Ref-LTF/ SE/ 2023-24/ **Date: October 31, 2023**

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: Daawat.

Sub: Transcript of Earning Call for the quarter and half year ended September 30, 2023

In continuation to our earlier letter dated October 25, 2023, 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 and half year ended September 30, 2023, scheduled for Monday, October 30, 2023 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: 2023.10.31 14:50:15 +05'30'

Monika Chawla Jaggia
Company Secretary & Compliance Officer

"LT Foods Limited

Q2 FY'24 Post Result Earnings Conference Call"

October 30, 2023

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

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

Moderator: Ladies and gentlemen, good day and welcome to LT Foods Q2 FY24 Earnings Conference Call hosted by Motilal Oswal Financial Services Ltd. 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 touch-tone phone. Please note that the conference is being recorded.

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

Sumant Kumar: Thank you. Good afternoon, everyone, and a very warm welcome to LT Foods Limited Q2 FY24 Post-Result Earnings 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. Sachin Gupta, CFO, Ms. Monika Chawla Jaggia, VP, Finance and Strategy, Company Secretary and Compliance Officer. We will begin the call with key thoughts from the management team. Thereafter, we will open the floor for Q&A.

I would now like to request Monika to share their perspective on the performance of the company. Thank you and over to you, Monika.

Monika: Thank you, Sumant. Good evening, everyone, and thank you for joining us on our Q2 and First Half 24 Earnings Conference Call. Before we start with the key highlights of the quarter and half year ended 30th September 2023, I would like to highlight that certain statements made or discussed on the conference call today are forward-looking and as a disclaimer to this effect has been included in the presentation of the results 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 investor section of the company's website. I would like to begin by taking you through the key highlights of Q2 Financial Year 24.

Our consolidated revenue for Q2 Financial Year 24 was up by 15% at INR1,992 crores versus INR1,732 crores last year.

On account of increased sales from the Basmati and other speciality rice segment. The gross profit declined by 5% and the gross profit margin contracted by 668 bps from 37.6% to 30.9% on account of an increase in input costs and price reduction. The freight cost reduced which led to a decrease in the other expenses and this led to an increase in EBITDA.

The EBITDA for Q2 was up by 43% on year-on-year basis to INR 254.5 crores compared to INR178 crores last year.

And EBITDA margins expanded by 248 bps to 12.8% this quarter from 10.3% in Q2 Financial Year 23 that is led by achieving efficiencies at the manufacturing level and benefit of scale. Profit after tax for the quarter increased substantially by 65% to INR157 crores compared to INR95 crores in the previous year. EPS increased by 61% to INR4.49 versus INR2.80 in the previous year.

The cash profit increased by 53.8% to INR193 crores compared to INR126 crores in the previous year. Now coming to half-year performance, our consolidated revenue for the first half increased by 13% to INR3,781 crores versus INR3,352 crores in H1 Financial Year 23. This is on account of increased sales from Basmati and other specialty rights segments as well as an increase in the convenience and health segment. Gross profit stood at INR1,219 crores and the gross profit margin contracted by 421 bps from 36.5% to 32.3%. EBITDA increased by 35% to INR479 crores compared to INR366 crores last year. EBITDA margins expanded by 209 bps from 10.6% to 12.7%. This was aided due to increased efficiencies at the manufacturing level. The profit after tax also increased significantly by 55% to INR295 crores versus INR191 crores last year. The earnings per share also increased by 51% to INR8.45 versus INR5.60 in the first half of financial year 2023.

The cash profit increased by 46% to INR366 crores versus INR250 crores last year. Now, let me highlight the key ratios of our balance sheet. The return on capital employed improved to 21.9% on net debt basis from 17.7% in the first half of financial year 2023. Return on equity has also improved to 19.5% versus 16.5% in the previous year. The debt equity ratio improved from 0.5 times to 0.2 times as the overall debt of the company was down by INR528 crores to INR611 crores on year-on-year basis on net debt basis.

