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 Friday, May 24, 2024 on Audited Financial Results of KRBL Limited for the Fourth Quarter (Q4) and Financial Year ended March 31, 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 Friday, May 24, 2024 at 12:00 Noon onwards on the Audited Financial Results for the Fourth Quarter (Q4) and Financial Year ended March 31, 2024.

The same is also available on the Website of the Company at https://krblrice.com/schedule-of-investor-meet/

This is for your kind information and record.

Thanking you,

Yours Faithfully,
For KRBL Limited

PIYUSH ASIJA

Digitally signed by PIYUSH ASIJA
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Encl: As above

“KRBL Limited
Q4 & FY24 Earnings Conference Call”

May 24, 2024

MANAGEMENT: **MR. ANIL KUMAR MITTAL – CHAIRMAN & MANAGING DIRECTOR**
MR. ANOOP KUMAR GUPTA – JOINT MANAGING DIRECTOR
MR. AYUSH GUPTA – HEAD -DOMESTIC DIVISION
MR. ASHISH JAIN – CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day and welcome to KRBL Limited Q4 and FY24 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 assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference 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.

Ashish Jain: Thank you to all participants for joining us. Welcome to the Q4 and FY24 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 the Domestic Division as key speakers on the call.

To kick off the call, Mr. Mittal will provide updates on the business, industry and our overall strategy. Following that, Ayush will delve into the perspectives of our domestic business. Finally, I will present the "Financial Overview" of the Company for the 4th Quarter and Fiscal Year '24.

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 this 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(s) website and our Company website.

Now, I would like to invite Anilji to share his views. The floor is yours, sir.

Anil Kumar Mittal: Good afternoon, everyone. I am pleased to welcome you to our quarterly investors call for KRBL Limited.

Today, I want to share with you some insights into our Company's "Performance" and the "Outlook" for the future.

Firstly, let's examine the global rice landscape, According to the latest forecasts by the USDA, global rice production in the marketing year '2023-24, is expected to reach around 517.3 million metric tonnes, showcasing a slight increase from the preceding year. However, it's crucial to note that rice consumption has also seen a rise, reaching 521.6 million metric tonnes in the same period. This uptick in consumption has resulted in a deficit surpassing production in the previous marketing year thereby impacting global rice prices.

Looking ahead, the projections for the upcoming year are optimistic. Global rice production is forecasted to surge by 10.3 million tonnes, reaching a new record of 527.6 million metric tonnes. This increase is primarily attributed to significant growth in key producing countries like India and China, which collectively contribute more than half of the global rice production. Additionally, major producers such as Indonesia, Burma, Pakistan and Bangladesh are also expected to witness larger crops.

On the consumption front, USDA anticipates a further increase in global rice consumption for the year 24-25, reaching a record high of 526.4 million metric tonnes. Notably, India is projected to lead this surge with consumption hitting a record high of 120 million tonnes driven by government initiative and public distribution programs. However, China the largest rice consuming country is expected to experience a decline in consumption for the third consecutive year, due to reduced utilization of rice as a substitute for coarse grains and feed.

Now, let's shift our focus to rice exports, India is positive to maintain its position as the largest rice exporter in 2025, with its exports projected at 18 million tonnes, up by 1.5 million tonnes from the previous year. This significant growth is fueled by a larger crop and ample stocks. However, it's essential to keep an eye on the policy stance adopted by the Government of India as it could influence export dynamics.

Moving on to India's rice outlook, The marketing year '2023-24, India's rice production is estimated at 135 million metric tonnes, slightly lower than the previous year figures of 135.8 million metric tonnes. However, I am sure many of you are curious about the outlook for basmati production in the upcoming year. While specific figures are not available at this time, expectations are cautiously optimistic considering the historical significance and global demand for this premium variety of rice.

