LT Foods

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Ref-LTF/ SE/ 2024-25/ **Date: July 30, 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 ended June 30, 2024

In continuation to our earlier letter dated July 22, 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 Un-Audited Financial Results of the Company for the quarter ended June 30, 2024, scheduled for Thursday, July 25, 2024 at 16:00 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: 2024.07.30 16:16:44 +05'30'

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

"LT Foods Limited
Q1 FY'25 Earnings Conference Call"
July 25, 2024

MANAGEMENT: **MR.ASHWANI KUMAR ARORA–MANAGING DIRECTOR & CHIEF EXECUTIVEOFFICER–LT FOODS LIMITED**
MS.MONIKA CHAWLA JAGGIA–VICEPRESIDENT–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 Q1 FY '25 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. Please go ahead, sir.

Himanshu Nayyar: Yes. Thanks Laiba and good afternoon, everyone. Welcome to LT Foods 1Q '25 call. I would like to welcome the management on the call today. We have with us Mr. Ashwani Arora, MD and CEO; Mr. Sachin Gupta our CFO and Ms. Monika Chawla Jaggia, VP, Finance and Strategy. We'll start with opening comments on the quarter gone by and the outlook ahead by the management followed up with the Q&A session post that. So without further ado, I would like to hand over the call to Monika, ma'am. Over to you, ma'am.

Monika Chawla Jaggia: Thank you, Himanshu. Good evening everyone and thank you for joining us on our Q1 financial year '25 Earnings Conference Call. Before we start with the key highlights of the quarter ended 30th June 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 would like to begin by taking you through the key highlights of the quarter 1. Our consolidated revenue for quarter 1 was up by 17% at INR2,088 crores versus INR1,789 crores last year that is on account of the increased sales from all the segments. Gross profit grew by 16% and gross profit margin was 30 bps lower from 33.8% to 33.5% on account of increase in input costs.

EBITDA for the quarter 1 was higher by 15% on a year-on-year basis at INR258 crores compared to INR224 crores last year and the EBITDA margin stood at around 12.4%. PBT increased by 18% to INR198 crores from INR167 crores last year. PAT for the quarter increased by 13% to INR155 crores compared to INR137 crores in the previous year. EPS increased by 11% to INR4.41 versus INR3.96 in the quarter 1 financial year '24. Cash profit increased by 14% to INR197 crores compared to INR173 crores in the previous year.

Moving on to the key ratios of our balance sheet. The return on the capital employed improved to 20.8% from 19.4% in quarter 1 financial year '24. Return on equity stood at

17.8%, the debt-to-equity ratio declined from 0.4x to 0.2x, and the debt-to-EBITDA ratio for quarter 1 financial '25 is 0.8 versus 1.2 in the previous corresponding quarter. Current ratio has also improved from 2 to 2.3 in this quarter. Because of our continued focus on the working capital optimization, our net working capital days have also reduced by 8 days to 202 days versus 210 days in the last quarter, in the last quarter 1 financial year '24. So now we will open the floor for the question-and-answer. So this is the financial highlights Now we will open for Q&A. You can raise the questions, and we'll be happy to answer the same. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Abneesh Roy from Nuvama. Please go ahead sir.

Abneesh Roy: My first question is on the market share in India. Are you seeing any movement there given the number 3 player had acquired company in the Basmati. So any impact of that going ahead you see? And how is the market share versus the other large players in India?

Ashwani Arora: As our market share, this report has yet to come, but the last report we have got is 30% market share we have in India.

Abneesh Roy: Okay. And in terms of your international business, how do you see growth this year. You have taken a lot of proactive steps in those countries, US., Europe, etc? Could you talk about growth expectations for the balance part of the year, FY '25?

Ashwani Arora: So as far as this quarter, I'm sure you have gone through the presentation. As a company, we have grown by 15% and international business has grown roughly 17%. Going forward, we see the positive trend in terms of consumption, demand side looks solid, and we see good in terms of demand side.

Abneesh Roy: And last question more on the cost side. In terms of the Red Sea crisis on shipping and container, how was the impact? And would you say that worst is behind on that?

Ashwani Arora: No, the worst is not yet behind. We have seen the Red Sea impact a little bit and that's why the growth in the margin has impacted. But we are positive that this is only a quarter or 2-quarter thing, the '25/'26 looks very positive to us as the commodity price going to be down in crop '24. So we see improvement of March in '25, '26.

Abneesh Roy: Okay. Understood. That’s all from my side. Thank you.

Moderator: Thank you sir. Next question is from the line of Amarnath Bhagat from Ministry of. Finance of Oman. Please go ahead.

