KRBL Limited

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The General Manager **Department of Corporate Services** **BSE Limited** **Floor 25, Phiroze Jeejeebhoy Towers** **Dalal Street, Mumbai – 400 001** **Scrip Code: 530813**	**National Stock Exchange of India Limited** **"Exchange Plaza", C-1, Block-G** **Bandra-Kurla Complex** **Bandra (E), Mumbai-400051** **Symbol: KRBL Series: Eq.**

Sub: Transcript of the Earnings Conference Call held on Thursday, November 14, 2024 on Unaudited Financial Results of KRBL Limited for the Second Quarter (Q2) and Half Year ended September 30, 2024

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 read with Para A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of the Earnings Conference Call of KRBL Limited held on Thursday, November 14, 2024 at 12:30 P.M. onwards on the Unaudited Financial Results for the Second Quarter (Q2) and Half Year ended September 30, 2024.

The same is also available on the Website of the Company at https://krblrice.com/investor-relations/financial-information/

This is for your kind information and record.

Thanking you,

Yours Faithfully,
For KRBL Limited

PIYUSH ASIJA Digitally signed by PIYUSH ASIJA Date: 2024.11.21 18:03:44 +05'30'

Piyush Asija
Company Secretary & Compliance Officer
M. No.: ACS 21328

Encl: As above

"KRBL Limited

Q2 FY'25 Earnings Conference Call"

November 14, 2024

MANAGEMENT: MR. ANIL KUMAR MITTAL – CHAIR PERSON AND MANAGING DIRECTOR – KRBL LIMITED
MR. ANOOP GUPTA – JOINT MANAGING DIRECTOR – KRBL LIMITED
MR. AYUSH GUPTA – HEAD OF DOMESTIC DIVISION – KRBL LIMITED

MR. ASHISH JAIN – CHIEF FINANCIAL OFFICER – KRBL LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the KRBL Limited Q2 FY '25 Earnings Conference Call. 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 any assistance during this conference, please signal an operator by pressing * and then "0" on your touch-tone telephone Please note that this conference call is being recorded.

I now hand the conference over to Mr. Ashish Jain, Chief Financial Officer of KRBL Limited. Thank you, and over to you, Mr. Ashish.

Ashish Jain: Thank you, and thank you to all the participants for joining us. Welcome to the Q2 FY '25 earnings conference call for analysts and investors of KRBL Limited. Today, we have Mr. Anil Kumar Mittal, Chairman and Managing Director; Mr. Anoop Kumar Gupta, Joint Managing Director; and Mr. Ayush Gupta, Head of Domestic Division, as key speakers on the call.

To kick off the call, Mr. Mittal will provide updates on the industry, our overall strategy and the exports business. Following that, Ayush will delve into the domestic business. Finally, I will present the financial overview of the company for the second quarter and half year ended September 30, 2024. Once the management has concluded their opening remarks, we will open the floor for an interactive Q&A session.

Please note that some of the statements made during the call may contain forward-looking information, and actual results may differ from these statements. For more details, you can refer to KRBL's investor presentation, which is available on the stock exchange websites and our company's website.

Now I would like to invite Anil Ji to share his views.

Anil Kumar Mittal: Good afternoon, everyone. Wish you all a belated happy and prosperous Deepavali. Thank you for joining us today for KRBL Limited's Q2 investor call. I'm pleased to provide an overview of our recent performance and share insights into our future outlook.

Let's begin the review of the global rice market landscape. The USDA's latest forecast for the 2024-25 marketing year projects global rice production at 530 million metric tons, making an increase from last year. Global rice consumption is also expected to rise to 528 million metric tons. This year, global rice production will exceed consumption, reversing the deficit observed in 2022 and 2022-23.

Turning to India's outlook. Production for 202425 marketing year is estimated to reach a record 142 million metric tons up from 138 million metric tons last year. Basmati rice production is also anticipated to hit an all-time high with 16 million tons of paddy harvested across the GI region across all varieties, reflecting an estimated 10% increase over the previous year. The above production estimates are reflected on the prices. We are witnessing the paddy prices to be lower by 15% over last year. Almost 15% of the crop has already arrived.

If we take the total basket of basmati rice, out of it the arrival alone of 1509 variety, is estimated to be around 85%. The crop is healthy and the arrivals are going to remain up to December end. KRBL is already there in the market, and we are buying at a good pace as we decided during the beginning of the season. To be more precise, the price of 1509 remained at INR 28,000 to INR 29,000 whereas 1121 is between INR 40,000 to INR 42,000. 1718 is between INR 37,000 to INR 38,000 and 1401 is between INR 33,000 to INR 34,000.

Normally, there are 6 varieties popular in basmati family vis-a-vis traditional 1121, 1718, 1509, 1401 and Pusa Basmati No.1. We are witnessing arrivals of pest resistance varieties such as Pusa 1885 alternate of 1121, 1847 alternate of 1509, 1886 alternate of 1401 and 1637 alternate of Pusa 1. The crop size of these pest resistance varieties is expected to be in a good quantity, but exact numbers will be established after the season is over.

Now focusing on India rice export. India is expected to retain its position as world's largest rice exporter in 2025 with export projected between 18 million to 20 million tons, including basmati rice. This growth is supported by a robust harvest, ample stock and the government open policy stands for all non-basmati rice exports except for 100% broken rice, which remains restricted.

