LT Foods

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Ref-LTF/ SE/ 2024-25/ **Date: May 23, 2024**

To,

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**

Dear Sir/ Madam,

Ref.: Code-532783 Scrip ID: LTFOODS

Sub: Transcript of Earning Call for the quarter and financial year ended March 31, 2024

In continuation to our earlier letter dated January 30, 2024, filed in terms of the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, regarding an Earnings Call organised by the Company, to discuss the Audited Financial Results of the Company for the quarter and financial year ended March 31, 2024, scheduled for Friday, May 17, 2024 at 16:30 hours (IST).

In this regard, a transcript of the aforesaid Earnings Call is attached herewith. Further, the said transcript shall also be available on the website of the Company.

Request you to take the above information on record.

Thanking you,

Yours Faithfully,

For **LT Foods Limited**

MONIKA JAGGIA Digitally signed by MONIKA JAGGIA Date: 2024.05.23 10:55:18 +05'30'

Monika Chawla Jaggia
Company Secretary & Compliance Officer
Encl: a/a

"LT Foods Limited
Q4 FY'24 Earnings Conference Call"
May 17, 2024

MANAGEMENT: **MR. ASHWANI KUMAR ARORA – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER –LT FOODS LIMITED**
MS. MONIKA CHAWLA JAGGIA – VICE PRESIDENT – FINANCE & STRATEGY – LT FOODS LIMITED
MR. SACHIN GUPTA – CHIEF FINANCIAL OFFICER – LT FOODS LIMITED

MODERATOR: **MR. HIMANSHU NAYYAR - SYSTEMATIX INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to LT Foods Limited Q4 FY '24 Earnings Conference Call hosted by Systematix Institutional Equities. 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. Himanshu Nayyar from Systematix Institutional Equities. Thank you, and over to you, sir.

Himanshu Nayyar: Thank you. On behalf of Systematix Institutional Equities, we welcome you all to the Q4 and financial year '24 results conference call of LT Foods. We have with us from the management team, Mr. Ashwani Kumar Arora, MD and CEO; Mr. Sachin Gupta, CFO; and Ms. Monika Chawla Jaggia, VP, Finance and Strategy.

We will begin the call with brief opening remarks from the management team, and then we will open the floor for the question-and-answer session. I would now like to request the management to share their perspective on the performance of the company. Thanks, and over to you, Ms. Monika.

Monika Chawla Jaggia: Thank you. Good evening, everyone, and thank you for joining on our Q4 and financial year '24 Earnings Conference Call. Before we start with the key highlights of the quarter and the full year ended 31st March 2024, I would like to highlight that certain statements made or discussed on the conference call today are forward-looking, 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 exchange. A transcript of this call will also be made available on the Investors section of the company's website.

I will now hand over to Mr. Ashwani Kumar Arora for his comments. Over to you, sir.

Ashwani Kumar Arora: Thank you, Monika. We are immensely pleased to announce that LT Food has achieved robust growth in revenue and profitability for an another year. Our 3 E segment, Basmati and other specialty rice, organic food and ingredients and ready-to-eat and ready-to-cook segment have driven a remarkable 12% year-on-year increase in growth.

While our Basmati and other specialty rice continued to outperform during the year, growing by 17%. Our ready-to-eat and ready-to-cook products have gained traction by growing at 23% have further contributed to our revenue growth globally. This consistent performance highlights our strategic focus on brand building, innovation, distribution and expansion.

Our market share in India currently stands at 30.1 with an offtake volume growth of 11% for financial year '24 compared to the category growth of 8.9%. Additional investment on brand distribution expansion and portfolio expansion have played a key role in this success. Moreover, the number of households consuming LT Foods products grew by an impressive 11% to reach 50 lakh-plus household in India.

Our brand in U.S., Royal, has grown by 20.6% as compared to category growth of 17%. Our brand Golden Star has also grown by 30.8 as compared to category growth of 11.6%. Golden Star currently has 15% market share in the Jasmine Rice segment in U.S.

In Europe, our revenue grew by 11% year-on-year in financial year '23/'24 by focusing on key accounts and branded business. In Middle East, our revenue grew by 42% and our brand share in premium segment has reached to 6.7% in UAE. The revenue growth has been delivered by strategic growth market UAE and Iraq driven by investment in brands.

Our food business has grown 6x since financial year 2020, and is expected to grow at a CAGR of 33%, 35%. The growth will be fueled by increased consumer distribution penetration and launch of new products. Our organic business, the revenue was hit by antidumping duty, but still I'm happy to share the team has done a wonderful job by covering up the same to an extent.

We are optimistic on the future outlook of the organic business. Looking ahead, we remain focused on strengthening our business fundamentals and by recruiting more consumers. We are confident on demand side, whereas we see a marginal impact on margins on account of Red Sea, freight issue, and investment on building digital capabilities.