Turning our attention to basmati export, India witnessed a remarkable year in terms of basmati rice exports from April 2023 to February 2024, basmati exports size to 4.67 million metric tonnes, marking a notable increase of 22% compared to the previous period. However, the story was different for non-basmati export which were affected by the state policy, resulting in a decrease from 16 million metric tonnes to 10 million metric tonnes during the same timeframe. The recent Red Sea crisis has undoubtedly raised concerns globally, the crisis have disturbed one of the world's busiest maritime trade routes, impacting the flow of goods between Europe, Asia and Africa as shipping routes are de-routing to avoid conflict area, or increased security measures are implemented shipping cost have risen and transit times have increased, considerably impacting the logistics part of the business.

Despite challenges the demand for both basmati and non-basmati rice remains strong, and it is reflected in high prices. In the period from April 2023 to February 2024 the average export realization for basmati rice was 10% higher than the previous year, while non-basmati rice saw a 17% increase. However, it's worth noting that export realization has been declining month-on-month since third quarter of 2024. The main reason that can be attributed to this decline in realization are the geopolitical concerns in the Middle East region.

The recent clash in Israel and Gaza, eroded regional stability and raised economic uncertainty deterring confidence within the business community and thereby hampering business growth. Further the payment situation from key markets such as Iran is still not streamlined. And there is still tightness of funds leading to constricted business volumes with the negatively impacted local prices in the Indian market.

I will now update you about KRBLs export performance, KRBL export revenue stood at Rs.292 crore in Q4 2024 and Rs.1345 crore for the entire financial year '2023-24. As previously communicated, our export performance has been impacted by various factors. The Government's restricted policy decision regarding export of rice impacted all our non-basmati export to the tune of about 300 crores. Geopolitical concern and heightened tension in the Middle East region has substantially delayed the payment cycle from markets such as Iran and Iraq, which contributes to nearly 40% of the total basmati export from India.

We are very conservative in our approach when working with these markets and do not intend to take on unnecessary payment and transaction risks, which might lead to compliance issues at a later date. Hence representing fewer opportunities for us in the bulk line segments having an impact of Rs.600 crore to our export revenue. The restructuring of our distribution network in some major markets has led to a temporary decline in our export number which we believe will be reclaimed in the next one or two quarters.

We are already seeing an increasing trend in shipments and repeat orders in these market and hope to reach our expected volume soon, which will additionally add 600 crore - 700 crore to our topline. If all the above factors are in line, we automatically see a jump of Rs.1400 crore - Rs.1600 crore in our export revenue. Nevertheless, in order to reduce our dependence on a few markets, we are aggressively working on creating and developing our presence in newer markets in order to diversify from our geographic concentration.

Nevertheless, we have secured bulk orders for approximately between 200 crore to 250 crore which we anticipate shipping over the current and the new quarter. Despite challenges in our export segment KRBL total income reached Rs.5482 crores mainly driven by robust performance of our domestic business. We witnessed an impressive 18% increase in domestic revenue during FY2024, our Company reported an EBITDA of Rs.899 crore with a PAT of almost Rs.600 crore.

Looking ahead to FY2025, we are confident in our ability to accelerate our export business while maintaining our growth trajectory in the domestic market. Thank you.

Ashish Jain: Thank you, sir. I will now hand over to Ayush for his comments.

Ayush Gupta: Ladies and gentlemen, it is an honor to address you today and share the Outstanding Performance of KRBL Limited in our domestic market for the fourth consecutive quarter of Fiscal Year '2023-24. In Q4 FY '24 our India market sales once again surpassed the Rs.1000 crore revenues threshold, achieving Rs.1009 crores and marking an impressive 8% year-over-year growth. This consistent quarterly performance has propelled us to a significant milestone, with annual domestic revenue almost touching the Rs.4000 crore mark, reflecting an 18% year-over-year growth.

Our success is a testament to meticulous strategic planning and diligent execution. Our market share metric speaks volumes. In the general trade business, we expanded our market share to an unprecedented 36.9% in Q4 FY '24. A gain of 440 basis points over the same period last year. We concluded the year with a 35% volume market share marking a substantial 300 basis points increase. Additionally, in modern trade we achieved a commendable market share of 55.4% in Q4 FY'24 and 41.7% on an annual basis.