India's basmati rice export in the first half of 2025 reached 2.7 million metric tons, an 18% increase from 2.3 million metric tons in the same period last year despite a high comparative base from the record 5.2 million metric tons exported in FY 2024. In September 2024, the government removed the minimum export price of USD 950 per meter ton on basmati export, which is expected to further drive export volumes. Given the current paddy prices, we anticipate basmati prices in export market to be highly competitive further enhancing export potential.

Now moving to KRBL's performance in export segment. Our export revenue reached to INR 252 crores in Q2 2025 compared to INR 235 crores in Q2 2024, a growth of 7%, whereas the total revenue of KRBL stood at INR 1,270 crores with domestic revenue at INR 1,018 crores, witnessing a growth of 5% in Q2 FY 2025. The company reported an EBITDA of INR 150 crores, a PAT of INR 101 crores.

The above export turnover is subdued due to the lower export to Europe of brown rice. Pakistan was more competitive and there are no problem whatsoever on pesticide residues. This year, we expect good business from Europe which will start from December 2024 onwards. We have already made some bulk shipments via Dubai, for which the revenue will be reflected in Q3-Q4. In case of Iran by imports, were banned from 20th July up to 20th November. The licenses to import rice will be available in the month of December.

As far as Saudi is concerned, I had gone myself to Dammam and Riyadh to evaluate the opening of our own office. It is a little bit time consuming, but we expect that by March end, we should be able to complete all formalities. Since India Gate is still a very strong brand name in Saudi, we have appointed two wholesale distributors to ensure that the visibility of the brand is maintained and shipments have already commenced. Looking ahead of FY 2025, we remain confident in our ability to accelerate growth in our export business while sustaining our positive momentum in the domestic market. If anyone have any further questions, I would be happy to answer them during the Q&A session.

I here now pass on to Ayush for domestic update. Thank you once again.

Ayush Gupta: Thank you. Ladies and gentlemen, I'm honoured to address you today and share the outstanding achievements of KRBL Limited in the India market for the second quarter of the fiscal year 2024-25. Our continued success in India reflects our unwavering commitment to a long-term growth strategy, focused on sustainable expansion and excellence in execution.

In Q2 FY '25, our India market recorded a revenue of INR 984 crores, a growth of approximately 5% compared to Q2 FY'24 and our H1 FY '25 revenue stands at INR 1,909 crores, reflecting a strong 7% growth over H1 FY '24. In the generally slowing FMCG market, with urban growth volumes of around 2.5% in H1, we delivered an impressive 10% volume growth in the branded basmati segment, supported by solid performance across both consumer and bulk rice segments.

This success is further evidenced by our growing market share across multiple channels. Our flagship brand, India Gate now reaches over 1.1 crores households, reaffirming our market leadership. In general trade, we secured a 38% market share, marking an increase of 435 basis points over last year, thanks to our strategic focus on expanding distribution and deepening brand loyalty.

In modern trade, despite a slowdown due to the rise of quick commerce, we hold a strong position with a 36.2% market share, an increase of 428 basis points year-over-year. Our e-commerce investments the fastest-growing channel have also yielded exceptional results with our market share rising 40%, a gain of 133 basis points compared to last year. This growth validates our digital strategy and commitment to meeting evolving consumer expectations.

Looking ahead, we are confident that our strategic initiatives will continue driving sustainable growth and reinforcing our leadership in the India market. To propel our India business to new heights, I'm pleased to introduce our 4-pillar growth strategy, designed to build on the foundations laid by earlier 3-pronged approach.

The first pillar, democratizing our distribution network, addresses the rapid changes in India's channel dynamics. We see 3 emerging trends. First, basmati growth will accelerate in Tier 1 and Tier 2 towns, where we aim to enhance our distribution quality. Second, in metros, where we already have an approximately 85% weighted distribution, we will focus on increasing the range of availability and strengthening market execution to boost share amongst existing handlers. Third, with the advent of quick commerce transforming shopping habits, convenience has become paramount. We are committed to increasing our visibility and fostering strong brand preference in this channel.

The second pillar, remodelling our supply chain, is a response to the shifting channel landscape. We are moving closer to the market to improve service levels and efficiency. In general trade, this involves expanding our distribution network with CNS and super stockist to reach account of 1,000+ dealers and distributors, a target that will make supply chain capabilities essential. Additionally, transitioning to an FOR model will enhance governance of our go-to-market strategy. In organized trade, these steps will improve not only service quality but also cost efficiency, enabling us to reinvest in brand reference and visibility.

Our third growth pillar is investing in the brand, celebrating 25 years in India, India Gate has become the world's No. 1 basmati rice brand, with industry-leading brand equity and top of mind recall. We remain deeply committed to investing in India Gate, strengthening the brand's identity and consistently maintaining our category defining share of rice at 67% +.

Finally, our fourth pillar, foraying into new products and categories, reflects our ambition to diversify and enhance our offerings for Indian consumers. We are already exploring adjacent categories and the successful launch of India Gate Classic Biryani Masala in modern trade and e-commerce has shown the potential for expansion. Encouraged by the positive response, we will now introduce this product in general trade in top metros.

