



**“LT Foods Limited
Business Update Conference Call”
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**MODERATOR: MR. MEET JAIN – MOTILAL OSWAL FINANCIAL
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Moderator: Ladies and gentlemen, good day and welcome to Business Update Conference Call of LT Foods 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 this conference is being recorded. I now hand the conference over to Mr. Meet Jain from Motilal Oswal Financial Services Ltd. Thank you and over to you, sir.

Meet Jain: Thank you. Good morning, everyone and a very warm welcome to LT Foods business update call hosted by Motilal Oswal Financial Services Ltd. On the call today, we have the management team being presented by Mr. Ashwani Kumar Arora, MD and CEO. Mr. Rohan Grover, CEO Organics Business. Mr. Sachin Gupta, CFO. Ms. Monika Chawla Jaggia, Chief Corporate Development Officer. We will be in the call with the key thoughts from the management team. Thereafter, we will open the floor for Q&A session.

I would now like to hand over the call to Mr. Ashwani Kumar Arora for the opening remarks. Thank you and over to you, sir.

Ashwani Kumar Arora: Thank you, Meet. On behalf of management and LT Foods team, I would like to thank you all for joining us today at such a short time. I warmly welcome you all to the conference call to discuss the recent preliminary notice received by our fellow subsidiary company, Ecopure Specialities Ltd.

Ecopure is the organic arm of the company. The key product of our organic portfolio include rice, pulses, soybean, seeds, millets, nuts, flour, extruded oil, etc. The organic business contribute 11% of total revenue of LT Foods.

As on financial year 25, LT Foods consolidated total revenue is INR8,770 crores, wherein organic business revenue is INR933 crores. Soybean is one of the products exported to the USA with the revenue of INR47 crores as on financial year 25. This comprises only 0.5% of LT's consolidated revenue. We are taking all necessary recourse available to us under US law and we are very positive of the positive outcome.

Further, would like to reiterate that we don't foresee any material financial impact on the cash flow or future earning of the businesses. I will now invite Rohan Grover, our CEO of Organic Business to take you through in detail. Thank you.

Rohan Grover: Thank you, Mr. Arora. Hello everyone, good morning. Happy to give you an update. In 2021, the US Department of Commerce imposed a countervailing duty, CVD, on imports of organic soybean meal from India.

Primarily to protect the US domestic pressures. As a process, they usually choose top one or two exporters to represent the case. The chosen mandatory Indian respondent received a 9.57% duty and all others, including Ecopure Specialties, fell under the same rate. After reviewing the respondent's data, who got 9.57% duty, which showed significant subsidies they have got due to their SEZ operations, we consulted legal experts and concluded that we could reduce the duty to around 3% by volunteering as a respondent.

This would have allowed us to be in a very strong competitive position in the US organic soybean market. We filed our voluntary response for the 2023 review period, covering shipments worth about INR50 crores.

In the process, we submitted data for various group companies as required. Unfortunately, due to misinterpretation and non-appreciation of the facts on record, DOC has imposed an adverse facts available. We would like to emphasize, this is only a preliminary finding and not final.

A final result is due in December 2025. And we now have an opportunity to represent our case and correct these misunderstandings. The CVD applies only to the 2023 period. Future sales of 2024 and 2025 will be reviewed separately. In terms of our exposure, like Mr. Arora has said, organic soybean contributes roughly about 5% of the organic business and less than 1% of the LT Group's business with margins of about 4% to 5%. So, the net impact is very low.

The financial impact, if we have to come out of the business is low. And it is limited to about INR4 crores to INR5 crores. And we are confident to offset it through our product introduction and growth into the U.S. and European market and diversifying our international sourcing and moving our soya meal operations to our Uganda operations, which could take over part of this business, depending on the crop.

We have engaged top U.S. legal counsels who are confident that a Department of Commerce interpretation can be effectively challenged. To sum up, we do not see a material impact on our ongoing or future business and we are committed to resolving this matter decisively in the right way. Thank you.

Ashwani Kumar Arora: Now we can take up any questions.

Moderator: Yes, sir. Thank you. We will now begin the question-and-answer session. Our first question is from the line of Shivam Mittal from Care PMS. Please go ahead.

Shivam Mittal: Yes. Thank you so much, sir, for the opportunity. So, just want to know INR47 crores is the number which is soya meal export to U.S. for FY25. Is that correct?