The long-term debt to equity was reduced to negligible level of 0.01 times from 0.13 times last year. The current ratio has also improved to 2.4 from 2.1 last year. Because of our continued focus on the working capital optimization, our net working capital days have been reduced by 10 days to 174 days in this first half versus 184 days last year.

I will now hand over to Mr. Ashwani Kumar Arora for his comments.

Ashwani Arora: Thank you, Monika. Good evening and thank you for joining us on the call today. It fills me with immense pride to announce that we have demonstrated outstanding performance and sustained growth in the quarter and half year.

Our dedication to the excellence has resulted in 13% increase in total revenue and 55% increase in PAT driven by harmonious blend of product mix and exceptional performance across all geographies. We have made substantial investment to reinforce our brand equity and the result is that we have entered five new geographies, which means that now we have our mark in more than 78 countries. Our success story is linked to the evolving presence of consumer, particularly the growing demand for consistent and high-quality product along with global presence and wide distribution networks.

According to AC Nielsen, our market share in India has surged by 160 basis points to 30.2%, while the market share in the Americas has witnessed a growth of 1.6%. Furthermore, the number of household consuming Dawaat product in India has risen by 24% year-on-year, reaching 48 lakhs. The India business continues its growth trajectory by growing 15% through the introduction of new product and comprehensive 360-degree marketing campaign along with the distribution expansion. In US, we strengthen our market leadership in the Basmati rice segment, achieving a noticeable growth of 27%.

Our flagship brand, Royal, enjoys leadership position in the US, which is why we have a notable market share of more than 50% plus. In Middle East market, we are on the path of strengthening our position and have witnessed a significant growth of 55%. Our journey to becoming the market leader in this geography is well underway, driven by marketing campaigns, brand development and the introduction of the new products.

The European market has grown by 13% and all our brands are performing very well. The rest of the world segment also grew by 8%. In the convenience and health segment, as shown promising result, and we look forward to this segment contributing more to our revenue in the future.

In organic segment, we have de-grown by 22% on account of anti-dumping duty imposed by US. To mitigate this, we have revisited our growth strategies and are confident on the outlook of the business and we will be back on the growth trajectory. We look forward to achieving greater milestones and are grateful to you all for being a part of our journey.

We can now open the floor for questions and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Yash from Stallion Asset. Please go ahead.

Yash: Hi, congratulations on a great set of numbers. My question was regarding gross profit margin. I can see that there is a significant contraction of the 58 basis points from about 37% to 31%. Could you please elaborate on why the margins have contracted so much and what are the sustainable gross profit margins for this year?

Ashwani Arora: Thank you, Yash. The difference in the gross margin, although you know the EBITDA margin, has increased. That's because the input cost has gone up. The second is due to freight reduction. Partially, we have given the price a decrease, especially in the USA, seeing the competitive landscape. So, going forward, we are expecting that the gross margin will be in the range of 32%-33%.

Yash: Okay, and sir what is the kind of --- could you quantify the amount of price hike, sorry the price decline that you have taken in terms of percentage? Would it be 5% or something like that, broadly?

Ashwani Arora: Broadly, yes.

Moderator: The next question is from the line of Amit Aggarwal from Leeway Investments. Please go ahead.

Amit Aggarwal: Good afternoon. My question is regarding the Paddy prices. They have fluctuated a lot in the last two months. What is the outlook for the next six months for the exports of Basmati rice? Do you think the Paddy prices have come back to the last year, compared to the last year prices? How do you see the export market?

My second question is regarding parboiled rice. There is a question of 20%. I'm aware that you don't export any parboiled rice, but does this affect our Basmati prices in the market overseas?

Ashwani Arora: So, Amit, your question number one is how we see the export in the next six months. As in LT Food, our business is FMCG. We see the consumption will keep happening and the growth momentum will remain the same. We see H2 also as positive. Regarding this parboiled rice, this doesn't impact us because the parboiled markets are very different than the Basmati consumption market is. So, it will not have any impact.

Amit Aggarwal: Can you give some advice regarding the Paddy prices that have gone up and down because of the government restrictions of $200 for the Basmati rice exports? That has come down to $9.50. So how has the market reacted, and does it benefit or is it neutral to us?