We're optimistic on our ready-to-eat and ready-to-cook business as well. We are doubling our capacity in U.S.A. in this segment. Our strategic initiative including strengthening our core business across geography organically and inorganically, expanding our product portfolio and adding efficiency across value chain have established LT Foods as a dominant global players.

We are dedicated to optimizing operations, improving efficiency and maintaining our commitment to sustainability, guided by our ethos of quality and innovation. We aim to continue generating value for all stakeholders and achieving sustained growth in the years to come. Thank you.

Monika Chawla Jaggia: Now, we open the floor for questions-and-answers, please.

Moderator: Thank you very much. The first question is from the line of Pradyumn Choudhary from JM Financial.

Pradyumn Choudhary: So I'm a bit new to the company. So most of my questions are rather a bit over a longer-term related questions. So first thing, if we look at the data from FY '18 to FY '23, our gross margins have expanded actually by 6 percentage points or so, yet our operating margins seem to be largely at similar levels. So has it got to do something with the change of...

Moderator: I'm sorry to interrupt sir, there is some background noise from your side.

Pradyumna Choudhary: So my first question relates to, if you look at your gross margins over FY '18 to FY '23 or even FY '24, they've expanded by 5, 6 percentage points and yet our operating margins seem to be a flattish zone. So is that due to some change in how we do our sales in terms of FOB or CIF or is there some other reason? Because a lot of it seems to be going towards freight and forwarding charges. The margin improvement seems to be offset by freight and forwarding charges over the years? So that's the first question.

Then the second one relates to, you've given a guidance for ROE improvement to 20% in FY '25, and we seem to be on a way there. But from a free cash flow perspective, there seems to be still a big headroom for improvement. That's probably because of inventory days. So what's our plan going forward? Like where do we want to -- or where can we get these cash flows improvement from? What are the low-hanging fruits and what are we targeting really?

And the third question relates to, in recent times, we've done a fair bit of capex, right? Like close to 3% of our sales over a 5-, 6-year period. So has it been mostly towards maintenance, has it been towards capacity expansion? Because my sense is the capex requirement for our business would otherwise be quite limited. So where has this capex been? These are my 3 questions.

Ashwani Kumar Arora: Yes. Thank you. So Sachin, you can add wherever you wanted to. So I will take from your last question on the capex. So the capex mainly has gone into 3 parts. One is the capacity increase, the second is on the maintenance capex and third is building -- we have in the last 2, 3 years, we have build our own green energy. We have invested in solar. We have invested in biofuel generation and some part has gone into the warehousing building.

So broadly, the capex has gone there. And we have set up our RTH plant. We have increased our RTH facility in the U.S. So that's your third question. Second is on the free cash flow. Sachin will add into that. But broadly, on the working capital cycle, we don't see any further improvement in the working capital cycle. But with the time as our Jasmine rice business will grow as our value-added business will grow, the mix will change.

Sachin Gupta: Yes, you are right. And in this respect, I want to say that over the years, if you are looking at '21 to '24. Our working capital days from 232 days, now it has come down to 188 days. And what we see currently at the -- in the rice segment, this kind of inventory levels have to maintain and we have to age our inventory and these inventory levels or the working capital cycle will remain.

Of course, there can be a reduction of 1 or 2 days here and there, that is possible. But our major reduction in the working capital days will come in the RTC and RTE segment. Once it crosses and we aspire to have 7%, 8% of our total revenue coming from this segment, which has a lower working capital cycles, then our working capital cycle will further reduce.

Ashwani Kumar Arora: And coming back to your first question on the -- our gross margin has improved, but our operating margin. But if you see in the 5-year, we have improved approximately 2% on EBITDA margin from our lower side. But as in the last 4 years, we have ran through this disruption of COVID, Red Sea, that has increased our operating cost.

As far as your question, do we sell CNF, FOB, majority of our business is not because we have our own distribution marketing in U.S., Europe. And we sell there as a competitive landscape. So it's not like sort of balancing the operating margin on the gross margin. So we are confident once the disruption phase will be over, we will be able to improve margin. However, we are improving on our return on capital employed as 21.7 and return on equity 19.3. I hope that answers your all questions.

Moderator: The next question is from the line of Jaidev Bhalaje from Equizone Analytics.

Jaidev Bhalaje: So I just have few questions to ask. So I just want to know how you're trying to grow your retail presence and distribution reach like going forward? And what factors have impacted realizations this year? And what is the outlook on the export market? And can you also share more details on the growth strategy for Basmati versus non-Basmati rice?

Ashwani Kumar Arora: Yes. So on the demand side, in the international market, we are optimistic that double digit 10% to 12% growth will remain intact. And your second question was on the retail and distribution in India. We have just 140,000 outlets, although we are present omnichannel and e-commerce and modern trade. But in general trade, there is a lot of opportunity, and we are working on that to increase our distribution. So this question, I have not understood realization -- so what was your question on the realization?

Jaidev Bhalaje: So what factors impacted the export realization this year? What is the outlook on export markets in the future years?