- Ashwani Kumar Arora:** Yes.
- Shivam Mittal:** And a similar situation sir arise earlier also. So, we set up facility in Uganda. So, how this will impact, I mean, we have facility in Uganda as well?
- Ashwani Kumar Arora:** So, we have two facilities for processing soya meal, one in India and one in Uganda. It depends from where we are competitive. So, we keep using the facility of Uganda and India. Hope that answer your question or...
- Shivam Mittal:** Any financial impact -- so we have CVD from India and I guess Uganda facility is not -- CVD is not applicable on that facility?
- Monika Chawla Jaggia:** No, CVD is not applicable on the Uganda facility. It is only from the export, from India.
- Shivam Mittal:** Okay.
- Shivam Mittal:** So, sir, in terms of -- situation in terms of Iran, so what will be the impact on LT Foods like export number?
- Ashwani Kumar Arora:** So, as an LT Food we don't deal with Iran. So, we don't have any business with Iran. So, no impact on LT's business.
- Shivam Mittal:** Okay. And any impact on freight cost?
- Ashwani Kumar Arora:** No, not yet. Yesterday we checked with all the shipping line. Only it has impact on the Jebel Ali Port where we don't have much exposure. So, till time, we don't see any impact.
- Shivam Mittal:** Okay. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Abhishek Maheshwari from Skyridge Wealth Management. Please go ahead.
- Abhishek Maheshwari:** Hi, team. Good morning and thank you for this call. Good morning. So, I have a question only related to the order which has come out. So, from what we see that the countervailing duty on sales pertaining to period January to December 23 amounting to INR50 crores and 340%.
- So, does this mean that notices for INR50 crores into 3.4, that is INR170 crores. And as far as the FY25 sales are concerned 24 and 25, are we to assume that this preliminary duty of 340% will be on retrospective basis?
- Ashwani Kumar Arora:** No, this is only for the year '23 and not to any business on '24 or '25. Rohan can explain it further. It is up to us if we wanted to.

- Abhishek Maheshwari:** Should I repeat my question?
- Ashwani Kumar Arora:** So, what I have understood your question, this is only this duty, which is again I am reemphasizing, this is a provisional preliminary only on year '23 sale, which is INR50 crores and not applicable to any sales in year '24 or year '25.
- Abhishek Maheshwari:** Understood. So, essentially the demand is for INR50 crores worth of sales and 340% preliminary notice, which comes to around INR170 crores. So, the impact is pretty material, right? So, I mean, are we going to be doing some kind of provisioning? Is it too soon to make any kind of provision?
- Ashwani Kumar Arora:** It is too soon. It is a preliminary we have filed. We are going to file the reply in the next week. And then we have 120 days to revert back. And we are very confident. We do not feel anything.
- Abhishek Maheshwari:** Understood. And one last thing, this is not a LT Foods specific issue, right? This is an industry specific issue.
- Ashwani Kumar Arora:** No, this is -- Rohan will explain the process how it works. So, as of now, for Soya meal, it is only LT specific. Rohan, can you explain?
- Rohan Grover:** Yes. So, countervailing duty is imposed on the industry as such. The Department of Commerce were able to review other companies and the mandatory respondents. And they give for every company a countervailing duty, if they are getting, based on if they are getting any subsidiaries or not.
- In our case, they could not review the information. And that is why they have given an AFA, which is 340%. But after the review, they will come up to and equip your specialties pertaining countervailing duty. So, the general CVD is for the industry, but this percentage will drive for every company.
- Abhishek Maheshwari:** Okay. Understood. Okay. Well, thank you for the clarification and all the best. I hope the resolution comes out in your favour. Thank you.
- Rohan Grover:** Thank you.
- Ashwani Kumar Arora:** Thank you, Abhishek.
- Moderator:** The next question is from the line of Vishvender Singh from Prudent Equity. Please go ahead.
- Vishvender Singh:** Good morning, team. Am I audible?
- Ashwani Kumar Arora:** Yes, yes. Very audible. Thank you.