Ashwani Arora: More or less neutral to us. Although the production against last year is up by 12%, the consumption is also growing. So, we don't see any market coming down as compared to last year. So, procurement costs may be higher than the last year a little bit.

Amit Aggarwal: My last question is regarding the Middle East. There is a conflict going on in the Middle East. So, has it affected consumption over there? Especially in markets like Iran and Egypt. Sorry, Egypt. Sorry, this. Israel?

Ashwani Arora: So, Israel is a very small market to India although Daawat is a leading brand there in Israel. But we have seen the higher growth. Maybe the people are stocking up and food is what we have seen historically. Food is the last one to get impacted. So, whenever these situations have come either part of the world, mainly in the Middle East. So, we have seen rather growth in the market. Maybe they wanted to stock up for the food security or something. So that's it.

Amit Aggarwal: And shipping is not a problem there that much?

Ashwani Arora: No, no, there is no problem.

Moderator: Thank you. The next question is from the line of [Mahesh Atal from Atal & Associates]. Please go ahead.

Mahesh Atal: Congratulations on a good set of numbers. So, my first question would be, so what is our export realization as of today? And I'm talking on a consolidated basis towards Basmati. And also, you mentioned that 160 bps is the rise in the market share in India. So, do we also take the market share outside India? Do we also have that metric? Do you count on that metric also? This is my first query.

Second, sir, coming to this revision of to 950. So, for this time being, was there any added advantage to branded players? And they have garnered the market share from the unbranded players. Can you throw some light on this? What this period was and how it was? And if you can just throw some light on it?

Ashwani Arora: So, Mahesh, thank you. So, I will take your last two questions first and the realization, Sachin will let you know. So, you asked that, you know, first is 950 and 1200. Do we have any impact? So as LT Food, you know, our export is almost 95% above than 1200. So, it will not have any positive or negative impact on LT Food. Of course, you know, 5%, 7% will have an advantage. You know, that's the answer to the last question. And what was the second question?

Mahesh Atal: No, do we also have any metrics where we calculate…

Ashwani Arora: India and America is our major market. And we track through Nielsen in both the markets. And in the Middle East also we track through Nielsen. So, these are the three markets we buy data from AC Nielsen.

Mahesh Atal: So, my other question was, sir, was there any impact in the branded players getting the market share during these times when the government actually raised it to $1,200 from the unorganized sector because those were the people who were selling it below that value, right?

Ashwani Arora: That was too little time because Basmati inventories always, like in Middle East, they are always sitting on 8-to-10-month inventory. So, it was only a one and a half month. And people were expecting that, you know, the government had given assurance that it will come down. So, we have not seen any impact, you know.

Mahesh Atal: And what was the export realization, if you can throw me a number on that?

Management: Export realization during this period was INR143.

Mahesh Atal: INR143 per kg?

Management: Yes.

Mahesh Atal: That's overall outside India. Anything that we have sold outside India?

Ashwani Arora: Yes, yes, that's outside India.

Moderator: Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: So, with this 1258 prices coming down to now 950 or 1000, one is how did you see the market behaving? So just trying to understand that if this kind of a price movement or variation keeps happening, how do you see your business getting impacted and overall exports? Does it become beneficial or anyway make things better for us or against some of the other unorganized or smaller players who are exporting?

Ashwani Arora: So, Nikhil, of course, this impact, all these kind of variance in government policies may impact us. But from going $1200 to 950, as I said, LTs mainly business is more than $1200, so it has not impacted. But yes, when it was coming from $1200, the paddy prices came down because approximately 2 million tons goes less than 950. So, there was no customers who were exporting $950. So, the moment the $950 opened, the paddy prices have gone up. So, in a way, it has negatively impacted as far as input cost is concerned. Nikhil, have you got the answer, or you have any follow-up question?

Moderator: Thank you. The next question is from the line of [Dikshan Bulchandani from DB Wealth]. Please go ahead.