Ashwani Kumar Arora: So as I told, we are optimistic on demand side on the international market as well as in India.

Moderator: The next question is from the line of Niatik Mutha from NV Alpha Fund.

Niatik Mutha: Congrats on a good set of numbers. Sir, my first question is, if I see in the last 4 years, we have spent close to INR841 crores in capex. Now I know you have given broadly where you have spend the capex like on energy or ready-to-eat and all of that. But can we please put numbers to those specific numbers because 841 seems to be a big number. So if you can separate the maintenance capex and rest, if you can give that breakup, that will be really helpful.

Ashwani Kumar Arora: Sure, we can do that. But if you can just write a mail, we will -- we don't have that...

Niatik Mutha: I'll write a mail, sure. Now my second question is on the international market, if I see the rest of the world seems to be -- seems to have degrown year-over-year. Is that right? And if yes, then what happened if you could just elaborate?

Ashwani Kumar Arora: No, no. International market -- Rest of the world?

Niatik Mutha: Sir, Rest of the world, except of Europe, U.S. and the rest of the market as well, please.

Ashwani Kumar Arora: We have grown. So I think in the presentation it's not mentioned, but we have grown across all international markets as well as in India.

Niatik Mutha: Okay. And another question is, if I see, there has been margin expansion on EBITDA level, which has come due to decrease in other expenses ex of raw material and employee costs, both on a year-on-year level. So I just wanted to ask what is the sustainable level and how has this come about? I mean, what costs have we reduced?

Ashwani Kumar Arora: So in terms of margin, you're asking about sustainability?

Niatik Mutha: Yes.

Ashwani Kumar Arora: We are confident that we will -- we are confident on the...

Niatik Mutha: No, no, sir, my specific question is that the other expenses have come down significantly, ex of raw material and employee cost. So if you separate those 2 costs, the remaining costs have come down significantly. I just wanted to understand what is the reason for that?

Ashwani Kumar Arora: There are basically different reasons, our operational efficiency and the reduction in the freight costs. This has led to a reduction in the other expense -- other expenditure this year.

Niatik Mutha: So majority of it would be freight cost, you'd say?

Ashwani Kumar Arora: I'm talking about -- I've given two aspects; operational efficiency and the freight cost. These two factors both have led to increase in my margin, EBITDA margins.

Niatik Mutha: Sure, sure. Just 1 last question. Can you please give the realization in India and international both for us per kg?

Ashwani Kumar Arora: So the India realization this year is 65 and the international 138.

Moderator: The next question is from the line of Hitesh Goel from CLSA.

Hitesh Goel: My first question is related to the -- if you look at the selling and distribution expenses and -- it's quite high for you guys as compared to if I look at KRBL, right, your competitor, which is very low, right? I understand that they have a more established brand. So can you give us some guidance how this S&D expenses could go down? And why do you spend more versus the competitor?

Ashwani Kumar Arora: So Hitesh, our business order is different from the competition you are mentioning. We have our own distribution in major of the business, which is U.S.A. we do 40% of our business. And we do our own distribution marketing there as the competition sells to distributor and they have books close there. So there will always be a difference of S&D expenses as compared to them, whereas LT is consistently growing and delivering the good margins.

Hitesh Goel: Okay. My second question is, sir, in this business, obviously, there is inventory that you have to keep -- want to -- have to keep of Basmati rice, right? So can you please -- I'm new to this company, so just want you to understand how do you manage the price fluctuation? Because you're buying the rice from the farmer and then you're keeping it for, say, 1 year and then selling in the market. Can you please help us understand because your margins have been quite consistent over the last 10-year period, right? So that is very encouraging. But I just want to understand how do you manage the price fluctuations in the rice business?

Ashwani Kumar Arora: So Hitesh, all is what we will do, we don't do trading or speculation. So whatever we source our inventory is all for the brand. And the brand prices has in the competitive landscape, almost there is no unhealthy competition there like when the prices comes fluctuate. So basically, the strong brands help us to maintain our margins and the global presence. These are the two...

Hitesh Goel: So, sir, you will adjust the pricing according to the market and will you help us get that?

Ashwani Kumar Arora: It's not -- it's a very, very consistent all in international market and as you have seen, majority of the business is not linked to the consumer prices not linked to the commodity price.

Hitesh Goel: It's a trade business, is it?

Ashwani Kumar Arora: It's like any FMCG branded business.

Hitesh Goel: Okay. And my final question is, when I see the Daawat versus India Gate pricing like on DMart or anything else, right? What I see is that they command -- India Gate has a premium of 10%, 15% in terms of pricing versus Daawat. I'm also Basmati lover. I've always gone with Daawat because I like the taste. So just wanted to understand why this price difference, generally, between...