- Vishvender Singh:** Yes, sir. So, I have two questions. So, yesterday, ET reported that domestic Basmati rice prices have declined INR4 to INR5 per kg due to this Middle East turmoil. So, if this situation persists, do you see any margin reduction for current financial year?
- Ashwani Kumar Arora:** No, we don't see. This is a regular thing. Because of Iran, you know, the market is little depressive. But being a very strong brand and what we see the competitive landscape; we are hopeful that that will not impact any margin of LT Foods.
- Vishvender Singh:** Okay. Noted. And also, I had another question and this is from the Annual Report. So, if you can bear this question. So, I looked upon the other income section and it reported that we have lot of inventory management fees from one of our companies built in US. So, can you share some light on that? What is that part and how it is calculated for us?
- Management:** So, actually, that is other income that we charge to one of our associate company in the US. So, that is the Golden Star. So, once it gets consolidated -- this year it will be getting consolidated and there will be line by line consolidation. So, this other income, there will be no other income this year and it will be getting in the normal course of the business. So, this is the income which we charge, the company charges from the associate company. That is shown in the other income.
- Vishvender Singh:** Okay. So, for like FY '26, other income came somewhere around INR88 crores to INR88.5 crores. So, what was the quantum from inventory management fees, if you can share it?
- Management:** So, almost INR50 crores was from this aspect.
- Vishvender Singh:** Okay. And like, can we expect regular sums in the next few years? Or like it is...
- Management:** No, no. That will be getting consolidated. We won't be charging to our -- so there will be elimination and it will be getting consolidated. So, there will be no other income as such, once it gets consolidated.
- Vishvender Singh:** So, it will be like ending in FY '26. Am I right?
- Management:** Yes, yes. You are right.
- Vishvender Singh:** Okay, okay. Sure. Thank you so much, sir.
- Management:** Thank you.
- Moderator:** Thank you. The next question is from the line of Gaurav Somani from Korman Capital. Please go ahead.
- Gaurav Somani:** Thank you for the opportunity. Sir, you said this is a company specific issue. Just wanted to

understand how are the other exporters doing in terms of duty structure when they are exporting to US?

Ashwani Kumar Arora: Rohan, can you take this question?

Rohan Grover: Yes, please. So, usually how the process works is US Department of Commerce selects top one or top two exporters from the country and gives a countervailing duty which then applies to all others. In this case, there were three companies. Two of them were the mandatory respondents and we filed ourselves as a voluntary respondent. So, the other two have already got a reduced countervailing duty and our data could not get reviewed.

So, all others would fall under the category of the countervailing duty which the other two companies have got. So, this is the average of the two companies which are the mandatory respondents the entire industry gets the countervailing duty.

Gaurav Somani: Okay. Sir, I just wanted to understand this countervailing duties on soybean exports. Does that have any impact on other lines of business in terms of the understanding which the US department have for other organic businesses which you import? Are there any such confusion in terms of duty structure at the moment?

Rohan Grover: No, it is pertaining to only that existing code of organic soybean and has no impact on any other product that we export to the US.

Gaurav Somani: I understand that. My question is more in terms of the -- because of the current tariff regime, which is coming into picture as well, right. Are there any product lines which we have where such confusion might still persist?

Rohan Grover: That would remain.

Ashwani Kumar Arora: Take on Rohan.

Rohan Grover: That would remain. I mean, of course, that is unclear on how the India and US tariffs will fall in place. So, we are very hopeful that it should fall into the space. India has a very strong edge or strong competitive edge in the organic market when it comes to the US consumption. So, whatever that comes in, we will find ourselves in that competitive edge compared to other countries. And we are hopeful that we will find our way.

Ashwani Kumar Arora: And just to add on what -- so, if whatever the duty structure under this, you know, so, that will be passed on to the customer when this 10% duty came and we passed on to the customer. So, that will not be a challenge to the margin.

Gaurav Somani: Sir, as per the last call, my understanding was you said you will absorb the duty given the price benefit we have because of price reduction in basmati.