Amarnath Bhagat: Just two set of questions. First of all, this recent announcement or potential announcements from the government relating to this lifting of the export ban on the rice, how that will have an impact on your business?

Ashwani Arora: As far as the lowering down the MEP, the industry will definitely gain. As far as LT is concerned LT has not much impact on this because we are exporting on a higher value. And the market will open up with the lower MEP definitely, partly LT will also get benefited.

Amarnath Bhagat: No, I'm trying to say, for example, when there was a ban on export of non-Basmati rice, I'm sure part of that demand is being made through the basmati rice because non-Basmati rice was not available at exported country. Now say, if that export ban open up, will it have an impact your selling of basmati rice in the exported countries?

Ashwani Arora: So if you see the Basmati market, they don't cannibalize with non-Basmati to Basmati. Non-Basmati is more Africa and the country with a lower income. But as far as Basmati is concerned, that's mainly consumed in Middle East, Europe and America, and that don't cannibalize with the non-Basmati and therefore, do not have any impact on the Basmati growth.

Amarnath Bhagat: So no, that was a clarification required. So you are saying these two are not related. So if there is non-availability of non-Basmati rice that doesn't go into impact on your Basmati rice consumption on the same country?

Ashwani Arora: Yes. And on the top of that India is not buying, but someone else is supplying. So the demand is being met.

Amarnath Bhagat: Okay. The second is, one of your competitor is struggling, as you know, in the Saudi market, which is one of the biggest Basmati exporting market from India. Now during -- especially in the last 1, 2 years. So how you as LT Foods is ensuring your presence in that big market, especially in the last 2 years, under the challenging situation or you're leaving that country?

Ashwani Arora: As far as LT is concerned, LT has a very strong market in India, U.S.A., Europe and Far East. Middle East contribute roughly 8%. But as far as Saudi is concerned, we have appointed our partner there, distributor for that market.

Amarnath Bhagat: Yes. Just -- sorry, I'm going a little deeper on this particular. And we all know that Saudi is a very big market. And there's an issue happened last 2 years at the local players with their branded Basmati, of course, I don't know from where they're getting it, but they've taken away many of our exported volume which was used to go from India, and one of your nearest competitor was a major player and they lost a big market share there.

So I'm just trying to understand, is there a potential market for you there now, because somebody else has vacated that place and the demand for the Basmati rice in that particular area is anyway very strong?

Ashwani Arora: Saudi is a 1.2 million tons market that import Basmati and there are three, four very strong player there. Three are companies, which is Saudi based companies. And fourth, of course, you said our nearest competitor. So I don't want to comment more, but I will say there must be -- cannibalization must be happening. And the market is growing. And as far as LT is concerned, LT has appointed a distributor. So it will take time to strengthen our footprint there in Saudi Arabia.

Amarnath Bhagat: That means you are looking to that market as well, right?

Ashwani Arora: Definitely. That's our focus. That's our focus. The Middle East is our focus. And that's a 3 million ton market. And as I said we have 8% of our revenue comes from Middle East and that's our focus, and we are going to focus on that market, and we are focusing on that market.

Amarnath Bhagat: With respect to the strategy for the domestic part of it, especially the value-added items, which you are now producing and also going strength to strength with respect to that. If you can really tell us how you're thinking strategically to improve that part domestically within India, not really the rice, but the value-added product of the rice, how you'll see the potential of that market within India for you because your brand is quite recognized, well-known brand, but somehow the revenue growth is not really reflecting the real potential of that food in the Indian market?

Ashwani Arora: So first of all, you asked about our strategy. So we have strategy for the core business, which is Basmati and the strategy for the value-added product. So as far as the core business is concerned, we are very optimistic about India demand story. And we have grown 14% in this quarter.

And we see that this demand will continue. And we have very clear strategy, strong strategy of acquiring consumer and our distribution -- strengthening our distribution that part is doing well. On the value-added thing, we have launched Biryani Kit. That's doing very well.

Cuppa has not picked up well, but we are optimistic on the portfolio, we have defined for India market for value-added and we see in the coming times optimistic. As far as our food business is concerned that -- in America that is doing very well. RTH we have filled up with our capacity and we are doubling our capacity in this year.

Amarnath Bhagat: Thank you sir. Thank you very much. I will come back to the queue.

Moderator: Thank you very much. Next question is from the line of Ankur Arora from Magma Ventures. Please go ahead sir.

Ankur Arora: I joined a little late so if you've answered the question already so sorry about that. I wanted to check on the Red Sea crisis, how much cost increase would have happened this quarter because of -- on account of freight charges?