Ashwani Kumar Arora: Normally, we have not seen Daawat commands 30% share and we are at par with the competition. So we don't discount our brand. So maybe this store sometimes do promotion on certain brands, so maybe that kind of experience. But normally, our realization at every price point is at par with premium as compared to competition and not discounting.

Hitesh Goel: Okay. Sorry, just final question on ready-to-eat business. So you are saying your margins will go up to 14%, 15% for the company, just for overall company, I'm assuming, and ready-to-eat will be the large -- strong growth of 30%, 30%-plus that you are expecting, right? So can you help us understand, right now, it's not making money, it is minus 1% margin. So at what scale does it start making money? Can you help us understand the metrics of the business there, how it will scale up?

Management: So this business is currently contributing 2.6% of my overall revenue. So this will break even at a point of INR370 crores of business. So currently, it is contributing by INR200 crores of my overall business. So another 2 years is required or it's getting a breakeven.

Hitesh Goel: So how will we reach 14%, 15%?

Management: In a 5-year span, we're expecting that its EBITDA margin to be in the range of 8% to 10%, then of course, it has a higher margin territory and as I've earlier explained, the ROCE is much, much better than in the rice category.

Hitesh Goel: No. So, I understood that, but you said 14%, 15% for the whole company. Our Basmati margins are at 13% today and ready-to-eat...

Management: That is at 13.5% and further to add this -- we are expecting that it to grow at 15% now over the next 4, 5 years and the remaining -- the organic segment at the 10% to we have a 13.5% to 14%. This overall will have an impact of having an EBITDA margin of 14% and 14.5% combined this year.

Hitesh Goel: So basically, rice margin also goes up. And sir, Middle East, if you can share what are you doing with SALIC because that's a big market? If you can give us some sense how will you scale up Middle East?

Ashwani Kumar Arora: So Middle East is our focus and that we have seen that we have grown although the base is small, but we have grown this year 42%. As far as SALIC partnership is concerned, that we all know, so the government sovereign fund, they are facilitating us to as a government, they can't do business, but they are facilitating our entry strategy in Saudi Arabia.

Moderator: The next question is from the line of Vipulkumar from Sumangal Investments.

Vipulkumar: So my question is ready-to-eat and ready-to-cook segment. You said INR370 crores, it will breakeven. So it will break even at INR370 crores EBITDA level or at net level?

Management: So what we are talking about at an EBITDA level, it will be breakeven at INR370 crores to

INR400 crores what the revenue size needs to be. So it needs to be double from the current.

Vipulkumar: So over what time frame will it double?

Management: Two years, what we are expecting that if everything shape ups well, 2 years what we are expected.

Vipulkumar: So in FY '26/'27, we can expect around INR350 crores, INR400 crores in that business?

Ashwani Kumar Arora: That's what we are targeting, yes.

Vipulkumar: And sir, regarding that insurance claim update, the court has ruled in our favour and insurance company has gone into appeal. But have we received any payment or we have not received any payment?

Ashwani Kumar Arora: No, we have not received any payment. The insurance company has gone to the next call. So the court has heard us, we have reserved order. So maybe in the weeks time, we would have the outcome of that. And accordingly, we will get moved forward and get the money, yes.

Vipulkumar: And sir, my next question is regarding margins for Jasmine rice. Is it comparable to Basmati rice or is it lower or higher? Any comments?

Ashwani Kumar Arora: It's a comparable.

Vipulkumar: It's a comparable. And it will have a higher growth as compared to Basmati?

Ashwani Kumar Arora: In America, the Jasmine market is 3x bigger than Basmati market. And historically, we have seen that growing more as compared to Basmati. And we have seen the day we have acquired the Jasmine business. Last year, we have grown by 30%, whereas Basmati we have grown by 20%.

Vipulkumar: So we have just 15% share in Jasmine. So who is the leading player in the U.S., sir?

Ashwani Kumar Arora: So leading in the private label business there. And there are other two, other Agro is a company, which is a Spanish company, $2 billion in rice. So they are competing in that.

Moderator: The next question is from the line of Kavina Desai from SkyRidge.

Kavina Desai: Congratulations on a good set of numbers. My first question is with respect to the share and profits of JV and associates line item, we see a sharp decline in profits this Q4 versus previous year's Q4. But however, when we look at it on a full year basis, it did significantly well in FY '24 versus FY '23. So are such big quarterly variations in this line item a normal thing or this was unusual? Can you please throw some light on this?

Management: This year, if you look at this year, the year or the quarter-on-quarter basis, the margins have remained consistent. There were certain -- in the last year of the same quarter, there were certain profits, which were at a higher rate. But over the year, this year, the profit has remained consistent over the quarter.

Kavina Desai: Okay. And the second question is, can you also throw some light on your current inventory situation?

Management: So our current inventory level is that we have is 243 days of inventory and a value of INR3,500 crores of inventory that is lying -- that is sitting in my books.

Kavina Desai: Thank you.

Moderator: Thank you. The next question is from the line of Aman from Augmenta Asset Managers. Please go ahead.