- Management:** Yes, you are right. Yes, you are right. But as Ashwani ji told, this is in case of organic. So, not on the basis of the basmati and the speciality. In the basmati and speciality, this year we had a raw input cost reduction. So, that will be. The duty effect has been absorbed by the raw material cost.
- Gaurav Somani:** Got it. So, one last question. So, yesterday there was this news article which said that 1 lakh ton worth of stocks are stuck at Indian ports because of this Iran conflict. So, are we also facing that issue in terms of exporting our material or is that all, okay?
- Ashwani Kumar Arora:** No, no, no. It is not impacting LT Foods. LT Foods doesn't have any exposure in Iran.
- Gaurav Somani:** Not the exposure, sir. Because the sea lines are impacted, the goods are probably not being exported from the ports. Does that impact?
- Ashwani Kumar Arora:** No, no. That is stuck up because Iran war and the shippers are not shipping to Iran because of not getting their insurance. So, we are not exporting to Iran. So, our shipments are smooth, regular going.
- Gaurav Somani:** Okay, great. Great. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Joyloon from Amiral Gestion. Please go ahead.
- Joyloon:** Sorry, I missed the first part of the con call. Could you quantify the impact of the CVD again on our business? And I heard that there will also be investigation for the 2024 and 2025 calendar year so, could you also quantify the impact? Should the CVD be imposed on these two calendar years as well, please?
- Ashwani Kumar Arora:** I will again tell that this -- whatever the impact has been is only on the sales of '23 and not '24-'25. And this is a preliminary notice and we will get the final outcome in the next 120 or 130 days. I hope that answer ...
- Joyloon:** We are actually following an appeal. Yes, so we are following an appeal to the notice. And then in the next 120 or 130 days, they will probably review the appeal and give a final outcome, which in this case might be 0%. This is what I'm hearing. Is this correct?
- Ashwani Kumar Arora:** Rohan, are you taking this question?
- Rohan Grover:** Yes. See, countervailing duty is something that the country imposes when there are subsidies that an exporter or an exporting country has. In our case, our fundamentals are strong. We are very sure we don't have any subsidies. We unfortunately could not get reviewed. So, once we will get reviewed, we are very hopeful we will be able to bring down our current countervailing duty of 9.57% to much lower.

That should give us significant edge as well. So, it all depends on how we are talking to them and representing and how they are taking our representation in. So, we are not -- that's why, able to quantify anything. And we will represent our case and we will review our data and we will get it a lower rate.

Joyloon: So, from 340% to 9.75% is our expectation?

Rohan Grover: No, 9.57% is the current countervailing duty. The 340% is usually the companies get when they do not publish or do not share their information with the Department of Commerce. That's an AFA. In our case, when 9.57% duty was applicable, we filed a response to reduce the duty from 9.57% and our expectation was to make it close to 3%. So, we will be able to reduce it once our data gets reviewed.

Joyloon: Okay. So, can you just clarify, so once data gets reviewed, it will be reduced from 340%, which is what they are imposing right now, to 3%, am I correct?

Ashwani Kumar Arora: Yes, that's...

Rohan Grover: That's our expectation.

Ashwani Kumar Arora: That's the expectation.

Joyloon: Okay, and the current impact of this 340% ruling is on INR50 crores of revenue?

Ashwani Kumar Arora: Yes, on the sales, what we have done in year '23.

Joyloon: Okay. Okay, got it. Thank you so much.

Ashwani Kumar Arora: Thank you.

Rohan Grover: Thank you.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from Bandhan Mutual Funds. Please go ahead.

Ashwani Kumar Arora: Yes, Rahul.

Moderator: Sorry to interrupt, sir. The current participant has been disconnected. We will move on to the next question. And it's from the line of Yash from AART Ventures. Please go ahead.

Yash: Yes, good morning, sir.

Ashwani Kumar Arora: Good morning, Yash.

- Yash:** Yes, sir, I actually wanted to know that the CVD you said is applicable only under 2023 sales and not on 2024 and 2025 sales. So, what about the sales that we will be doing in FY '26? Is CVD applicable on that sales of 340%?
- Ashwani Kumar Arora:** So, Rohan, can you take up this question? Yes.
- Rohan Grover:** Yes. So there is a period of review that the Department of Commerce uses. We were reviewed on 2023. There are still 2024 and 2025 remaining, and 2026 would come much after that. We would have a clear position, as Mr. Arora has said, by the end of 2026. So, whatever will be the duty that will be decided will be applicable in 2026 onwards. And if whatever the duty that would come up, our material impact on this business is lower, and we can easily move this business to any other locations, like Uganda for this particular instance.
- Yash:** Okay. So, in case if you are going to export organic soybean today to US, then what is the duty that will be applicable to us then? Is it 340% or some other duty?
- Rohan Grover:** No, we are currently exporting to the US already, and we are paying 9.57% duty as it is for the entire industry today.
- Yash:** Okay. Okay, sir. And, sir, you just mentioned that the revenue from organic soybean was INR47 crores. So, this is for the year FY '25 or FY '23?
- Ashwani Kumar Arora:** '25.
- Yash:** Okay. Okay. All right. And what was the revenue from it in FY '23?
- Ashwani Kumar Arora:** INR50 crores.
- Yash:** Okay. All right. Thank you, sir.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference over to the management for their closing comments.
- Ashwani Kumar Arora:** Thank you so much. Thank you.
- Rohan Grover:** Thank you.
- Moderator:** Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.
- Ashwani Kumar Arora:** Thank you.