As we advance, these 4 pillars will guide our efforts to reach more consumers, expand our presence and remain agile and responsive to India's dynamic market. Each initiative reflects our commitment to delivering the highest quality products deepening our consumer relationships and ensuring that KRBL remains synonymous with trust, quality and innovation.

In closing, I would like to express my gratitude to our entire KRBL team whose dedication and hard work make these achievements possible and to our consumers, partners and shareholders for their continued trust and support. Together, we are shaping a bright future for KRBL in India, and I'm excited for the journey ahead. Thank you.

I will now hand it over to Ashish Jain for further remarks.

Ashish Jain: Yes. Thank you, Ayush. I'll walk you through the performance highlights for the quarter and first half ended September 30, 2024. Unless otherwise stated, all figures are consolidated for KRBL Limited.

For the quarter, total income for the quarter was at INR 1,306 crores, a 5% increase over the same quarter last year, excluding power rose 5% year-on-year to INR 984 crores, driven by a 10% growth in branded basmati volume and stable realizations. In exports, revenue increased by 7% to INR 252 crores, with growth fuelled both by volume and pricing gains. The outlook for exports has been covered in Anil Ji's earlier comments.

Coming to the margins. Our gross margin for the quarter was at 23.7%, impacted by a 7% year-on-year increase in basmati unit costs as paddy prices were higher in the last season, while average sales realization in the period rose by 3%. The comparative base in Q2 FY '24, which is the corresponding quarter last year also benefited from a onetime provision reversal.

EBITDA margin for the quarter stood at 12.1% compared to 18.2% corresponding quarter last year, primarily reflecting the impact on gross margin as well as higher employee costs, provision for doubtful debt and other expenses. Increase in employee cost is primarily driven by additions to our team that are a part of a long-term plan to strengthen our capabilities to deliver on growth initiatives. Finance costs remained stable at INR 0.83 crores, and PAT was at INR 103 crores or 7.9% of total income compared to INR 153 crores or 12.3% in the corresponding quarter last year and this reflects the trend basis factors outlined above.

Coming to the half year performance. Total income for first half of FY 2025 was INR 2,527 crores, reflecting a 6% decline from H1 2024. Domestic revenue saw 7% growth in H1 2025, while exports declined by 36%, primarily due to a reduction in bulk sales. Bulk sales in the current H1 are at INR 104 crores, while in the corresponding period last year, they were at INR 450 crores.

Notably, however, branded export in H1 increased by 43% as compared to the same period last year. Gross profit margin stood at 23% with EBITDA and PAT margin at 12% and 7.5%, respectively, reflecting the impact of higher input costs I have mentioned earlier, proportionate employee cost, slight increase in trade on sales and provision adjustments that I've already mentioned.

Coming to balance sheet, as of September 30, 2024, total inventory stood at INR 3,013 crores comprising INR 215 crores of paddy and INR 2,647 crores of rice. This reflects a strategic inventory position to meet anticipated demand. In terms of volume, we carried inventory around 60,000 tons of paddy and 376,000 tons of rice compared to 114,000 tons of paddy and 332,000 tons of rice last year. Our cash and bank balance, including all investments, but excluding equity shares was at INR 1,283 crores compared to INR1,268 crores a year earlier.

With this, I conclude my remarks and will now hand over to the moderator for the Q&A session. Please note that as the ED matter is sub-judice, we won't be able to address queries on that issue, though we share an update on these matters in our notes to results every quarter. Over to the moderator.

Moderator: The first question is from the line of Amit Agarwal from Leeway Investments.

Amit Agarwal: My first question with regards Saudi Arabia market. Sir, you mentioned that two wholesale and distributors have been appointed. Can you throw some more light on that? How soon we can think of export shipping our first shipment? And is it regarding retail market? Or are these distributors related to HoReCa segment?

Anil Kumar Mittal: It is related to retail and HoReCa, but in general trade, when I say retail, it is retail, not modern retail, but it is to the general trade.

Amit Agarwal: And how soon should we expect the first shipment to Saudi Arabia?

Anil Kumar Mittal: The shipments have started in the second quarter.

Amit Agarwal: Okay. So now I think the watch is over for the Saudi Arabian market. Is this okay to assume that?

Anil Kumar Mittal: No. Let us see the actual momentum will come when we'll open our own office, because it will take time because we have to take government position in India, then we have to apply to the Saudi government. I think so it will take another 3-4 months' time till the time we are ready to open the office.

Amit Agarwal: At least we have started shipping to Saudi Arabia. At least the last 2 quarters, it was no export to Saudi Arabia, if I'm not wrong, right?

Ashish Jain: Yes, you're right. So you're right. So the shipments to Saudi Arabia have commenced, but, as Anil Ji mentioned, they have commenced but through the wholesaler route

Amit Agarwal: That's a private label that means? Or is it our own brand?

Ashish Jain: No, no. It is not private label. I'll explain. See, we are shipping India Gate, which is our own brand. But as a channel, I think these shipments are currently being routed through wholesalers based in Saudi, right? So that's the route. Now the other channels that we traditionally use are distributors for retail and HoReCa. Now that is work in progress. But through the wholesale channel, the shipments have started.

Amit Agarwal: And my next question is regarding energy sector. Sir, for the last 2 years, the energy sector turned over as well as the results are stagnant. But we initially have thought that energy sector gives us 18% return on our capital employed. So they should increase every year am I wrong to assume or there's something wrong in my reading? Because earlier the results of INR 48 crores for September half yearly, 2 years back, now it's INR 38 crores. It has reduced INR 10 crores.