In the e-commerce business, we almost doubled our business to report a 400-basis points market share increase to 39%. While these output metrics are impressive, they are the direct results of our unwavering commitment to input measures. The India market is driven by robust operational metrics. And we believe that sustained progress on this front will ensure long term sustainable growth. Our strategy to diversify distribution has been phenomenally successful. We added over 150 new distributors and expanded our retail footprint by more than 44,000 outlets in the exit quarter of the past fiscal year. This achievement required not only upgrading and up-skilling our workforce, but also enhancing our analytical capabilities to make high yielding decisions.

Our commitment to excellence extends to our supply chain capabilities. By setting up a robust CNF infrastructure. KRBL has improved its supply chain efficiency, ensuring quicker and more reliable delivery of products to various market segments. This strategic move not only bolstered our ability to meet customer demands promptly, but also help the penetration of new markets, thus expanding our overall distribution network. The enhanced logistical support provided by the CNF expansion has been instrumental in strengthening KRBLs market presence and operational efficiency.

Our second strategy, to increase branded basmati penetration has brought 1 million new households under our branded umbrella this fiscal year alone. The overall branded basmati category welcome 2 million new households. India Gate reached an impressive 11 million households in India's further strengthening our position as the world's number one branded basmati rice player. Our marketing campaign commanded a dominant 60%+ share of falls in the category. And a regional approach to marketing communication, strengthen the brand showed by a 200 basis points increase in brand equity and 1000 basis points increase in trial ratio for the brand.

Our third strategy of diversifying our product portfolio has made notable progress. We launched two new categories last year, and our entry into the regional rice category was met with positive reception, generating a remarkable revenue of Rs.212 crore and 89% increase over the past year. We exceeded our target of this segment contributing 5% to our overall India revenue in FY '24.

Furthermore, our new launch India Gate Classic Biryani Masalas has seen tremendous success adding innovation to our legacy brand India Gate. This high margin category holds great promise and we believe that this category will scale up significantly on modern trade and e-commerce platforms. Within the first three months of launch, we have been able to garner 10%+ market share within the Biryani Masala category in modern trade, which consists of established legacy masalas brands.

As the India business achieved unprecedented growth, our focus extends beyond expansion to evolution. We are committed to building functional capabilities, advancing technological competencies and upgrading our talent pool. In conclusion, KRBL Limited stands at the threshold of a new era of growth and innovation. Our achievements over the past year are a testament to our collective effort, strategic foresight and unwavering commitment to excellence. We are poised to further strengthen our market position and drive sustainable growth. Our vision for the future is clear, to be a leader in the industry through relentless innovation, operational excellence and a deep understanding of our consumers evolving needs. We will continue to invest in our people, technology and processes to ensure that we still are at the forefront of the market.

Thank you for your continued support and confidence in KRBL Limited. Together we will achieve new heights and create a lasting impact on the industry. The future is bright, and we are ready to seize the opportunities that lie ahead. Thank you. I will now hand over to Ashish for his comments on the financial statement.

Ashish Jain: Thank you Ayush. I will now take you through the performance for the Quarter and the year ended March 31, '2024. All figures mentioned by me would refer to the consolidated financials of KRBL Limited.

Total revenue from operations for the quarters stood at Rs.1318 crores marking a growth of 3% over the corresponding previous quarter. Total income increased by 0.3%, lower than the increase in total revenue from operations primarily because of lower other income as a corresponding quarter last year had an income tax refund of around Rs.40 crores. Domestic revenue excluding power increased by 8% over the corresponding quarter last year to Rs.1009 crores, year-on-year basmati sales in the India market increased by 6% driven largely by volume growth.

On the export side, revenue declined by 12% over the corresponding quarter to Rs.292 crores because of lower non-basmati sales which were at Rs. 3 crores during the quarter as against Rs.90 crores in the corresponding quarter last year. This decline in non-basmati sales is largely on account of ongoing policy restrictions. Basmati sales on the export side actually increased by 8% during the quarter. Gross margin in the quarter was at 25.7% as against 26.6% in the same quarter last year and was affected largely by higher basmati unit cost. EBITDA margin for the quarter was at 14.1%, the same as that in the corresponding quarter. Finance cost for the quarter was at Rs.14.3 crores as against Rs.7.8 crores on account of higher inventory lead working capital borrowing. The PAT for the quarter was Rs.114 crores or 8.6% in margin terms as against Rs.118 crores or 8.9% in the corresponding quarter on account of the factors that I mentioned.