Dikshan Bulchandani: Hi, management. Congratulations on the great set of numbers first. So, my question really is on our market share in the USA. So, as we have seen that our market share is increasing in percent, and where do you really think, what is the limit of our contribution to the USA from which we will not be as comfortable? As in we have 41% of our business is coming from the USA. What is the top line that we want to stop at when it comes to other countries?

Ashwani Arora: Dikshan, we don't want to stop the growth of the company. USA is a very highly consuming market for us. And we will make sure that as the category is growing, we are growing at par with the category or better than the category.

Dikshan Bulchandani: Yes, but our risk from one market would be at the highest, right?

Ashwani Arora: 41%, you are right. And to diversify our risk also, we have bought Jasmine brand, which is a $100 million brand. And we are diversifying our risk. As far as historically, we have seen that these economies, the western economies are very matured economies. So, no surprise is coming on these economies.

Dikshan Bulchandani: Got it. One more question is on our key developments on the new segments that we have been working on. So, going forward, how much are we looking to invest in the new sort of high margin businesses as in the last three years to four years? And how focused are we in increasing our revenue from these sources?

Ashwani Arora: So, we have given a guidance that from all these new processed food and PDB process value added. This will be 8% to 10% of our revenue. This is what we have said last year and the next five years. Yes, we are evolving our strategy to achieve that goal set for us.

Dikshan Bulchandani: Amazing. Loving the new product, sir. Great. Thank you so much.

Ashwani Arora: Thank you.

Moderator: Thank you. The next question is from the line of Vipulkumar Shah from Sumangal Investment. Please go ahead.

Vipulkumar Shah: Hi. Thanks for the opportunity. So, can you give the domestic and international tonnages? You have given the revenue for half a year, but can you give the tonnages for both the segments?

Ashwani Arora: So, India has a tonnage of 1,51,000 tons and international is 1,56,000 tons.

Vipulkumar Shah: India 1,15.000 tons?

Ashwani Arora: 1,51,000 tons.

Vipulkumar Shah: 1,51,000 tons and international is 1,56,000 tons?

Ashwani Arora: Yes.

Vipulkumar Shah: Okay. And sir, the second question is, what is the reason to put this organic plant in Uganda? What are the advantages Uganda is offering? Just trying to understand the logic.

Ashwani Arora: Good question, Vipul. As we have just said that the organic soya business has de-grown because of this anti-dumping duty on India, soya meal and the alternative source we have developed in Uganda for milling this soya meal.

Vipulkumar Shah: So, there you will not be subject to anti-dumping duty, sir?

Ashwani Arora: That is not, yes.

Vipulkumar Shah: Okay. So, when it will become operational, sir?

Ashwani Arora: It's already operational.

Vipulkumar Shah: So now this organic business should see the bounce back, right, sir?

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

Vipulkumar Shah: And, sir, what is the status of our insurance case, which is very old?

Ashwani Arora: So, the case is on now, the final argument. So, we are expecting in two months, that the final outcome of that.

Vipulkumar Shah: Okay. So now it should reach its logical conclusion? This year, hopefully.

Ashwani Arora: Yes.

Vipulkumar Shah: And my last question, sir, growth is very muted in our convenience and health segment from 86 to 92, if I compare H1 '23 with H1 '24. So why we are not getting traction in that? Any views, sir?

Ashwani Arora: So, this is the business we have started. In America, it has become mature. So, the growth is better than the 8%. So, India, we have just launched this biryani kit and the other product. So, we have got a very good response. So now we have rolling it out to the broader level. So, in the coming times, you will see, the better response.

Vipulkumar Shah: Okay, sir. Thank you and all the best.

Ashwani Arora: Thank you, Vipul.

Moderator: Thank you. The next question is from the line of [Shubhanshu, an Retail Investor]. Please go ahead.

Shubhanshu: So, I was looking at the inventory figures of ours, right? I see a significant dip. Sir, we haven't started procuring as of now? Or what is the case? You will be procuring in the coming months?

Ashwani Arora: Yes, so Shubhanshu, the sourcing season starts, kind of first, like 15, September. So, the next quarter will be a big time to buy. That's the main sourcing time.