Aman: Congratulations on a good set of numbers. So sir, my question was that, for example, if you look at FY '24 we had a volume growth of around 9% and revenue growth of around 7%. So could you highlight that going forward what could drive the growth? Because since the last couple of years Basmati rice prices are strong.

So we are witnessing strong revenue growth. So could you break up in terms of what could be the volume growth we are witnessing? And secondly, also, how are the Basmati prices? Because like currently, it's very early because we are just early into the sowing season, so some highlight on that?

And also going forward what could be the contribution from the volume growth side, because revenue would depend on the -- revenue would depend on the value growth as well. So could you highlight on this?

Ashwani Kumar Arora: So if you see the last year we have grown by 12% and the volume growth is 10 and value is to 2. So we are growing both volume-wise and value-wise. And in our future model also we have built half value and half volume growth. So wherever LT Foods brands and markets are the category is growing be it America, be it India, be it Europe.

So the consumption of this Basmati segment is growing wherever we are in -- Jasmine is growing and Basmati is growing. Organic is also growing. So we see both value and volume growth in the future and what we have seen historically also.

Aman: So sir, you are trying to say that going forward around that as you mentioned that will grow to the tune of 10% to 12% for the next upcoming year. So you're trying to say 6% would be driven by volume and 6% of that growth will be driven by value?

Ashwani Kumar Arora: Yes. That's -- yes. Historically, also we have done and we are very positive that the category will keep growing and...

Aman: Okay. So sir, according to your market understanding, so how are the Basmati prices currently vis-à-vis maybe last couple of years?

Ashwani Kumar Arora: Means today or as you know the crop comes in the month of -- start from the September, October and last year our sourcing price was higher than the last year around 10% to 12%, 12% higher than the last year.

Aman: So you're trying to say the current inventory which we have on books the sourcing price of that is 10% to 12% higher than the last year, right?

Management: Yes, you are as stated by Ashwaniji, so the current price level -- in the season what had happened the price crop of paddy was higher as that of the last year, but our inventory level at the current rate if you compare it with last year it is 5% paddy is higher than the last year.

Aman: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Rajnish Mehan from Master Capital. Please go ahead.

Rajnish Mehan: Congratulations on good set of numbers. I just wanted to understand, is there any difference in quality of Royal brand that you have in US. and Dabur's premium over here or is it same?

Management: Yes. There are different varieties in Basmati. So in Royal, we have a very premium quality rice whereas in Daawat also it's a different variety of rice. There are three, four popular varieties accepted in different parts of the world. So we pack different varieties in different brands.

Rajnish Mehan: Why I asked is that because with the premiumization coming to India now with per capita income increasing, so is there a plan to launch if Royal is a premium than Daawat to launch the Royal brand in India? And I also see that Daawat brand is not there in US. So is there a reason for that or I mean, what are the plans?

Ashwani Kumar Arora: No, Daawat is very much in USA.

Rajnish Mehan: Okay. In your presentation, sorry, I couldn't see. And so what about -- is there any plan to get Royal premium brand to India?

Ashwani Kumar Arora: So Royal will be a North America brand. They are very strong. Daawat is a very strong brand. So Daawat is present across all price points in India. And our Biryani rice which is the most premium rice price to consumer is in the range of INR180 to INR190, so we are growing roughly 20% year-on-year.

Rajnish Mehan: Okay. And sir, my second question is, are you looking out for any more acquisitions in the domestic market or international?

Ashwani Kumar Arora: So we keep evaluating. So historically the company has been very felt both organically and inorganic growth.

Rajnish Mehan: I mean, is there anything in pipeline? I mean in...

Ashwani Kumar Arora: Nothing definite, but we keep evaluating.

Rajnish Mehan: Okay sir. Thank you sir. Best of luck.

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

Sandeep: Sir, basically, I wanted to know like in your ready-to-eat business you have said that in the next 5 years it will contribute nearly to 10% of the revenue. So I wanted to know for the organic business because it is a very important part of next 5 years what is the likely amount of revenue like you contribute 2030 with total revenue of consolidated profits basically?

Ashwani Kumar Arora: So Sandeep, if I understood your question right. One, the ready-to-eat and ready-to-eat in the next 5 years we have 8% to 9% of our total business come from foods roughly 12% will be from organic and rest is specialty will be 80% will be Basmati and Jasmine rice.

Sandeep: Okay. After 5 years, 80% will be a Basmati, basically?

Management: Yes because Basmati category is also growing.

Sandeep: Yes, I just wanted to go and get those figures. And second, sir, being an investor, I wanted to just take your guidance for next 1 year. Can we expect the PAT which was very good around Rs. 600 Cr this time, can you expect 35% -- 30% to 35% increase as far as the planning and trends in next one year or something like that?

Ashwani Kumar Arora: I can't comment on the number, but we -- as I said in our commentary that we are positive on the demand side.

Sandeep: And the margins you're likely to maintain as we have planned?