I will now share an Analysis of Q4 versus Q3, Revenue from operations in Q4 was at Rs.1318 crores like I mentioned as against Rs.1438 crores in the preceding quarter. This is on account of domestic sales which were lower by around Rs.135 crores vis-à-vis the preceding quarter, while export sales were actually higher by Rs. 14 crores. Domestic basmati volume sales were lower as compared to Q3 as Q3 was a festive season while export sales actually saw an increase in realization in Q4. Q4 gross margin is higher on account of higher export realization and higher revenue from byproducts as well as power. While average basmati COGS remained at Q3 levels in Q4. The EBITDA margin remained at Q3 levels primarily on account of higher proportionate employee cost.

Now, I will discuss 2024 Performance, Total income for the period stood at around Rs.5482 crores marking a growth of 0.4% against FY23. The revenue from operations was at Rs.5385 crores marking a similar growth over FY23. The gross profit margin of the Company was 27%, lower on account of lower export sales and increase in paddy and rice cost during the year. EBITDA margin was at 16.4% on account of other factors but benefited from lower export freight on sales. The PAT of the Company was a Rs.596 crores on account of above factors besides higher finance cost.

Now, just to share the segment wise sales performance for the full year, Domestic basmati sales volume for FY24 grew by 10% and realization by 6%. This, coupled with almost doubling of non-basmati sales resulted in a 18% year-on-year growth in domestic revenue to Rs.3936 crores. On the export side in FY24 basmati sales volume declined by 20% because of lower branded sales, basmati realization increased by around 5% to 9% for both branded and bulk segments individually, but overall basmati realization was flat on account of higher share of bulk in overall export revenue. This coupled with policy restrictions mentioned by Anilji on the non-basmati side resulted in an export revenue of Rs.1345 crores.

Moving on to balance sheet highlights, Total inventory as of March 31st, 2024, was at Rs.4451 crores, comprising Rs.1334 crores of paddy, as against Rs.1616 crores in March 2023 and Rs.2955 crores of rice as against Rs.2396 crores in March 2023. In volume terms, paddy stock was at approximately 306,000 tonnes and rice at 444,000 tonnes. These numbers were 407,000 tonnes and 404,000 tonnes respectively in March 2023. Total bank debt as of March 31st, 2024, was at Rs.460 crores, as against Rs.138 crores as on 31st March 2023. With that, I come to an end of my prepared remarks, I would now like to hand over to the moderator for opening the Q&A session.

I would just like to mention that the ED matter is sub-judice so we will not be in a position to respond to queries on this matter. So, over to the moderator now.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Himanshu Upadhyay from Buglerock PMS. Please go ahead.

Himanshu Upadhyay: My first question was, we have been doing CAPEX for the non-basmati side also or domestic brand, where are we in that CAPEX cycle. And how much of revenue contribution of that has been there in the FY24 and also in FY25 and some focus areas for us?

Ashish Jain: Himanshu so, in terms of our CAPEX cycle, with respect to our plant expansion in Karnataka, and in MP, the land has been acquired various formalities post acquisition of land are going on and the construction work has commenced. So, that is going as per plan, in terms of overall non-basmati revenue Ayush mentioned, so on the branded side we did about Rs.212 crores in last financial year.

Himanshu Upadhyay: How many varieties would be there or this would be one or two varieties only, there is Rs.212 crores?

Ayush Gupta: This Rs.212 crores comprises of about five to six different varieties of regional rice comprising from pan India. So, there are certain varieties which sell in the East region, some varieties in the south region, some are contributed from the North and West. So, as we spoke earlier also our regional rice strategy is to focus on the premium varieties in regional rice, which have the potential to give us healthy gross margins. So, we have chosen those varieties within the India Gate brand and we are growing them alongside.