Shubhanshu: And what are the numbers that you will be looking for? Broadly, if you can give an idea, like last time we had like around INR3,000 crores. Will we be surpassing that this time or?

Ashwani Arora: We buy, Sachin, can you tell? So, we buy 5,00,000 tons to 6,00,000 tons of paddy. So that will be roughly, you are right, around INR3,000 crores.

Shubhanshu: So where do you think the topping would be coming from? Because the numbers that you are expecting are saying, so you have got it at 10% to 15% revenue growth rate. Where do you see this growth coming from?

Ashwani Arora: Shubhanshu, sorry, your voice got cracked. And what was the question?

Shubhanshu: I think in the long-term growth, you have mentioned that 10% to 15% revenue growth guidance, right? So where do you see this growth coming from it? If we will be meeting the inventory level similar to last year?

Ashwani Arora: So, the guidance we have given the double-digit growth, and we are positive on that and we will be able to achieve that. So, it will come across geography. As you have seen, historically, America has grown better than the other geography. So it will be in the same mix, that's what we are expecting.

Shubhanshu: Are you expecting it to come from higher price range? Is that what you are expecting? I'm just trying to understand the levels of inventory you are trying to keep same according to last year only. So where will this be coming from? Because we previously had increased margin…

Ashwani Arora: **Y**our voice is cracking, and can you be a little slow so that we can understand your question better?

Shubhanshu: So, like in FY '22 to FY '23, we increased our inventory by a big margin, and we see a good topping growth also this year. So, I'm trying to understand where are you expecting the topping growth to come from? Are you expecting higher realization?

Ashwani Arora: So, if your question is around inventory, we will maintain, by 31, March, the working capital cycle will be 250 days to 260 days. So that's the answer.

Shubhanshu: Thanks, sir. And that's it, sir.

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

Vincent Andrews: I have only one question. I missed the volume data for India. You mentioned something like 151. I think it is. Can you please once again confirm?

Ashwani Arora: It is right, 151,000.

Vincent Andrews: Sorry, then last quarter it was only 72. And on a value by Y-o-Y basis, it was 77 only. So how this much increase around more than, this much increase, I didn't get actually it is from where this India growth happened?

Ashwani Arora: So that 151,000 tons for the six months. That is for the six months. So, if you are talking about the quarter.

Vincent Andrews: Can you please mention for Q2 quarter?

Ashwani Arora: 79,000 tons.

Vincent Andrews: 79. Okay, 79. And for international?

Ashwani Arora: 83.

Vincent Andrews: Okay. Thank you. And one more question. Like you mentioned, the gross profit margin has come down because of the raw material price increase. So, can you please give the details in Q2, the average raw material price for paddy and rice and for the Y-o-Y quarter also?

Ashwani Arora: It will help if you can send your questions on e-mail. Definitely we will answer on that.

Vincent Andrews: Sure, sir. So, you also mentioned like the freight in the last concord you mentioned like the freight cost has normalized. So, the EBITDA margin improvement will be like it will be from other cost efficiencies or from any price hike you are planning?

Ashwani Arora: So, the EBITDA margin, whatever we have seen by 200 bps, it's only because of the decrease in the freight cost. And gross margin we have explained that it's a result of price decrease we have taken because of the freight cost reduction. And the input cost increase.

So, if your question is around that, will we take the price increase? That we will see in six months how our sourcing cost goes like in the next three months.

Vincent Andrews: Okay. So, I'll send the details for the email.

Ashwani Arora: Sure.

Moderator: Thank you. The next question is from the line of Resham Jain from DSP Asset Managers. Please go ahead.

Resham Jain: Yes. Hi. Good evening, team. And many congratulations on a great set of numbers. So, I have a few questions. So first one is if I look at the presentation on slide number 14, you have given debtors of various businesses. And it seems the debtor days for Indian businesses, the business has come down to eight days. It seems quite good. Can you explain how have you been able to reduce debtor days to such extent? This looks like significantly better than your past receivable days.

Ashwani Arora: So, thank you, Resham, and Sachin will answer.