Ashwani Kumar Arora: Yes. So margin, as I said, there is a marginal pressure on -- because of this Red Sea freight and we are investing in digital capability. But the demand side is strong. So the business looks very positive.

Sandeep: Thank you sir.

Moderator: Thank you. The next question is from the line of Jasmine Surana from VT Capital. Please go ahead.

Jasmine Surana: Congratulations on a good set of numbers. I wanted to understand the volume degrowth and organics since the past two quarters?

Ashwani Kumar Arora: So, Jasmine, as far as organic business as I said we have lost some business because of anti-dumping duty in soya. But as I said the team has done a wonderful job. So we have covered this year that shortfall by growing other portfolio for organic food. So the other portfolio is growing the oil seed, the value-added price and other lentils and these category have grown. Soya is the only category which has degrown, yes.

Jasmine Surana: And is there any guidance as to when this can be recovered soya?

Ashwani Kumar Arora: Soya, this year, we are positive that the soya will come back.

Jasmine Surana: Thank you so much. That's it from my side.

Moderator: Thank you. The next question is from the line of Shashwat Garg from Sku. Please go ahead.

Ashwani Kumar Arora: Yes Shashwatji.

Shashwat Garg: I just want to ask that followed by the ban on Basmati rice at certain price gap by government of India then now Red Sea crisis, how you -- are you getting any competition from Basmati rice players from Pakistan because, Pakistan is exporting too much Basmati rice to Middle East and other countries?

Ashwani Kumar Arora: So Shashwat, as far as this MEP, what you are mentioning is 950. As far as LT Foods is concerned, we all do branded Basmati, majority branded Basmati exports. And we don't feel any challenge on this MEP and which the results has also shown that. As far as Pakistan is concerned, yes, the Pakistan is giving competition to the Indian Basmati rice as an industry. So Europe -- India has lost share as an industry. But as an LT Foods, we -- our Europe preparation, this year has imported a lot of Basmati from Pakistan.

Shashwat Garg: Okay. And sir, the second question is about the domestic market. Sir, your prices are just double from the local players like from, how to put I want to put it, like that way you have only one distributor in Uttar Pradesh like in the city of Lucknow and while India Gate has distributor all over the cities in Uttar Pradesh. So, how do you see the growth in domestic market?

Ashwani Kumar Arora: So Shashwat, I wish we could have that kind of premium cover commodity, but that's not the case. So as I said, we are almost 9 price points working in India. And we are very well competitive in the branded landscape. We are maintaining -- rather we are growing our market share.

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

Subhankar Ojha: Congratulations for great set of numbers.

Ashwani Kumar Arora: Thank you.

Subhankar Ojha: I have a couple of them. So if I remember correctly, after quarter 3 conference call, we talked about higher freight cost, and we also quantified that it could go up by even $4 million to $5 million per annum basis, but surprisingly, obviously, positively, we had lower freight cost in quarter 4. So we did not have any impact with respect to the Red Sea crisis.

Ashwani Kumar Arora: We have. We're seen the Red Sea crisis. Our U.S. Europe freight has gone almost either -- double the freight. But we have seen because you have not seen the impact in the last quarter because we always have an inventory -- next quarter will have, yes.

Subhankar Ojha: Will have some impact, you may say, the freight cost.

Ashwani Kumar Arora: Marginal impact on the -- yes.

Subhankar Ojha: All right. Okay. And secondly, with respect to your market share in Middle East, which is about 7%. So you're -- 1 of your largest competitor seems to have lost market share, specifically in the Saudi market. So haven't we managed to gain some sort of a market share in Saudi specifically or Middle East as a whole? I mean, what was the market share, say, a year back and what is it now?

Ashwani Kumar Arora: What I call 7% is in the premium segment, that is in UAE, not in the old Middle East. Middle East, by definition, we conclude Saudi, Iraq, Iran, which is roughly INR25,000 crores market. So as I said, they have very strong brands there owned by the local companies. And as far as LT is concerned, we have grown by 42%.

Subhankar Ojha: Okay. So sir, no comments specific to Saudi market?

Ashwani Kumar Arora: No. Saudi is a good potential market, and we are working on that.

Subhankar Ojha: Okay. And finally, sir, we had a great year with respect to free cash flow generation, but we still kept our payout ratio at a pretty low level. What is your thought on that?

Ashwani Kumar Arora: No, we -- as the guidance, we said that we will part -- we will share dividend 10% to 20% of our consolidated margin and we will do that.

Moderator: Thank you. The next question is from the line of Vincent Andrews from Geojit Financial Services Limited. Please go ahead.

Vincent Andrews: Congratulations for the consistent good set of numbers.

Ashwani Kumar Arora: Thank you.

Vincent Andrews: See, I have 1, 2, 3 data points. One is in continuation to the previous question. So can you please quantify how much is the freight cost in INR321 crores this quarter as a percentage of sales? And how much do you expect the percent sales in the next quarter because of Red Sea?