Ashwani Arora: In terms of freight charges how much is impact you said, you asked?

Ankur Arora: Yes:

Sachin Gupta: So this quarter there is an impact of almost 1.5% if you compare it with the Q1 of the last year. Logistic costs as percentage to revenue have increased by 1.5%.

Ankur Arora: What would be the number quarter-on-quarter?

Sachin Gupta: It was 5.1%. Currently it is 6.6%.

Ankur Arora: No, what could be the impact quarter-on-quarter compared to fourth quarter?

Sachin Gupta: Compared to the immediate preceding quarter you are talking about?

Ankur Arora: Yes.

Sachin Gupta: 4.8%. It was 5%. So it is 1.6% from the immediate preceding quarter as well.

Ankur Arora: Okay. And do you believe that this price impact will continue for at least one, two more quarters?

Ashwani Arora: Yes, that's what we are thinking that will have. So the guidance we are getting from shipping line is that it still has an impact for one or two quarter most.

Ankur Arora: How easy or difficult it has been to pass on some bit of that impact to the end customer?

Ashwani Arora: Because this is a temporary and as strategically, we don't want to pass it on to the customer. For some part, we have done it. In some part, we have not done it.

Ankur Arora: All right. The current average cost which we have incurred in the current quarter that is the first quarter and the current rates are working similar to that or it has gone up even higher than that?

Ashwani Arora: Can you repeat that please?

Ankur Arora: I said the cost which we incurred in the first quarter 5-point whatever percentage and the current rate in July are they similar to what we mentioned in the last quarter or has it gone up even higher?

Ashwani Arora: July will be a little higher.

Ankur Arora: All right. Thank you so much.

Moderator: Thank you. The next question is from Hitesh Goel from Riddhish Abode Advisors Please go ahead.

Hitesh Goel: Thanks for taking my question sir. First question is on the -- basically the ready-to-eat business. So basically I know you are talking about a 35%, 40% growth there. Can you detail us in terms of new product that you've tried to launch in that segment? There was talk about spices that we get into, so you can tell us something about the new launches there?

Ashwani Arora: Yes. So the biggest revenue comes from America and we have a microwave rice there. I just said that we are doubling our capacity there. We have more demand than the capacity we have. In India because this is not evolving as a ready-to-eat market on the shelf, so we are -- we have introduced Biryani Kit that's small, but getting good traction. And we have some other products in the pipeline which is more on ready-to-cook, so that will be rolled out in coming time.

As far as this rice snacks, the roasted rice snack Kari Kari that has also picked up. So we have almost double the sales in this quarter than last quarter, yes.

Hitesh Goel: So any plans to get into -- you talked about ready-to-eat, any plans to get into like MDH kind of domain like Rajma, rice and all that?

Ashwani Arora: So as I said, ready-to-eat market is more the Western world where we are growing. We are introducing different flavor. As far as India is concerned that is more we are focusing on ready-to-cook.

Hitesh Goel: Okay. My second question is on the U.K. facility. So you talked about -- you mentioned you made that is because duty benefit that you'll get. Can you talk us about what is the investment because rice will be stored here it's only a storage facility or can you talk about that? And the additional revenue that is coming in that will add to the Europe revenue or this is just a substitution of the revenue?

Ashwani Arora: So first let me talk about U.K. U.K. is a USD1 billion market both the dry rice and ready-to-eat market. And we have set up this facility which is all processing and packaging facilities. So we are expecting in this year USD40 million revenue. So we have got good account with us. And as far as revenue is concerned can you Sachin.

Sachin Gupta: For capex during this we have invested in the capex of that is around GBP65 million that is the capital investments which we've made in this facility. And this will laid a revenue as Ashwani-ji -- meeting the revenue of....

Ashwani Arora: The question is distribution of revenue. It will be merged with Europe?

Sachin Gupta: It will -- actually yes because this is -- it will -- separate entity. So it won't be merged. So we have a European facility that is a separate. We have a London facility that is separate. So there is two separate entities that which they are and this has a holding company that is in the US So the US will be doing the consolidation.

Hitesh Goel: No, I'm not talking about accounting. I'm saying that Europe revenue was INR1,500 crores last year in FY '24?

Ashwani Arora: This will be add up. This will be the new revenue.

Hitesh Goel: So this will help you gain market share. That's what I wanted to ask you?

Ashwani Arora: Yes.

Hitesh Goel: Okay. Thank you.

Moderator: Thank you very much. The next question is from the line of Damodaran Narayanan from ACUITAS CAPITAL.