Ashish Jain: Yes. So I'll explain. See, we have about 147-megawatt of electricity. Bulk of this is in power. So where the overall unit generation is dependent upon wind patterns. So what has happened in the current quarter, also in the first quarter, is that wind patterns have not been what they were last year because of which we've seen lower generation.

Amit Agarwal: And what about the price increase every year? Or is this price stagnant?

Ashish Jain: We operate by selling power to state electricity boards through long-term contracts where the price is fixed. So there is no provision of year-on-year increase in power tariffs.

Amit Agarwal: So that means in the long run, the results would be static similar to this what has been shown in the last 2 years, right?

Ashish Jain: Yes. Yes, I would say stable, not static. So they should continue to be stable.

Amit Agarwal: And my last question is regarding edible oil, sir, is that a launch of the edible oil in progress or has been delayed, what is the expected month of launch in the domestic market?

Ayush Gupta: We are almost ready with all our things with the launch, and we'll be launching the product at the end of Q3 or first week of Q4.

Amit Agarwal: And how much turnover should we expect in first 2 years or something like this? Is this a small launch? How big is the market we're expecting to capture?

Ayush Gupta: We are looking at a market share of about 3% to 5% in the first year, leading up to about 15% by year 3, and we are expecting a turnover of starting with INR 70 – INR 75 crores in year 1 and reaching up to INR 300 crores by year 3.

Moderator: The next question is from the line of Himanshu Upadhyay from BugleRock PMS.

Himanshu Upadhyay: My question was on inventories and what is our thought process now? I mean we are seeing the price of basmati paddy is lower by 15%, as you stated. So would we like to increase our inventory materially from what we bought last year? Or we think as inventory remains higher than last year, we'd like to buy less or what is your thought process on that? Can you give some of your thoughts?

Anoop Kumar Gupta: Looking at the market, we are thinking of increasing the quantity. We are buying, the pace is quite high, but it depends upon the market. If the market remains the same, we think will go a little higher than last year.

Himanshu Upadhyay: Okay. Okay. And second thing, Ayush. We also had started focusing on other rice like Sona Masoori and others, okay? What is the progress there? Is it a really scalable business? Or you think it again is a niche business only for us in the future?

Anoop Kumar Gupta: Yes, it is scalable. We are increasing by 10% to 15% every quarter. And you see we are doing only specialty rices and that to wherein the value addition is there. And the rice has to be aged minimum 1 year and 1.5 years. So we have now put up a small processing plant in Karnataka also. We are putting up a plant in Gangavati also, we have already put up a plant at Kandla Port also. From all the 3 plants, we are doing processing of these materials after keeping it for aging for 1 year. So we are expecting this pace to be continued.

Himanshu Upadhyay: What would be the size of business besides basmati, let's say, in Q2?

Ayush Gupta: So last year, we did a INR 200 crores of revenue in the regional rice business, and we're expecting it to be close to about INR 275 crores and INR 300 crores in this financial year.

Himanshu Upadhyay: Okay. And we seem very optimistic on the European business, okay? So have we decided to have a distributor? Or do we be doing it on our own or what is the thought process in that market?

Anil Kumar Mittal: See, as far as Europe is concerned, one thing is definitely in favor of India this time is that we have plenty of stocks which are compliant. Last year, we had a major problem. And hence, Pakistan took away our market. This year our prices are much lower over Pakistan, and we are expecting a phenomenal business from Europe and the RPMs will come into the market around 15^{th} of December to conclude the businesses.

Himanshu Upadhyay: Okay. And when you decided about Saudi Arabia, it will have our own office, how many people would it be required and the marketing and everything will be done by ourselves and even tying up with various retail channel and everything.

Anil Kumar Mittal: No, no. We will be operating it professionally and it would be fully controlled by us and staff and everything we are going to have after opening the office. We have already gone and seen even the HR people who are #1 HR people to get the good people. See, initial challenges will always be there. But we will overcome all those challenges because we have a 35 year experience of that market.

Moderator: The next question is from the line of Yash Dantewadia from Dante Equities.

Yash Dantewadia: Yes. So I just wanted to understand something on the inventory side and the margin side, right? From what I have understood is that we carried over higher cost inventories from last year, because the prices of basmati are much higher last financial year, right? So hence, our margins are down. But as we move into the next financial year, maybe post 2 to 3 quarters, right, that the high cost inventory is sort of sold out.

Can we look at the margins going back to sort of the 14%-15% levels? And whatever I said, does it make sense to you? Does it work that way? Because I do know that you do increase distributor discounts when the price is sort of become very competitive as they are now?

Anoop Kumar Gupta: You see we are carrying high-cost inventory. So margins will be under pressure for another 2 quarters. That is maximum. Another 2 quarters, we will be operating under 15% only, but first quarter of next financial which should come to the same glory of 15% plus.

Yash Dantewadia: Yes. I'm talking about the domestic business. I'll leave the export business aside for now. Can you tell me what will the margins look like in the -- and also the MRP does not change, right, regardless of the pricing of basmati rice in the sort of wholesale and distributor level or the process level that you are buying it and processing it, the MRPs change vis-a-vis the pricing or the MRPs remain the same? Like versus last year and this year, the prices of basmati are much higher last year, did the MRP change?