Himanshu Upadhyay: Would we like to continue with these 5-6 varieties or do you think that over a period of time, we would like to focus on two or three, which you think can be maximum potential and how do you select those 5-6 varieties, some of your thoughts and which are those six varieties where you are focused on currently?

Ayush Gupta: We were started with 5-6 varieties, we might want to add more varieties as we deep dive into a particular market and get more market Intel. It might be a situation that we resort back to a couple of varieties as our focus varieties in terms of growth. So, down South, Wada Kolam and Sona Masoori raw old is giving us great results. So, our focus and growth there is much greater than we probably other varieties that we have started focusing on. So, it is going to be a journey, there might be new varieties added as the market demands and expects and there would be certain varieties that will be curtailed out because, maybe consumer trends are not favoring or product quality or gross margins are not as per our strategic alignments.

Himanshu Upadhyay: Okay. And what are the top three priorities for this year on domestic side can you give that, and I am not talking about financial numbers, revenue or profitability, but in terms of goals you have set to achieve on the other aspects or operational aspects of the business besides financial?

Ayush Gupta: The broadly the three-pronged strategy that we mentioned in the past year will continue there would be refinements on that front. But densifying distribution reach is definitely an agenda going forward. As basmati rice currently is sold only in 7 lakh outlets and we see other staples category selling in more than 15 lakhs and certain of the categories are upwards 30 lakh outlets, our objective is to expand basmati penetration or branded basmati penetration to that extent. So, a lot of our effort may come from marketing, may be from distribution is to expand the overall industry and the category and not just ourselves. And being the leader, we believe that if we are able to do an expansion for the category we will benefit the most. So, that is definitely an area of focus alongside we are augmenting our product portfolio. Regional rice growth remains as a focus, but we are also evaluating and going to be venturing out into newer categories apart from rice. Ready-to-cook Biryani Masala, as I mentioned has given us a bright spot and we will focus on more of these and launches which relate to the brand "India Gate" and add to the innovation agenda to that but, other than ready-to-cook Masalas we are evaluating other food products or categories, and we will be doing some launches and announcements soon as we have something firmed up.

Himanshu Upadhyay: Okay. And on the export side, we said that we want to diversify from Middle East but, can you give what would be our strategy and are we focusing on large markets or even small markets, we are fine to go for exports business?

Anil Kumar Mittal: We look at the opportunities wherever they are, whether the markets are small or big. We don't want to lose any opportunity which is in front of us. But prior to going into diversification or finding new markets, we want to stabilize ourselves where we were already established. It is a fact that our business has distorted in the last 2 – 3 years because of certain reasons, which we would like to overcome first and then look at newer markets. We are not going to leave any opportunity which is going to come in our way.

Moderator: Thank you. We will take our next question from the line of Chetan Doshi from Tulsi Capital. Please go ahead.

Chetan Doshi: As you showed the roadmap for Indian market, there is nothing about the export market. You don't speak at all in the investors presentation nor in this presentation also made by all three of you. So, we would like to know because in last three years the sales is getting stagnated around Rs.4500 crores or say around Rs.5000 crores. Last three years, I have been attending your concall wherein it was told that in next year we want to become a 8000 crore Company. And when the market is lucrative when prices are at all-time high, you are not able to penetrate the export market the way it should be as a market leader. So, can you just highlight something on this?

Anil Kumar Mittal: Your question is correct that in last 2-3 years we have not shown much growth in exports. The main reason is the payment problem with Iran & Iraq, which are huge markets for Basmati imports. We do not have any arrangement via Dubai to regulate that business. Besides, we do not want to enter into any such business which may lead to controversies later on. So we are not concentrating much on these markets and are waiting for the payment problems to get resolved. Yes, I do agree that we are facing a serious setback in Saudi which used to give us a topline of about 600 to 700 crores. We are desperately trying to recapture that market. I hope, God willing we will be able to overcome this problem in the third quarter of the present fiscal.