Damodaran Narayanan: Thank you for the opportunity and congratulations for a good set of numbers. So I had two questions. One is on the long-term EBITDA margins. So if you look at -- if I look at your long-term EBITDA margins for Basmati rice segment specifically, that's always ranged between 12% to 13%. Now if I compare that with your competition that has been much more volatile and a few players have actually faced losses and gone bankrupt as well.

So can you give a reason as to why your margins are much more I mean much less volatile how you manage it much better versus your competition? So that is the first question. And I'll ask the second question later?

Ashwani Arora: Thank you Damodaran. So first of all it's the business model. So as far as LT is concerned this is FMCG led by all very strong brand. So therefore the stability is there in margins. We have a global footprint.

Damodaran Narayanan: Right, sir. But if I'm correct I mean I am assuming I think given your competition has a similar kind of global footprint and their share of branded sales is also around what we have. So what is our competitive advantage here?

Ashwani Arora: That's what I'm saying. I will repeat. So I don't want to comment on the competitive, but as far as LT is concerned we have a global footprint, very strong in U.S.A., Europe and of course in India and very diverse business in terms of geographies and all is led by brand as for the stability in the margin is concerned. That's the power of the brand, I would say.

Damodaran Narayanan: Okay. So -- I mean, I would be adding again in that your -- the kind of geographical mix that you have -- I mean it's much more diverse and difference versus your competition and that allows you to price your product better and manage margins better. Is that correct?

Ashwani Arora: Yes, that's right. I will say that is bringing the stability in the margin and improving along with that.

Damodaran Narayanan: Sure. And just one question on the recently announced distributor tie-up in Saudi Arabia. So I know it's early days, but can you give some qualitative color as to what kind of coverage does this allow us in terms of retail stores in Saudi Arabia and what plans do you have there?

Ashwani Arora: Sorry, I have not understood your question.

Damodaran Narayanan: Yes. So the question was on the distributor tie-up.

Ashwani Arora: They are a billion dollar company very good distribution across all general trade very good distributors, strong distributor and we're a listed company.

Damodaran Narayanan: Okay. Sure sir. That's all from my side and thanks for the opportunity.

Moderator: Thank you very much. The next question is from the line of Vipul Kumar Anupchand Shah from Sumangal Investment. Please go ahead.

Vipul Anupchand Shah: Sir, can you give me volume and revenue for domestic Indian business U.S. business and Europe separate means volume in tonnage and revenue?

Ashwani Arora: Yes. We can -- that is in the presentation if you see the breakup and otherwise we can get back to you.

Vipul Anupchand Shah: Sir, I think it is not part of the presentation. So I think last quarter also I pointed out. So it will be better -- I request you to make this as a part of your presentation. If it is possible, please?

Ashwani Arora: Okay, sure.

Vipul Anupchand Shah: And sir, my second question is have we received insurance money means have we given the bank guarantee. So what is the status now?

Ashwani Arora: That's a good news we have is that we have the High Court has given a judgment that we should get our money against half bank guarantee and half without bank guarantee. And then the insurance company went to Supreme Court and Supreme Court has also rejected their appeal. So Supreme Court has said that within 4 weeks we should get our money with Bank guarantee. So that's good news and we will get our money in 4 weeks' time.

Vipul Anupchand Shah: So we should be getting around INR160 crores, right, sir?

Ashwani Arora: Plus interest.

Vipul Anupchand Shah: Okay. And sir when do we expect our -- this ready-to-eat and ready-to-cook business?

Ashwani Arora: Just wanted to know this is on the order we are still awaiting, but the verbal order -- based on verbal order I'm telling you, but still we have to file in stock exchange then we will get the written order from the Supreme Court, but that's what has been verbalized.

Vipul Anupchand Shah: And sir, why our market share in Saudi Arabia is so low when it's such a huge market of INR30,000 crores means, why we previously means it was a deliberate decision not to enter that market previously. What is the thinking behind this?

Ashwani Arora: Previously, we have chosen our the business area, where we thought we are strong. And we have chosen India and Europe, we have done -- sorry, USA, we have done acquisitions. In Europe, we have better studies so our mind has better stability in the business and margin. But having said that, now our next focus is Middle East, and we are focusing on that. And we are optimistic that the next growth will come from there -- the next value addition in the growth will come from there.

Vipul Anupchand Shah: So will you be putting up any plant there or it will be supplied from India only?

Ashwani Arora: No. It will be supplied from India, 80% Basmati exporting and that will be supplied from India, but that's the consumption market and we are focusing on that.