Ayush Gupta: Yes. Varun, to answer your question, see, what has happened in the last financial year, we have seen consistent decline in pricing of commodity over the six months, starting from Q4 end up to September end, we see a consistent decline in prices of the commodity. So what we did in Q3, starting, we revised our MRPs and we started pricing a fresh in terms of rebalancing because we are giving a lot of schemes in the market.

So MRPs have now been revised. And given the commodity position now, we only see an upward trend going forward. So MRPs again and pricing will keep on rising month-over-month, quarter-over-quarter as we feel comfortable. Margins, we are working on very healthy margins now, Q3 onwards. And we see ourselves resuming back to the 15%-plus gross EBITDA margins by Q1 end.

Yash Dantewadia: Yes. So that we are talking about the domestic business, right? Can you clarify that?

Ayush Gupta: Steadily rise back up as markets will allow.

Yash Dantewadia: Understood. But yes the 15% number that you just shared, is this for a domestic business because I'm asking purely on the basis of domestic business right now?

Ayush Gupta: We don't really do a segmentation of a domestic versus an export in terms of EBITDA. But at the joint level, we are certain that a 15% plus EBITDA will be delivered in Q1.

Yash Dantewadia: So that 15% EBITDA level that you just said, is it keeping in mind that the export and the domestic sales mix stays at the same level, is my question?

Ayush Gupta: I would say if export remains at this level that is currently going on, we will achieve 15% plus EBITDA. If exports increase, we will be in a much higher and a better position.

Yash Dantewadia: Exactly. That was the answer I was looking for. Also one more question on the land bank side. Are we going to see any sort of land bank monetization going forward to strengthen the balance sheet or anything on that front? Because I do know that we have a lot of land bank.

Anoop Kumar Gupta: We have a lot of land bank, but we don't want to sell anything. It is all in use. So we use all the land in storing our paddy and we have got about 5 million square foot of warehouses and our open land is used for storage of paddy and we are buying more land rather than selling. There's no question.

Moderator: The next question is from the line of Rishab Bothra from Anand Rathi Shares.

Rishab Bothra: I wanted to understand the revenue mix with respect to our retail network, institutional clients like HoReCa, quick commerce and online?

Ayush Gupta: Online actually, they are very involved. There are very different categories. What we can kind of give you is that our consumer pack business, almost 30% saliency comes from the modern trade e-commerce business and 70% comes from the general trade business, the consumer pack business. The bulk pack business is mainly from general trade.

Rishab Bothra: Okay. Got it. And sir, I understand we are almost 100 plus old entity, Khushi Ram Beharilal is what I understand I covered the top 2006 to 2010 has started looking at again. What would be the basmati rice market in India and non-basmati rice market in India? Plus, I guess we are the top player in the listed space, what is our ranking in unlisted space in basmati? So two questions. One is our ranking in listed and unlisted space and another is what is the market size of basmati rice and non-basmati rice in India?

Anoop Kumar Gupta: You see basmati rice according to our estimate is about 2.8 million tons. This includes the sale of broken rice also. And out of 2.8 million tons, the branded segment is only about 0.75 million tons. Out of 0.75 million tons, 40% shares is held by KRBL Limited. If you talk of the loose rice, which is about 2 million tons, there's no data who is the king. And that is a very open and loose market.

You don't know who is the king. And non-basmati, this 80 million tons market. We don't know. And I am in a market of which I am competing because I'm into specialty, aged rice about INR70-INR 80 a kilo, which is above 5 million tons. I'm in a wholesale of 5 million tons instead of 100 million.

Rishab Bothra: Because what I said is the market, everyone wallets, I mean, pocket size like they can spend and migrate from non-basmati to basmati, but when I look at companies, there are a handful of companies in the listed space, and the growth rate is not that encouraging which it should have been. I mean, why can't we grow at a faster pace? I understand that aging of rice is required, but a lot of people are investing in a lot of companies. And I don't think there could be any shortage of funds for us to avail either from the debt market or from the equity market. So that is what I wanted to understand. And in terms of growth path, how can we scale up the growth?

Ashish Jain: I'll just confirm what you're asking. I think your question is that with rising incomes, the people would generally want to upgrade to basmati or switch to basmati. If that is the case, why isn't the growth higher? Is that your question?

Rishab Bothra: Correct, sir. Correct.

Ayush Gupta: See, actually, Rishab what we have seen in the India market regional rice is a preference, it's a food preference. It's not easy to convert a regional rice consumer to a basmati rice consumer. Down south, basmati rice means biryani, only when they want to consume biryani, they use basmati rice. For the everyday rice requirement, they use the Sona Masoori, Wada Kolam and other varieties that have grown there. And as such, India has more than 8,000 to 10,000 varieties of rice. And every region would love to consume the rice that is grown in that region.

Basmati, yes, the crowns well in terms of the overall rice fraternity, but it was a very special position in terms of special dishes. In North and West, basmati is used for every day consumption, but north and west the consumption is a broken basmati rice, not of full grain. South and East, basmati is consumed mostly in the full grain. But again, it is used for special dishes and festive occasions, right? So rice in India is, I would say, staple and regional rice holds its own position. So it's really not a question of income and affordability, it's a preference of tastes. People who prefer regional rice, continue to eat regional rice.