Chetan Doshi: Let's hope so, but a lot of attention needs to be given to this subject because, it is affecting your bottom line in a big way.

Anil Kumar Mittal: Absolutely correct, I do agree, you being an investor and we being a company, we are trying our utmost to ensure that my investors are happy.

Chetan Doshi: Can we expect by September you have things in line?

Anil Kumar Mittal: Definitely, we are also planning that by September quarter we will be able to do something much better than what we have done in 'FY 2023-24.

Moderator: Thank you. We will take our next question from the line of Mahesh Atal from Atal Investment. Please go ahead.

Mahesh Atal: Sir, I have one question. Please let us know about the Saudi Arabia because that is one thing because Iraq and Iran are already close, I understand there are some payment issues that we can see. We can see everybody's money is stuck like you mentioned in last concall. But the business of Saudi Arabia as we used to do 800 to 1000 crore but currently it's zero so what is happening and what's the progress on that because last distributor did what he had to and that was a year back so what are we doing now there?

Anil Kumar Mittal: In Saudi Arabia, India Gate was the highest selling brand from India. Otherwise most of the brands belongs to local companies, and we call them export of private labels. Now, 80% market is captured by these 7-8 local brands and they too are more than 30 year old brands like

India Gate. Those who had our brand and worked with us for more than 30 years had some financial issues. However, it should be understood that since 1988 to 2015 they were doing a phenomenal job and we were so proud of the Saudi market since every year we were registering a minimum growth of 10%. So, we were confident that by FY2025 we would have reached a figure of about 1500 crores, but on the contrary we had to lose our business which we were continuing up to 2020. After that we started searching for a new distributor. We never wanted a distributor whom we appoint today and in few years we start facing the commitment and financial problems. So, after seeing the financial strength, we decided on a distributor, but as ill-luck would be, within a span of six months his performance level fell down. We tried a lot and appointed him for the next financial year too. But he could achieve the targets neither in FY 2022-23 nor in FY 2023-24, and rather sued us. The High Court order was in our favour, and we cancelled his agreement. Now he has gone into arbitration. Considering the unnecessary legal expenses which may run into crores of rupees and the time involved, we tried to settle the issue with him amicably, but he doesn't want that, and hence we had to agree for arbitration. Before any judgement of arbitration comes, he is spreading bad rumours about us in Saudi Arabia. Therefore we are having a difficult time in appointing a new distributor.

Mahesh Atal: Okay, I understood your point. Can't we directly penetrate into the market because our competitors has a channel in other countries so can't we create our own channel there?

Anil Kumar Mittal: For last three months within our Board and our professionals, we talk on these topic only that if in next 2-3 months nothing comes up then we start our own channel. If it could have been Dubai it was very easy to open our own office because it is similar to India. But in Saudi Arabia we do have language barrier, man power issue and other challenges which we have to overcome. If the decision is not in our favor then by September we will open our own office in Saudi.

Mahesh Atal: Sir just an advise, I think you should start your own channel because the rumors will always keep spreading, but our channel will perform better.

Moderator: Thank you. We will take our next question from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Sir we used to be the largest basmati rice Company till FY2020. Then the second largest player over took us in 2021 by revenue. And last year, they even overtook us in EBITDA. Now sir, our net worth is 50% more than them. So, with 50% more net worth we are generating less EBITDA than them and losing market share. And sir if we listen to the management commentary, we don't see there is any problem, it feels it is self-congratulatory, everything is going fine, we are gaining market in India in low margin market and in high margin market we are losing market share. And sir we understand your problem in Saudi so, sir why can't we divert the Saudi exports to the rest of the world, because otherwise what's the point in having so much of inventory?

Anil Kumar Mittal: If it's about inventory, let me tell you from my long experience, that basmati prices have always remained higher than what normally they are during the start of the season. So, on that experience we do our purchases according to our financial strength, and try to liquidate the stocks according to their purchase price levels before end of the season. So, we are able to maintain cost levels as well.