Vipul Anupchand Shah: And sir lastly on your UK investment. So that will cater only to UK market or it will cater to the entire Europe?

Ashwani Arora: We have divided the continental Europe and UK which is after Brexit and the UK will be serviced from UK facility and rest of them we call it Continental Europe that will be serviced from...

Sachin Gupta: Rotterdam?

Ashwani Arora: Rotterdam facility.

Vipul Anupchand Shah: And sir my last question when do you expect this ready-to-eat and ready-to-cook business in India to break-even, so how much time will it take?

Ashwani Arora: So next year, we are '25, '26. What do you say, Sachin?

Sachin Gupta: It will be breakeven in '26, '27. So on a revenue base of INR400 crores it will be and we are projecting that revenue to be in '26, '27.

Vipul Anupchand Shah: Okay sir. Thank you very much and all the best for the future.

Moderator: Thank you very much. The next question is from the line of Resham Jain from DSP Asset

Managers. Please go ahead.

Resham Jain: Good afternoon sir. Sir I have two, three questions. So first one is if I look at the profit from associates that is largely Golden Star if I am correct. And if I look at last few quarters 1Q last year was very good. We had INR14-odd crores of profit, but last three, four quarters it is now steady at close to INR11 crores, INR12 crores. This quarter is just INR10.6 crores. So how are you thinking about this Golden Star, the Jasmine rice business?

Ashwani Arora: Good afternoon Resham that quarter was a little exceptional and we are confident whatever INR11 crores per quarter. That is kind of we see growing from there.

Resham Jain: Okay. Understood sir.

Moderator: Sorry to disturb sir. There is a disturbance in your background.

Resham Jain: Okay. Is it audible now?

Ashwani Arora: Yes, Resham, you can continue please.

Resham Jain: Okay. Sorry. So the other related question is sir the Jasmine business is a good business other than US as well. So is this company planning to take this Jasmine rice to other parts because it already has a good distribution network, let's say, in other parts of the country like in Europe, in India and all?

Ashwani Arora: Yes, that's the plan. We have already started one or two countries like Israel we have started Daawat Jasmine there. And now we are rolling it to the other parts of the world. That's the next -- in the rice category that's the new variety. We are taking it to the rest of the world. In Middle East also.

Resham Jain: Okay. Sir, the second question is with respect to the capex plan...

Ashwani Arora: Next month we are launching Daawat Jasmine rice in India also.

Resham Jain: Great news. Sir, the second question is with respect to the capex plans. Is there any capex this year other than the UK which you have I think, already commissioned. So no more capex in UK, but anywhere else?

Ashwani Arora: So the two -- the capex is -- one is we are doubling our capacity in US for our -- this retort business, ready-to-eat business. So that will be roughly INR87 crores, USD10 million we are investing there to put capacity. And the second is UK. So India is more of kind of maintenance and a little bit growth here.

Resham Jain: Okay. So sir just the kind of deleveraging, which we have done over the last few years, 4 years. This year also given that you don't have material capex, should one assume that the debt, whatever we have can further come down in FY '25?

Ashwani Arora: That's what we are Resham target. Next year like crop '24 we are expecting also the commodity prices to come down. And that will also add into releasing the working capital. So we are positive on that.

Resham Jain: Okay. So sir given that the profit trend rate which we have currently plus the inventory prices, which will come down, so working capital release also will happen. So do you expect that next year, there is a possibility that we can become a net cash company.

Sachin Gupta: Resham, yes. But as you know there is a payment of the Golden Star that we have to make. So in the next June '25, so there will be an outflow for the Golden Star considering this is the year on the basis of which the valuation will be decided. So there will be outflow. Apart from that yes if that basically not taking it's through then of course that will be there.

Resham Jain: Yes. Okay. Because you will get insurance payment also on the other side. So I was just thinking overall there is a possibility of becoming a net cash company next year.

Sachin Gupta: Yes.

Resham Jain: Okay. Wish you all the best. Thank you.

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

Amit Doshi: Sir regarding this appointment of distributor in Saudi Arabia. So I am assuming this is different from what the arrangement that we have with SALIC? And in terms of -- will it be distributed under our own brand? And considering that the Saudi market is a very premium market or the realizations are considered to be quite high. So would you believe this can has the potential to improve your overall margin as well?

Ashwani Arora: SALIC is first of all let me start from there. SALIC is an investing arm of PIF. So this is a distributor we have appointed. As far as price points are concerned, globally, every part of the market has all premium price point, mid-price point and the bottom price point. So we will be launching in all price points.