However, as a brand, India Gate, we're leading from the front. We are communicating with our consumers and we are pursuing them to switch to basmati rice in certain markets. Our South campaign, regional campaign is actually a step in that direction, where we are telling consumers to cook lemon rice, tamarind rice, eat sambar rice with basmati, which could elevate the dishes. But that's a long-term effort, something that ITC would have also done in the past 5-10 years with Atta in South market. So we know we are now coming up with those efforts where we see saturation has come with our high market share, especially in the south market.

Rishab Bothra: But what I understand, I mean, I am always trying to look at companies well, they can multiply their growth. They have companies which have gone bust in the rice space. There are new entrants who are on the unlisted space. I mean, Adani Wilmar, I think all major retailers are packing products. My only sense is in the last 10 years, our revenues have doubled, whereas Aries Agro gone bust. So who has taken the market share of Aries Agro, LT Foods have grown at a faster pace than us. So my only worry is why we aren't able to grow?

In commodity, it happens that every 2- 3 years, people start building up capacity. Our capacity at Dhuri remain at 160 tons or lower, near about that range. So I wanted to get a sense what are we doing directionally that we are not reaching that scale? Also, is there a strategy in distribution pushing the dealers or distributors in a different manner wherein growth can come at a faster pace I mean explanation was complete bang on in terms of different geographies. But if you could just highlight current figures.

Anil Kumar Mittal: Actually, we are evolving on this question time and again for the last 3- 4 quarters. First of all, let me clarify that we have the largest manufacturing capacity. The number of players in the last 5 years have just doubled. If there were, let us say, 40 players about 20 years back, there are more 150 players-200 players at the moment playing in basmati rice. Bulk business have definitely increased.

As far as branded business is concerned, we are concentrating on that business because the margins are better, EBITDA is better. We don't want to go on to the business, which have 4%, 3%, 2%. There is still plenty of business which has been concluded under private label at 3%, 4% or maximum you can say 5%. And that's also not a very good business, we call it a dirty business. We don't want to enter that type of businesses where mixings are there, blends are there. So we are into neat and clean business.

So as far as basmati is concerned, definitely we have to take acceleration on export, I do agree. But as far as domestic is concerned, it is a phenomenal growth. I don't think so the growth what KRBL is doing, anybody can even dream for that.

Ayush Gupta: I would say we would have almost doubled our turnover in the India market. Our market share positions have increased from 32% up to 38%, 39% in the last month, actually. So I think there's some bit of misunderstanding in how we are doing in the India market vis-a-vie competition in the category.

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

Naitik: Can you please give us the realizations in both export and domestic market?

Ashish Jain: Yes. In the domestic market, the branded basmati realization was around INR 77,000 per ton, while in export, it was around INR 145,000.

Naitik: Okay. My second question, sir, what kind of investments would be required in the Saudi Arabia office that they are going to set up and envisage?

Anil Mittal: It is too early, first the permission comes. We are working. It is very recently about a month back only I went there. We are working on each and every aspect of it. Investments would not be that big a problem to us. But the most important is the permission.

Naitik: Right. And on the realization front, sir, what was the realization same quarter last year? I want to see the movement in realization domestic and export both last year same quarter.

Ashish Jain: Yes. In domestic, it is flattish over last year. And on the export side, we've seen an increase about 10% over the same quarter last year.

Naitik: But sir, we have seen volume growth of 10%, but the domestic total revenues increased by only 5%. We are saying the realizations are flat, so it's not adding up.

Ashish Jain: Yes, I think the -- see, when we report domestic revenue, it comprises branded as well as the unbranded side. So on the unbranded side, this time, we've seen smaller revenue, which is why the aggregate is 5%.

Naitik: Right. Sir so my next question is the kind of gross margin decline that we have seen is higher than some of your listed peers. So I just wanted to understand that a little better, what is leading to the higher decline in gross margins?

Ashish Jain: Yes. I'll explain that. So see, if you look at H1 last year, our gross margin was at 29%. This included around 1.7% benefit of a one-off reversal that we had done. So that will get you to about 27.3%. From 27.3%, we reported 24%, so which is about 3.3%. Now this is largely because of the facts that I had mentioned, which is we've seen a 7% increase in paddy cost, while the realization actually, in H1, we see an 8% increase in paddy cost, while the realization is only 2%. So these are the 2 main reasons.

Naitik: Okay. And sir, my last question, you also mentioned that amount of provisions taken has increased. So you could give that amount, how much it has increased and why is that increased?

Ashish Jain: Yes, the provision has increased. I mean just out of prudence, we provided for some receivables. That's the only increase. So the total provision that we created on that account in H1 is about INR 17 crores.

Ashish Jain: INR17 crores as it is INR 11 crores in H1 last year.

Moderator: The next question is from the line of Anuj from M3 Investment.

Anuj Sharma: Sir, based on if you see inventory of Q2 FY '25, both paddy and rice, it was very similar to last year, just maybe a 10 million ton difference. Based on current prices, what is the sensitivity to how much inventory we can build given the lower prices? Any range how do you basically determine inventory level?

Ashish Jain: So you're saying that our current inventory level is very similar to that last year based on what's going on in the market, how much more can we build?