Sachin Gupta: So, Resham, it is our debtor days in India from a 16-day phase last year. So, it has reduced to eight days. So, this is because of the better collection, which we are able to achieve and better monitoring, and we were able to have a better credit policy in place. That helped us to reduce the credit days in India from 16-day phase last year to eight days this year.

Ashwani Arora: And second thing is, I think Sachin will add, that we have done with SPI, the channel program. So maybe that may have an impact.

Sachin Gupta: No, no, we haven't started it now. So going forward, we are expecting that it might otherwise also get reduced once we opt for that. So, we are hoping to get it further reduced.

Resham Jain: Okay, understood. So, the second question is on overall balance sheet. It has improved significantly over the last few years. And despite showing a very strong growth in your top line in business, you are actually able to manage your working capital quite well in terms of absolute amount. And your debt has also come down to almost like 600 odd crores now. So how should one think about this number, let's say, next two, three years as you are expecting a double-digit kind of growth? Should absolute debt number remain at this level going forward also, 600, 700 odd crores?

Ashwani Arora: So, Rishabh, it depends on the growth. But, normal growth, we will be able to maintain our working capital cycle like this only to 50 days. And in future, we are working to how to reduce our debtors also. So, mainly, the debtor number of days are in US and Europe, and we are trying to further reduce the number of these. So more or less, the debt level will not increase for sure from here.

Resham Jain: Okay, I understood. So, my last question is on profit from associate, and I think this is pertaining to your acquisition which you did in US for Jasmine Rice. And it seems you have done phenomenally well since last one year. I think you have completed one year of acquisition. And I could see for your contribution of profit trailing, profit is close to 50 odd crores. The company level profit would be even higher. So, what have you done differently because when you acquired, I think this business had a very lower profit, but I think you have done around it quite well in last one year. So, if you can explain that and when would you be buying the remaining stake of this company and what kind of growth you see in this business, let's say, next two to three years?

Ashwani Arora: Thank you. So, the team has done a great job on this. So basic fundamental, they have worked on improving the pricing power, all the levers they have put on. And the second is, the reduction in the cost. So, the freight benefit has helped us to deliver this kind of fact. So, the rest 50% we will be acquiring 24 June. 25 June.

Resham Jain: And what kind of growth one should expect? So INR56 crores is the trailing, let's say, last 12 months' profit. So obviously company level profit would be INR112 odd crores. So next two, three years, because you have a very strong Basmati ethnic kind of presence in US and Jasmine also in a way gets clubbed into that category. So, with your existing supply chain network and listing in retailers over there, can you scale up Jasmine also to that extent? Because that also is a very large kind of market in US?

Ashwani Arora: So, this was one of the pieces, when we have bought this business to bring the synergy. So, the team is working on that, and we will synergize our distribution on this business. So definitely it will grow.

Resham Jain: Okay. Thank you so much, sir. And all the best.

Ashwani Arora: Thank you, Resham. Thank you.

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

Aman Madrecha: Hi, sir. Thanks for the opportunity. So, could you please highlight on how the Basmati market is currently? How are the paddy prices? And like if we are witnessing that the prices have corrected, so can we expect some inventory write-downs, if any? Or are the current prices back to the normal which were there in, let's say, last six months of already?

Ashwani Arora: So, Aman, this year we are expecting that, there will be, I think, 2% to 5% higher cost than the last year as far as the paddy price buying is concerned. But it will get almost compensated with the currency devaluation. So, it will not have much impact on that.

The second is, the written down in our business is all ageing business. So historically we have never written-down any inventory.

Aman Madrecha: Okay. So, for this season, upcoming season, we are expecting that the paddy prices would remain at the similar level maybe which we procured last year, right? Or maybe 2% to 5% higher?

Ashwani Arora: That's right.

Aman Madrecha: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Harshal Mehta from Mehta Vakil and Company. Please go ahead.