And as far as the margin expansion is concerned with the scale, with the revenue growth definitely overall it should help in improving margins in the medium term first year 1.5 years will be kind of investment in that market also in terms of acquiring consumer and setting up distribution.

Amit Doshi: Okay. And sir I read your comment in the press release regarding this premiumization. So can you give slightly more color in terms of what kind of premiumization that did do? And of course, I understand that this quarter got impacted because of the higher freight cost. But had that not been the case, how would this premiumization would have helped us in terms of our margin?

Ashwani Arora: So we have given the guidance also that where our margin expansion will come. We said 0.5% to 0.7% will come from premiumization. And when I say premiumization means selling the higher gross margin product. And that is year-on-year getting strengthened and we are optimistic that the investment behind that is working and we'll keep on working in medium-to-medium term...

Amit Doshi: Okay. And in the freight charges if I'm not sure if I heard it correctly the impact was 1.6% of the sales higher compared to year-on-year?

Ashwani Arora: Yes, you are right. That was 1.5% from the last year.

Amit Doshi: Okay. And this you think -- sorry, the UK investments that we've done, how -- I mean in Europe also, we have the facility from quite some long time. How much bullish you believe that U.K. has more potential because EU has not been a very strong contributor considering the time that we have, and I'm sure there also we have a lot of tie-ups with a lot of retailers in the Europe. So how do you see these two markets different and the future potential of it?

Ashwani Arora: As far as Basmati is concerned, of course, U.K. is the bigger market than E.U. And after Brexit, you can't service your business from the Rotterdam facility that's how we have opened up this new facility. And this is adding up the new businesses for us, also we have got a very good new accounts.

Amit Doshi: Okay. And I just noticed in the presentation that you've launched Jasmine rice even under the Royal brand. So being in the U.S. Golden Star as well as Royal, so I'm presuming, just trying to understand the strategy in terms of, are we planning to kind of tame out the Golden Star brand or probably increase more away towards the Royal brand, just to understand the US strategy?

Ashwani Arora: No. Golden Star is the second largest brand. And if you see in dry rice we are not selling Royal Jasmine. So that is in the Golden Star or 817 we are selling. What you are seeing in the presentation is the ready-to-eat rice, the retort rice. So that's a cooked rice where the Royal brand strategy is to give every variety of rice in cooked form. That's a microwave rice RTH.

Amit Doshi: Okay. Thank you.

Moderator: Thank you very much. The next question is from the line of the Abhyuday Jhunjhunwala from JBS Securities. Please go ahead.

Abhyuday Jhunjhunwala: I have two quick questions for you. Firstly, I just wanted to understand how much manufacturing capacity is devoted to Basmati rice and Jasmine rice, respectively? And secondly, if you could please provide the margins that you get internationally and domestically for Jasmine and Basmati?

Ashwani Arora: I will pause you. Your voice is not getting clear.

Abhyuday Jhunjhunwala: I'm so sorry about that Mr. Arora is it better now?

Ashwani Arora: Yes, it's better now, but sometimes it breaks. Please continue.

Abhyuday Jhunjhunwala: Okay. I'll speak a little slowly. Hopefully, it will be clear. I had two quick questions. Firstly, I wanted to know what part of the manufacturing capacity displayed on your annual report for '23 is devoted to Basmati and Jasmine rice respectively? And secondly, I wanted to understand what the margins for Basmati and Jasmine rice separately would be internationally and domestically?

Ashwani Arora: So I will double check, but mostly in annual report is Basmati capacity. Jasmine rice is almost all outsourced. So as far as margin is concerned let me come back.

Sachin Gupta: So the margins are more or less the similar margins in the Basmati as well as in the Jasmine rice category. So we are enjoying at least 13% EBITDA margin.

Abhyuday Jhunjhunwala: And this would be domestically and internationally for Basmati?

Sachin Gupta: Yes. So this is for the -- I'm talking about the total EBITDA margin.

Abhyuday Jhunjhunwala: Okay. Got it. And the manufacturing capacity you mentioned for Basmati, it's mentioned on the annual report. But for Jasmine rice, if you could please fill me in on your on how much would your sales capacity be if not manufacturing?

Ashwani Arora: So sales capacity we sell roughly 70,000 tons. As far as the manufacturing, that is all outsourced and we buy from the Thailand millers. They would manufacture and pack for us.

Abhyuday Jhunjhunwala: Okay. Got it. Thank you so much for your time. Mr. Arora.

Ashwani Arora: Thank you.

Moderator: Thank you. The next question is from the line of Isha Shah from Nizar Enterprise. Please go ahead.

Isha Shah: I am audible?