Ashwani Kumar Arora: We can't share the detail on this phone, but you just -- you can call the investor relationship and we will be happy to share that. As I said, the freight rate has gone double to the Europe and almost again double to the U.S.

Vincent Andrews: Okay. So one more data point, like what is the volume international and as well as India this quarter? And the realization that is in ongoing quarter, Q1 quarter, for India as well as international?

Management: So as the quantitative manner, so we made a quantitative step revenue of 1,86,000 tons in this quarter and this is almost a 17% growth on the quarter-on-quarter basis.

Vincent Andrews: For total, so can you please split in international as well as India?

Management: That is 1 lakh tons in international and 87,000 tons in India.

Vincent Andrews: Okay. And the realization in the ongoing quarter? How's the trend in India and international?

Management: As stated by Ashwaniji, we will maintain the momentum, and we are hopeful that this year also, we will have a quantitative growth of 7%, 8% this year.

Moderator: The next question is from the line of Vipulkumar from Sumangal Investments.

Vipulkumar: Sir, what is our dividend distribution policy? So we have declared a total dividend of INR1.5 on our earnings per share of INR17. So it looks really very eager as compared to the profit and cash flows we are generating. So would you spell out your dividend distribution policy?

Ashwani Kumar Arora: Sure. So we have given a guidance that dividend policy will be 10% to 20% of the consolidated profit and we will do that.

Vipulkumar: But sir, if you take 20%, then it becomes INR3.5.

Ashwani Kumar Arora: Yes, 10% to 20%. It depends on the cash flow, on the future requirement, the requirement of the business, 10% to 20%. That's the range we have given.

Vipulkumar: And sir, one suggestion previously, we used to share all the tonnage for the quarter for India, U.S., Europe region, tonnage and rupees, that practice we will stop. So I would request you to put those actions in next quarter's presentation, it will be really helpful.

Ashwani Kumar Arora: Sure. We will evaluate your proposal.

Moderator: The next question is from the line of Mohammed Patel from Care Portfolio Managers.

Mohammed Patel: Sir, my question is very similar to the previous participant. The dividend policy is 10% to 20% of the consolidated profits. The announced dividend INR1.5 is lower than the lower band, which is 10%, so this is what we all are trying to understand.

Management: So we had declared to previously INR0.50. This year, we have declared INR0.50 again interim and INR1 as a final dividend. So this is the -- no, INR1.50 for the last year we have declared a dividend for this one. And that means almost 8.5%, 9%.

Mohammed Patel: It is lower than the 10% band. So this is what we are trying to understand.

Ashwani Kumar Arora: Yes. You have a valid point, and we will -- in the coming years, we'll make sure that…

Management: Yes, we will look into in the coming years.

Mohammed Patel: Okay. And my next question is, so the volume number if you can share for India-international for the full year versus last year?

Ashwani Kumar Arora: Yes. So you were having some questions?

Mohammed Patel: Volume numbers for the Basmati segment, India-international for the full year?

Ashwani Kumar Arora: So for the full year, that is -- in the India, that is 3,18,000 tons and international 3,30,000 tons.

Mohammed Patel: Okay. My next question is what is the outlook for the Basmati domestic business for the next year? And what is the outlook for the organic business in the near term?

Ashwani Kumar Arora: So yes, we just mentioned that we are positive on all our markets, India, organic, international markets. We are expecting to maintain the momentum which we have built in the history.

Mohammed Patel: Okay. So organic business has done not that well in the last year, so it should be doing much better, right?

Ashwani Kumar Arora: Yes. So to our evaluation, organic business has done extremely very well, because we lost good business of soya, but has been compensated by growing the other categories. So yes. But in numbers, we will see growth from this year-on-year.

Mohammed Patel: So, soya will start contributing from FY'25 with the different manufacturing location?

Ashwani Kumar Arora: Can you repeat that, please?

Mohammed Patel: So soya will start contributing again from FY'25 because we had some...

Ashwani Kumar Arora: Yes, it will start. It is starting.

Mohammed Patel: And the margin trajectory is 14%, 15%. So can we expect the improvements starting FY'25 itself?

Ashwani Kumar Arora: Which margin you are -- your voice is a little bit...

Mohammed Patel: We have targeted 14% to 15% over next few years, can we expect the improvement to start from the next year?

Ashwani Kumar Arora: This year, the -- as I said, the EBITDA margin will be marginally impacted because of Red Sea impact and investment in digital, but if you see the horizon two years to three years, it will improve. And more on, we have to see from the lens of the ROIC. If you see the ROICs are improving year-on-year and the return on equity also.

Mohammed Patel: And the last, there is 1 suggestion. So we used to give gross profit EBITDA for the 3 segments. So if we can continue that disclosure, it is helpful in the presentation.

Ashwani Kumar Arora: Sure. We will look into it. Thank you so much for your suggestion.