Harshal Mehta: Good evening, sir. I have a general question. So recently when the government introduced the floor price of Basmati at $1,200 a ton, there were some reports in the media that India as a country had lost some market share in the exports market. Now when India as a country loses market share, does that create any sort of negative sentiment for a company like ours, which is not necessarily, in this price bracket? Or are we immune from these ups and downs that keep happening because we cater to a different kind of customer and different segments? Just wanted your thoughts on this.

Ashwani Arora: So, Harshal, as far as LT Food is concerned, we are in a premium rice, branded, and our 95% is above $1,200. So, it has not impacted us. But from India, roughly 2 million tons goes, which is less than or in the range of $950 to $1,000. But now it's sorted. This $950 MEP has been set.

Harshal Mehta: Correct. So even if India as a country loses a little bit of market share, we as a company remain unaffected. Like our customers remain the same. There is no additional conversation with them, nothing of that sort.

Ashwani Arora: With $1,200, we are not affected.

Harshal Mehta: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of [Dishant Mulchandani from DB Wealth]. Please go ahead.

Dishant M: Hi. Thank you for the second question. So, my major thought process as an investor is on the promoter shareholding. So, our shareholding has been decreasing for the promoters in the last five years. And I just want to understand that how should the investors really look at this because fundamentally our company is at the highest book value. Our ROC is at the best that it has ever been almost. So, what's your thought process here? We would love to hear from you.

Ashwani Arora: So [Dishant], now we are at 51% and as a promoter family, we have decided not to go down from here. Neither do we need money. We have diluted ourselves. Initially when Rabo came and we have bought back after that 10% from market. Only I think the last two -- one was we need equity and we have done a QIP. And that was more strategic. With SALIC, it was more strategic rather than we need money. Further we don't need money and family has decided not to get down from here.

Dishant M: Got it. Just to follow-up here. I mean our current revenues are higher than our total market cap. And it's beautiful the growth that we have seen. I mean I have been an investor since we were at INR500 crores market cap. But going forward from just the family wealth also, does the family plan to buy back some shares? Maybe in the coming few quarters or years? Is there any guidance there?

Ashwani Arora: We will keep evaluating. Of course, we are as a family, we are confident on our business model. We will keep reviewing as the times come.

Dishant M: One more thing on the marketing side. Is there any sort of aggressive views on marketing we have for our US business right now? Because since we are making new higher highs on our market share, I am sure, we can do something beautifully right?

Ashwani Arora: We have a very robust marketing program in USA. Resulting in this kind of growth and we will keep investing behind the brands. That's the plan.

Dishant M: Okay. Thank you so much.

Ashwani Arora: Thank you.

Moderator: Thank you. The next question is from the line of Resham Jain from DSP Asset Manager. Please go ahead.

Resham Jain: Thank you for taking my question. On the overall cash generation and capital deployment going forward, the trailing cash generation suggests that you will generate close to INR800-odd crores cash this year. Next two years, let's say INR1,400, INR1,500 crores. How are you planning to deploy this capital? Because debt now has come down to INR500, INR600 crores. The overall dividend payment is also not that high. How do you plan to deploy this capital over the next two years, assuming you will generate INR1,500 crores, INR1,600 crores during this period?

Ashwani Arora: So, Reshan, as you know, we have just given a guidance in our presentation that we will be giving dividend 10% to 20% on the consolidated profit. Partly, it will go to the growth and partly, maybe some inorganic opportunity comes, and we may use. This is the broader guidance we are giving. Of course, the dividend will grow.

Resham Jain: Because in the last three years, four years, you have strategically reduced your debt considerably. Even if you pay 10%, 20% dividend, the scope for further reduction in debt is not there. I was just thinking, because these are large capital which we will be generating over the next two years. So that is what I was thinking, and incremental growth also is 10%, 15%. For working capital requirement also, the requirement may not be that large.

Ashwani Arora: In that case, if any 10% growth, as you said, we will not be needing this kind of money. Neither we should de-leverage furthermore. Then the only option is to give dividend. That will happen. But it depends again, as I said, sometimes inorganic opportunity comes, like we have bought two years back this Golden Star brand. So, broader guidance, we have kept 10% to 20% ratio.