Ashwani Arora: Yes Isha.

Isha Shah: Thank you for the opportunity. I have couple questions. First one being sir in the investor presentation, I see that we have mentioned about Regional Specialty Rice. So I would like to know how big is the market over there and how are we doing in that segment?

Ashwani Arora: So Regional Specialty is I would say 5 times bigger than Basmati rice in India. So every region...

Isha Shah: How many times?

Ashwani Arora: 5 times bigger than Basmati. And every region has their own specialty like South has Sona Masoori and East has __ and western has __. We are seeing good entry into that market. We are selling roughly 20,000, 25,000 tons. And now we are strengthening our supply chain for this regional rice and we are optimistic here that will be a good add-on in our portfolio.

Isha Shah: Okay. So sir how much margin approx would be on this? Would it be similar to the Basmati rice?

Ashwani Arora: So in terms of EBITDA overall percentage margin it will be much lower like it will be 6% EBITDA margin. But in terms of ROIC it has similarly the formula we have set for us ourselves anything less than 20% ROIC so we will not contribute, yes. But when it gets scaled that will further overall improve the margin.

Isha Shah: Okay, sir. Sir second question being in organic segment how well are we placed when it comes to non-rice products like pulses, lentils, oil, how are we doing over there?

Ashwani Arora: No, we are not neither in oil or pulses. Our focus is to remove our add-on rice like regional rice as the category has a good potential growth. And now we are adding the value added of rice. So that's the plan. Not any oil or...

Isha Shah: No. In the organic segment?

Ashwani Arora: In the organic segment, we have a complete portfolio of staples and that we are soon launching in India market.

Isha Shah: Okay. So how good of a market size do you see over here?

Ashwani Arora: Nielsen doesn't cover that, but estimate is roughly INR700 crores to INR800 crores organic the complete portfolio as a market.

Isha Shah: Okay. So INR700 crores to INR800 crores of revenue we look over here.

Ashwani Arora: That's a good estimate. We don't have any data as Nielsen doesn't cover that.

Isha Shah: Understood. Sir, on ready to eat and ready-to-cook, do we plan to enter into products other than rice?

Ashwani Arora: Other than rice at the moment as I said we have Basmati, we are adding regional...

Monika Chawla Jaggia: In the ready to -- in the food space we would -- for the time being we'd like to stay in the rice segment only.

Ashwani Arora: Around that because Daawat has a rice equity. So the first extension is we wanted to have and every food is around rice.

Isha Shah: Understood. And in future do we plan to enter into the millet segment?

Ashwani Arora: Not yet thought, but we are -- for the last two months, we are evaluating that here.

Isha Shah: Okay. Thank you so much sir. That's all from my side.

Moderator: Thank you very much. The next question is from the line of Deepak Mandhana from Avighna Investments. Please go ahead.

Deepak Mandhana: Just two questions from my side. One, on the international side the facility that you guys are opening up in UK that would be taking care of all the categories of rice, basmati, brown rice and parbolied rice is it?

Ashwani Arora: Yes..

Deepak Mandhana: And what would be the EBITDA margin percentage that you would have set as a minimum benchmark from that unit?

Ashwani Arora: Standalone of that company will be around 7% -- 6% to 7% EBITDA margin. But when -- if it is sourcing from India from our own company, then end-to-end will be...

Sachin Gupta: Will be in the range as that of 12% to 13%.

Deepak Mandhana: Okay. Just as a follow-up on that, if India and U.K. are contemplating a treaty. So what would be the impact of it because considering rice is also part of that discussion? So if there is -- I think currently, there's an export duty, there's import duty that U.K. puts upon on the export of rice from India. So would that unit be treated completely as a U.K. entity by itself and it would not have any repercussions or would there be any repercussions on that entity?

Ashwani Arora: That will be -- if that comes that's also we are hearing the speculation the rice duty may go. If that comes that's a positive to us.

Deepak Mandhana: No. But my point is that your investment that you have made in U.K. because...

Ashwani Arora: We have factored in that thing in our business. So that's a positive, and that's what I'm saying.

Deepak Mandhana: Okay. And just on the domestic side, what would be your current market share in the domestic market today?

Ashwani Arora: The last report we got is 30% market share we have.

Deepak Mandhana: Okay. So in terms of competition, are we -- what do you feel, are we second or third today in the domestic market? And how do we...

Ashwani Arora: In India -- if you talk about the consolidated India, yes, we are a second place. But as a region-wise in the Western part Daawat is the number one leading brand. But in some parts we are weak and some part we are leading player.