Moderator: The next question is from the line of Aman Saifee from Iwealth Management. Please go ahead.

Aman Saifee: So sir, I just want to revisit the earlier participant question on the gross margin side. So you meant to say that from the COVID level, the overhead cost has been still over to the subsequent year. So that's why the gross margin expansion is not really seen at the operating level side. Is that correct?

Ashwani Kumar Arora: What we have said that the gross margin has improved, but because of the destruction, our operating margin was at 1 point of time 18, 19 in the 10, 10.5, then we have improved to 12.5%.

Aman Saifee: But even those that you see at the time of 2014 and 2015, when our gross margin were used to be 25%, at that time as well, our EBITDA margin, which would be at 10%, 11% and now it has gone up to 12%. Is that our business itself doesn't help the operating leverage, the increase in the sales, our percentage to first does also increases? If you see the employee, it was 2.3% as a percentage of sales, and then it has went up to almost 5.5%.

Sachin Gupta: So if you compare the Basmati segment, you are comparing with the whole segment as such. There is Basmati, there is organic, there is a RTE and the RTC segment. If you compare it with the Basmati segment, this year, the EBITDA margins in the Basmati segment is 13.6%.

So -- but as we are making investments in the RTC and the RTE segment that is overall reducing my overall EBITDA. And as stated earlier also, now, this year, my EBITDA margin in the organic segment has also as a fit because we lost the business of soya meal. So that might had an effect in the EBITDA margin overall.

Ashwani Kumar Arora: And just to add Sachin, if you see, we are consistently giving the growth and the investment behind the brands is increasing also.

Aman Saifee: Understood, sir. And sir, even though if I add your last year or ready-to-eat business, EBITDA loss of INR15 crores, that doesn't add much of your EBITDA margin side? So sir, if you can just quantify the digital -- sorry, sir, go ahead.

Ashwani Kumar Arora: So what do you mean to say is, Sachin, that when you're comparing that time, only the Basmati business was there. But Basmati business EBITDA has grown to 13.5% to 14%, whereas when the mix come of organic and ready-to-eat, that is making average 12.5%.

Sachin Gupta: And apart from that, as Ashwaniji, was saying there is increased investment in the brand spend as well. So there, I have increased my brand spend almost by 1% over the year. So that is also having an impact that though it has a positive impact on our revenue, but there is an operating...

Ashwani Kumar Arora: It is a mix, but what we have to see is like, the ROIC and return on equity that has consistently increasing year-on-year.

Aman Saifee: I got your point, sir. And sir, if you can just quantify the annual amount of your digital spend, how much is that?

Sachin Gupta: So currently, what we are expecting this year, our annual digital spend to be around INR45 crores, INR50 crores of that.

Ashwani Kumar Arora: That's a loan in digital media. Digital marketing you are saying or digital capability you are saying?

Aman Saifee: Digital capability, I mean to say.

Ashwani Kumar Arora: Yes. Sachin, carry on.

Sachin Gupta: So on the digital capability, we will be spending around INR45 crores to INR50 crores of spend this year.

Moderator: The next question is from the line of Rishi Kothari from Pi Square Investments.

Rishi Kothari: So I just wanted to get some ideas to what capex are we planning for FY'25 or any FY'26 possible?

Ashwani Kumar Arora: Sorry, what was your question?

Rishi Kothari: What amount of capex are we planning for next year, for FY'25?

Ashwani Kumar Arora: Yes, capex will be same as I said that we are doubling our capacity of ready-to-eat in America. So next year will be in the range of INR200 crores.

Rishi Kothari: Okay. So that will be more investing in the capacity expansion or is there anything else that you are planning to do?

Ashwani Kumar Arora: Capacity, digital, all these things together will be around INR200 crores. And we are putting up a facility in UK. also. We have inauguration in the month of July that's the video so a lot of investment has been gone to building UK facility.

Rishi Kothari: Okay. Got it. Also, one more thing. since in terms of the acquisition as we already talked that most of the companies that we are trying to see**,** for example, if we are planning for an acquisition or any type of a company for acquiring, what could be the more or less business that we would see to acquire?

Ashwani Kumar Arora: Sorry, my dear, your voice is echoing and we are not able to hear...

Moderator: Sir. I just want you to use handset, please.

Rishi Kothari: Am I audible now?

Ashwani Kumar Arora: You are audible, but your voice is not -- echoing, not clear.

Rishi Kothari: What I'm trying to ask is, if for example, you plan to acquisition in the business line that you're in?

Ashwani Kumar Arora: So, no, you are asking that do we have any plan to acquire any business? That's what your question is?

Moderator: The line got disconnected, sir. So ladies and gentlemen, due to shortage of time, we will take this as a last question. I now hand the conference over to the management for closing comments.

Ashwani Kumar Arora: Thank you and look forward to see you. Thank you.

Moderator: Thank you. On behalf of Systematix Institutional Equities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.