Resham Jain: Okay. Understood, sir. Any capex plans over the next one year and this year as well, '24 and '25?

Ashwani Arora: So, capex will be the same, like depreciation will be around INR100 crores.

Resham Jain: Okay, understood. Great, sir. Thank you so much.

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

Mohammed Patel: Mr. Sachin, can you give me the volume number for Y-o-Y last quarter, India, International?

Sachin Gupta: Which quarter?

Mohammed Patel: Last quarter, Q2-'23.

Sachin Gupta: Q2?

Mohammed Patel: Q2-'23.

Sachin Gupta: One minute. So, last quarter, the Q2 numbers were 75,000 tons of India business and International 69,000 tons.

Mohammed Patel: And the realization?

Sachin Gupta: That was India INR57 and International INR135.

Mohammed Patel: What is the update on the SALIC deal?

Sachin Gupta: So, deal is all completed, Mr. Mohammad. So, any specific questions?

Mohammed Patel: How are the discussions progressing now versus last quarter?

Sachin Gupta: Yes. So, that's positive. We are moving forward.

Mohammed Patel: Okay. One last question was with respect to freight cost as a percentage of sales and ad spend as a percentage of sales for this quarter versus last quarter. If you can give that?

Sachin Gupta: So, my freight cost as a percentage of sales this quarter is 4.5%. And immediate preceding quarter, it was 5.1%.

Mohammed Patel: And ad spends?

Sachin Gupta: Ad spend in this quarter, I have an ad spend of 1.3%. And immediate preceding quarter, it was 2.3%. And overall, this half year, we have made an ad spend of 1.7%.

Mohammed Patel: Any target for ad spend for this year?

Sachin Gupta: So, this will remain in this range itself, 1.7% to 2%.

Mohammed Patel: Okay. Thank you.

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

Vipul Kumar: Hi, sir. Thanks for the opportunity again. There is a substantial reduction in other expenses this quarter as compared to same quarter last year. So, it is mainly due to freight or is there any other one-off also?

Sachin Gupta: So, it is mainly due to the freight. So, the freight cost in the last year, the same quarter, it was INR238 crores. It has reduced to INR89 crores. So, there is a reduction of almost INR150 crores.

Vipul Kumar: Okay, sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Mahesh Atal from Atal & Associates. Please go ahead.

Mahesh Atal: Sir, my question would be majorly on the macro trend. Currently, right now in India, we see the festive season for this quarter and then the next quarter, there would be Ramadan coming. So, for the H2 overall perspective, do you see some shoots where you can see the demand going up for Basmati as a category? This is my first question.

Second question, altogether the Basmati segment, do you see that there is a kind of spending coming from Tier 2 and Tier 3 cities also because it is generally an urban product as such. Do you also see Tier 2, Tier 3 towns getting into this so-called luxury spending and all that thing coming up? Can you please throw some light on this?

Management: Yes, Mr. Mahesh, historically we have seen that H1 to H2 is 45:55 ratio. So, we are expecting the same. So, as far as you said, Ramadan and all these things, it is a very regular consumption. And as a category, if you see as per Euromonitor, the global consumption for Basmati is growing more than 5% in volume term. So, this we are expecting too, that is what is happening. And we see, we are positive that this consumption growth will keep happening.

M**ahesh Atal:** Anything in India perspective, sir, do you see any Tier 2, Tier 3 cities growing and consumption growing in those parts of the world?

M**anagement:** Yes. So, India is a high growth market in terms of, so it is a high growth market as compared to international markets. So, here, the volume growth is in the range of 8% to 10% as per analysis.

Mahesh Atal: And what would be your vision to take the market share in India, sir, which is currently 30-odd percent, I guess?

Management: Yes, we are progressing, if you see, you know.

Mahesh Atal: Where do you want to end up in this financial year, sir?

Management: I will say, we will keep working hard to improve our market share. That is what any business will aspire to do.

Mahesh Atal: All right, fair enough, sir. Thank you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to management for closing comments.

Management: So, thank you so much, for joining in. Thank you.

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