Deepak Mandhana: And can you also say some sort of strategy in terms of marketing ploy that you're using to gain a further share in the domestic market?

Ashwani Arora: That's 360-degree our marketing is doing -- for acquiring the consumer, be it below the line, be it the mainline media. So last quarter we have done and that we are very proud of that Daawat has created an asset of Biryani Day and we're very proud that last 7th July, we have -- the property is getting much attraction and everyone is joining to do that.

Deepak Mandhana: Okay. And just the suggestion, sir. I think it would be prudent that if you could report geographical segments in your financial results. That would be very easy for us to get the numbers in relation to export and domestic?

Sachin Gupta: So we can look into it. In fact, on the yearly basis, the numbers are there because every geography, the financial numbers are there so each separate entity, so the numbers have been given on a yearly basis in the annual report.

Deepak Mandhana: Okay. Just last thing. I think you were saying that because of treaty it would be lucrative for you to export to U.K., right?

Ashwani Arora: No. I said if it happens FDA that is beneficiary to us.

Deepak Mandhana: So in a sense, now I am asking because once the companies incorporated in U.K. that would become a domestic country in terms of domicile. So the advantage would remain with the countries which are outside that country.

Ashwani Arora: No. The benefit will be through the -- if India exports Basmati rice to U.K so that will be -- that the speculation is going on is that, that will have duty advantage against the other part of the world Pakistan.

Deepak Mandhana: No, my only point was in that case the investment that we are considering wouldn't it be -- it would actually be nullified in terms of our margin that we are taking from that country?

Ashwani Arora: So I cannot get you in detail. But I said, this is for the last 2 years and we have factored in if the U.K. give relief in the import duty. It will not have impact on our business that is already factored in.

Deepak Mandhana: Okay. Thank you.

Moderator: Thank you very much. The next question is from the line of Shivam Saxena from ICICI Bank. Please go ahead.

Shivam Saxena: Just wanted to understand, as there's a lot of stocks in -- this time rice growth has been good, crop has good. So how this will impact the company? So there will be -- price can decline. So how can this impact the company?

Ashwani Arora: It will not have -- this is the -- already the impact has come, the prices of commodity have kind of came down. The new crop is coming in September, October. So we are having some impact, but that has been -- came in the first quarter, whatever...

Shivam Saxena: Do you take price cuts? What happens if this -- if such a situation is happen. So do you pass on this to customer as well?

Ashwani Arora: Like the price decrease or increase?

Shivam Saxena: Yes.

Ashwani Arora: In some like in food service, we have to pass on. So we have passed on.

Shivam Saxena: So overall, it is negative or positive? I mean how should we see if the crop yield is good or crop prices are going down, the crops have done well, so how is...

Ashwani Arora: You mean to say crop '23, the prices have come down, is it a negative for us or positive for us, that's what your question is.

Shivam Saxena: Yes right.

Ashwani Arora: I will say neutral because we were not fully covered and we have hedged 30% later on. So it is balanced. In some part like in India we have to pass on the -- in the food service the price decrease. So overall I will say it may have impacted our margin by 0.5% or 0.75% down in this quarter.

Shivam Saxena: Okay. Thank you.

Moderator: Thank you very much. Next question is from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.

Abhishek Maheshwari: So just wanted to know the procurement costs I know you've already mentioned about this, but are we going to see some more margin impact in coming quarters because even if fleet cost increase and procurement cost is coming down. So there should be a compensatory impact. So should margins be stable? Are we expecting some downfall still?

Ashwani Arora: We have already covered now almost the full crop like 90% of the crop is hedged. So any Red Sea impact from here on will have an impact on the margin.

Abhishek Maheshwari: Okay. Because I think it has increased in June, July. So we are still seeing exceptional some impact on freight you are saying.

Ashwani Arora: Some part of the world we have taken a price increase, some part of the world we have not taken. So we are optimistic that second quarter will be very similar to quarter first. If that impact that will be a little bit in quarter third. But having said that we are very optimistic on year '25, '26 as the prices of commodity will also come down and there will be a stability in the freight cost also.

Abhishek Maheshwari: Great. Good to hear that. One last thing any view on the upcoming Kharif season?

Ashwani Arora: So whatever the forecast we are getting the crop is sowing is more 10% to 15% against last year and the monsoon is good. So everything so far is looking good and we are expecting more crop, lesser price.

Abhishek Maheshwari: Great. Very good to hear. Thank you and all the best.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraint, that was the last question for today's call.

Ashwani Arora: Thank you everyone and looking forward to see -- to hear from you in the next quarter. Thank you.

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