms of new products, we also have, RTH in the U.S. and Daawat Sehat in India. So Royal RTH and Daawat Sehat, which are really big contributors at this point in time to our revenue, but the potential for both of them is much higher. To your second question, we certainly going to be putting brand investment against all these four initiatives. I mean, exact details of that, we cannot disclose right now, but there would be significant amount of marketing and promotion spends on all of these.
- Aditya Mehta:** Let's say after six months, if the exports are banned in a big way, and when the container prices price reduces, or we are trying to export to other parts of the world soon. Will we be able to meet the demand?
- Ashwani Arora:** Already, we are meeting the demand of the market, we are already there. It's only the freight rate which is impacting the P&L. But if you know, freight rate will come down, this is always be advantageous to LT Foods.
- Aditya Mehta:** Sir and my last question would be, so what is the differential in terms of gross margin of exports versus the gross margin of domestic?
- Sachin Gupta:** It is in the range of 1.5% to 2%, it is the difference between the two.
- Moderator:** Thank you. Our next question is from Harish Shah from HS Investments. Please go ahead.
- Harish Shah:** Thanks for the follow up. I just have two questions. How will Jasmine rice help in expanding our portfolio? What's the market share of Golden Star. And if we are exporting to China and Iran now, what would be the contribution from Middle East? Thank you.
- Ashwani Arora:** So, Harish, answering to your first question, Jasmine rice is a direct synergy to our distribution in USA. And as far as brand is concerned that has market share around 10% in that market.

Harish Shah: And how about my second question with regards to, if we are exporting to China, Iran, the status and the contribution from that.

Ashwani Arora: China is a non-Basmati rice. And it's a very technical thing. It's not a very strategy. Yes, Iran, we don't do business.

Harish Shah: And the contribution from Middle East?

Ashwani Arora: For us, the roughly contribution is 8% in terms of Middle East.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to the Management for closing comments.

Ashwani 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. Thank you. And we look forward to connecting with you. Thank you and stay safe. Thank you.

Moderator: On behalf of Motilal Oswal Financial Services Ltd, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability purpose)

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

CIN: L74899DL1990PLC041790