Anoop Gupta: last year, we had a very heavy inventory, but we'll be buying something plus than last year.

Anuj Sharma: Okay. All right. See in exports, are we now certain that we will have to go through our own setup? Or is it still contingent if you get some distributors in the next 3- 6 months?

Anil Kumar Mittal: No, we are trying both because many a times, we have been deceived by distributor, but we are trying both, because I have been to Saudi and I find a good potential. So I'm not going to leave that option. We will definitely have that option of opening an office, but simultaneously, we are watching for good distributors as well because we have time of 3-4 months.

Anuj Sharma: Okay and this applies to HoReCa as well. We will go through our own setup in HoReCa or HoReCa is clearly marked for distributors.

Anil Kumar Mittal: No, no, definitely, HoReCa. Let me tell you. The Saudi market is 45% is general trade, 25% in HoReCa and 25% is modern retail the segment is like this.

Anuj Sharma: Okay. Okay. But we will - if we set up our own - if we have our own setup in Saudi, let's suppose if that is positive, HoReCa, we will keep searching for distributors or we will pass it through our own channel also?

Anil Kumar Mittal: See, it all depends upon the results. We cannot enter everything in one go. We are going to wait and watch. We will see how much capability or how much resources we have to get the market slowly. It will not be overnight that we are going to capture the whole market, we will start in modern trade and a little bit of general trade and slowly, as the results will be in our favor, we are going to take control of the total business.

Anuj Sharma: Okay. Got it. And Anil, one more point on this. So you said it is a matter of approvals. So these are procedural in nature or there is more to it in terms of permission for Saudi setup? I mean everyone has to go through it, and it is just a matter of time? Or it could be that some get and some don't get?

Ashish Jain: Anuj, authorities do review it thoroughly. So it is not just a matter of procedure. They review it thoroughly and then approve or otherwise.

Anuj Sharma: All right. And these would be the Saudi authorities?

Ashish Jain: Both - I mean, more in India, less in Saudi, but both authorities review it.

Anuj Sharma: Okay. And my last question again on export. You talked about some professionalization. So are you expecting some spending of management bandwidth in India as well for the export market? Or it will be just that particular setup, which you will see professionalization?

Anil Kumar Mittal: No, that professionalization, we are discussing in Saudi Arabia here to whatever setup we have, I think it is more than sufficient to regulate that business, we are going to control from here. And rather now we travel once in 6 months, then we will be traveling every month to look into the own process and the results.

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

Mohammed Patel: I have one question. So how is the kind of exports for the month of October and November?

Anil Kumar Mittal: We don't have numbers at the moment, but we are doing good.

Mohammed Patel: Much better than the first half?

Anil Kumar Mittal: Yes, much better than the previous quarter. Yes, definitely much better and you will find better numbers every quarter.

Moderator: The next question is from the line of Rohan Patel from Turtle Capital.

Rohan Patel: My question is regarding that as you mentioned that we have brought two wholesalers in Saudi Arabia market for retail. So considering that this distribution will take some time as you are also setting up your office. So with the current two wholesaler, like how much business we can generate till the time you appoint a distributor for, say, general trade and modern trade, if you can help us understand?

Anil Kumar Mittal: Let me tell you, Ramadan is coming in March. January, February and March is going to be a lead season. It's just difficult to predict that how much quantities they are going to lift or they're going to order, because we are into branded business. It is not a private label. It is all India Gate brand basmati rice. But I expect good orders will come. We expect good orders will come. The real numbers, see, I don't want to give numbers which if we sit some time in February for the third quarter and you say, okay, the numbers are not as per the expectations. See, giving numbers at this stage will not be appropriate for me.

Rohan Patel: Okay. I get that point, considering that our tone was a little bit pessimistic in previous quarters when something like topic came regarding Saudi Arabia. So now the actions that you are taking, so now can we say the worst is behind and now things are progressing and it will carry on from over here into much more positive and better territory for us?

Anil Kumar Mittal: Yes, yes. If we have our own office, everything being cleared by the government of India and Saudi government, I expect even a 5 days visit this time, we see that it should not be any problem in getting our glory back what we used to have few years back.

Rohan Patel: Okay. And other thing in regarding Europe, like you have said you made some bulk exports to Europe via Dubai, that too. Sir, as per annual report, like you mentioned that like Europe is somewhere around 11% of exports, which somewhere comes to INR 145 crores- INR150 crores. Now considering that pesticide residue issue is behind us. So how much can you scale up? Like I'm not asking for a specific number, but I'm asking that going here on what are your plans? How are you - how bigger you want to take it to, like, if you can provide any qualitative insight for us?

Anil Kumar Mittal: Let me tell you, I don't know if I've done some mistake, the business rooted through Dubai is for Iran, it's not for Europe. And Europe will start from 15th December, and see, it is not a branded market for us as far as brown bulk export to Europe is concerned. But we have very good close contact with the rice millers in various parts of Europe. And we expect we should do minimum of about 50,000 tons business.

I should not accelerate 50,000 of bulk business other than we do a little bit of - we are doing good business in our own brand white rice business, which is also growing, but the numbers are not big, that's why I never discuss with you. But brown basmati business is definitely a big number, and we expect this year to conclude around 50,000 tons.