As regards diversification, please do understand we are trying our best. KRBL being the leader in Basmati generic segment, we are making our earnest efforts to diversify, but the issue is of payment. It is not that easy to develop new markets of same volume. Iran & Saudi will always remain major basmati markets. Saudi Arabia has started importing around 900 to a million tonnes, and Iran is importing around 1.2- 1.3 million tonnes. Iran imports are mostly via Dubai. Both these markets are importing around 2.2 million tonnes together, which is practically 45% of our total export. We can't ignore these markets. We have to finally catch hold of these markets. We can easily sell around 100,000 tonnes in Saudi alone, either by establishing our own office there or through a Saudi distributor. We do not want to lose our title of being the leader of Basmati exports. Therefore, we have to be present in Iran and in Saudi.

Keshav Garg: Sir our exports basically have reduced from around 2100 crore four years back in FY20 to 1350 crores last year, whereas sir if we see then, India Basmati export revenue has increased by 35% over past four years and 22% last year, sir our Basmati revenues have fallen by 35% in the past four years.

Anil Kumar Mittal: The shortfall is coming from only from these two major markets, Iran & Saudi Arabia, which were accounting for a turnover of about 700 – 800 crores each. If we add these figures, the numbers would come to the level what you are expecting. As I have been repeatedly saying, these two are the major markets, and we are making our utmost efforts to gain back our foothold in both the markets.

Keshav Garg: Sir, total basmati export was 48,400 crore India last year, in this if you remove the 1400 crore then also we have 47000 crore market so I am not able to understand is basmati is the commodity and our aged rice is a special commodity. Why cannot we divert it, it is not as a Saudi Arabia is 80% of the export market. It is something like 15%, 17%. So, even if we lost market share in Saudi why could we not diversified exports to the rest of the world?

Ashish Jain: The numbers quoted by you are correct. Anilji has already responded to your question and then to your comment. Your point has been noted in terms of the effort that are being made in terms of restoring export to be accelerated. And he has got back and said that, if the indirect distribution we are not able to align a partner, then by September, as far as Saudi is concerned, we will setup our own operation. Do you have any other comments or questions other than that?

Moderator: Thank you. We will take our next question from the line of Amit Agarwal. an Individual Investor. Please go ahead.

Amit Agarwal: My first question is regarding rice bran oil. So, last 7-8 years back we were talking about to launch of this product in the country. Where are we in this particular product at this stage? And my second question is regarding, in your presentation you are showing that your turnover has double turnover in the last 10 years. How much is this because of volume increase, and how much of this is because of price increase?

Ayush Gupta: So, on the rice bran oil project we have made significant progress. And we are planning a launch in this financial year. However, it's not going to be a rice bran oil launch specifically, it's going to be a healthy edible oil launch. And we are looking at a very high gross margin profile as a product within the oil category.

Ashish Jain: Amit what you were asking for is, that over the last 10 years, what has been the increase in value versus volume right?

Amit Agarwal: Yes.

Ashish Jain: So, I don't have 10 year old data with me right now but I will get back to you separately.

Amit Agarwal: Okay. And regarding this oil market how much are we expecting from this new product launch?

Ayush Gupta: We have made some projections and calculations and by year three of launch we are expecting about 200 to 250 crore revenue.

Amit Agarwal: Sir are you setting up the plant in Punjab?

Ayush Gupta: Yes, we are going to be setting up a plant in Punjab.

Moderator: Thank you. We will take our next question from the line of Ketan R Chheda, Retail Investor. Please go ahead.

Ketan R Chheda: I am coming back to the export market topic. I understand that Iran, Iraq, Saudi are big markets and we cannot ignore them. I would like to understand what is your view about the markets of US, Europe, Australia and all these markets because I understand that these markets also could be bigger. We don't want to defocus on the top three markets that you mentioned, but at the same time, how are we progressing on the other markets, where they maybe big in potential but right now the revenues from these markets is very less for us.