Rohan Patel: Okay. And just you've made a correction that the bulk export was to Iran. So considering that Iran was more of an on and off market for us due to political issues. So how is the Iran and Iraq market right now? Like are they the bulk export that you make,- can it be more stable? And can we expect that to be more of a quarterly event for us now?

Anil Kumar Mittal: No. It could be like this one quarter is 0, but the other quarter is just double than the previous quarter. It is not a consistent business that every month we are being exporting. But even then, let me tell you rather than zero exports to Iran via Dubai, it will be a good number this year.

Moderator: The next question is from the line of Aditya Yadav from Transient Capital.

Aditya Yadav: Sir, till 2 years back also, we used to be around INR 1,500 crores- INR 1,600 crores or kind of turnover is to have in the export markets. And so definitely, we have discussed in detail how Saudi has been a troublesome area for us regarding the distributors and everything and we've had troubles mailing a distributor, a proper distributor for past 7, 8 quarters.

But the entire delta, if we had to get back to the original levels of, let's say, INR 1,500 crores, kind of INR 1,700 crores of sales, so the entire data will come from Saudi or how does that work? And let's suppose I mean Saudi situation normalizes in, say, a year from now, can we expect further growth? Like how the domestic sales have been growing well?

Anil Mittal: See, as far as consistency in business is concerned, Saudi is definitely a very good market. And it can give us a very good revenue as we used to get about 7, 8 years back, no doubt about it. But this year alone, when I said this year, it means not the financial year alone, it could be starting from the second quarter up to the second quarter of 2026, we are expecting a good turnover from Saudi Arabia, expecting definitely good turnover.

But let me tell you apart from Saudi Arabia, Iran and Europe are also good markets. These 2 markets are good markets. So all the markets together, reaching to a INR 1,500 crores or INR 2,000 crores, INR 1,500 crores should not be difficult, but we are quite positive this year. Let me tell you, looking to the prices in India looking to the quality and compliant material available in India we are confident that KRBL will be able to do good business in export as well.

Aditya Yadav: Sir, my next question is a 2-part question. So as we've struggled in the export market, so our competitors - our #1 competitor also has done very well and other people have also done well. and it's been a long while. It's been a long while. So I remember the remarks you've made previously that we feel very confident that in Saudi also India Gate is a very strong brand, and you should be able to recruit the sales once you have the supply chain part figured out.

But don't we feel that it's been too long now and then it will definitely have - definitely, you have some struggles where just to gain back the market share, it may take a bit longer of the branding sizes and everything. It might be a bit of struggle. It might not be an easy walk to just regain the loss because it's been a very, very long while. That's like my question.

Anil Kumar Mittal: In my opening remarks, I've already mentioned why we have made two wholesale distributor just to confirm that our brand is not out of the shelf, the presence of the brand in the shelves. And that is one of the reasons we made these two wholesalers. See, one thing was good that wholesaler was also amazed when they imported the stock, it never took much time for them to liquidate the stocks. And we have got now fresh orders more than 3,000 tons from Saudi, which we have to export up by end of December. .

Aditya Yadav: Sir, if I could squeeze in one question more?

Ayush Gupta: Yes, go ahead please.

Aditya Yadav: Sir, I mean the company overall is on a strong financial footing. And so basmati definitely has its own cycles where the raw material price and your paddy procurement rice and everything it varies according to the season and the supply and everything. But overall, what we saw in the last 5- 7 years, the management of the company over the cycle has been very nice.

So the margin compression, even when we were carrying high price inventory, was not so much. Whereas this year, it's been a little bit on the higher side. So any comments on that? Whereas like previously, we've managed very well through the cycles of maintaining our quantities and everything and maintaining the margins through the cycles?

Anoop Kumar Gupta: Yes, you'll see we are carrying high value stocks. Yes, we were not never under pressure. This year, there was a little bit of pressure because of a little bit of export pressure. The whole stocks were there because they could not liquidate because of exports. The delay in liquidation will took place. That's all. But this delay will go up to 31st March of this year -- March of this, the financial year.

Next financial year the stocks will get liquidated and everything will be right. And the thing we should buy more this year. And next year, we are expecting the crop, because basmati is a cycle. If one year, the prices are less, the next year, prices are more. This has been the last 20 years, we are seeing. This year, our stock inventory should be higher than last year. So our inventory position in the next September '2025 should be the highest ever.

Anil Kumar Mittal: If you look our communication everywhere, we mentioned that we have a 2 year aged rice. Now when you have to have a 2-year aging rice, it means you have to keep rice for 2 seasons. It means we are still having rice, which is part '2022 and part '2023 also. And if you go in the market and you say, I want to pay INR 200 a kilo, give me 2-year-old, rice, there is nobody who can offer you except KRBL. So we are having such brands which get us a very good premium. That's number one.

And number two, as Anoop Ji rightly said, because of our estimation of wrong export quantum's, little bit quantities have been left over, but we had to keep those quantities for the aging purpose. If let us say tomorrow a demand comes for 5,000-10,000 tons of 1-year-old rice, then it is difficult for us to supply or make shipment accordingly. So that risk, we have always taken and that risk has always paid us also.

Moderator: Thank you. We take that as the last question. Thank you very much, members of the management team. Ladies and gentlemen, on behalf of KRBL Limited, that concludes this conference call. Thank you all for joining us, and you may now disconnect your lines. Thank you.