Anil Kumar Mittal: Except the markets of Saudi, Iran & Iraq, our exports to the rest of the world is 50% which includes Far East, Middle East, West & East Africa, USA and Europe. We are doing extremely fine in Australia. We are also doing extremely well in the Middle East except Saudi Arabia. We are doing fairly well in US, but the major share of the U.S. market is with our competitor. Leaving America as far as polished rice is concerned we are really doing fine in the rest of the world as discussed above.

Ketan R Chheda: Okay. So, just again in terms of the UK, is UK a big market for us?

Anil Kumar Mittal: As far as Europe, including UK is concerned, it is still a market of Brown Basmati. However, after FTA comes into force, polished rice expansion would be phenomenal. As of date, we export around 4 -5 containers to every country of Europe and we are doing fine and are satisfied. My nephew Akshay is looking after the European business who recently visited Europe, made good contacts and booked good orders. We are only worried about the Saudi business including Iraq.

Ketan R Chheda: Okay. And last question from my side. I understood from your comments that the last distributor that we had in Saudi, we have appointed him for maybe a year or so and the engagement was not for a longer period. So, correct me if I am wrong and linked to that is, what I want to ask us now or whatever the new distributor that we are evaluating or looking to appoint. Again, our engagement will be for a shorter period to start with, this is my question.

Anil Kumar Mittal: All our distributors worldwide are appointed for a period of one year or a maximum of two years. We revise the agreement after every two years. So, our last Saudi distributor was also engaged for two years, but he could not achieve the target in the first year. Still, we gave him an opportunity to perform in the second year. He couldn't achieve the target in the second year also, and hence we had no other alternative than to cancel his agreement. We are trying with other people, but have not been successful till now.

Moderator: Thank you. We will take our next question from the line of Nisarg Vakharia from Nv Alpha Fund Management LLP. Please go ahead.

Nisarg Vakharia: Two questions. The first is that you just recently mentioned that the distributor was not able to perform. Can you help us understand what does that mean, because over the last 4-5 years as you said that the local private brands have sort of taken shelf space versus you. So, who are they sourcing basmati rice from and where are they sourcing rice from and how easy is it to displace the local brands and again come back into the shelf space?

Anil Kumar Mittal: You are talking of the distributor whom we have discontinued?

Nisarg Vakharia: Yes, sir.

Anil Kumar Mittal: When we appointed the last distributor in Saudi we had an agreement to sell 58,000 tonnes in the year 2021-22, but he could hardly sell 23,000 – 24000 tonnes only. However, rather than cancelling the agreement as per the terms of the contract, we gave him another opportunity next year to sell 48,000 tonnes. But, he couldn't do even 10,000 tonnes in the second year. This was the reason we had to discontinue with him.

Nisarg Vakharia: That I understood, but I sort of asked you a deeper question that there is no shelf space somebody else has replaced you. So, how easy is it to displace those guys back and then get your space again, because four years is a reasonably long time now to lose market share is my point.

Anil Kumar Mittal: You are absolutely correct, this time either we are going to do ourselves or reappoint some experienced distributor. I do agree that competitors have occupied our shelf space and we have to face a hard time to recapture the same. But, looking to the reputation of India Gate, it should not be difficult for us to recapture them. We may have to pay more to get back the shelf space for six months or one year & reduce our profit.

Nisarg Vakharia: In context to that sir, the private label brands that exist versus India Gate in Saudi Arabia and these markets, they are sourcing basmati rice from which country Pakistan or India?

Anil Kumar Mittal: India's share in the global basmati export market is 85% & Pakistan accounts for 15% share. As regards the Saudi market, the market ratio of India & Pakistan is 90 : 10.

Nisarg Vakharia: Okay. Second question sir for domestic, you have done a very good job. If you see your volume growth from 2014 to 2019 the CAGR from 2020 to 24 is almost double of that, which is quite nice after COVID. I am saying specifically, and we have done almost 15% CAGR this data I have so I have seen this data. Can you please help us understand what has led to the dramatic increase in volumes in domestic operations post COVID and can this run rate continue, because out of the 15% CAGR growth, 6% is price growth?

Ayush Gupta: Thank you for that question. Post COVID broadly a couple of things happened. One is definitely the HoReCa business resumed back. The tailwind on the HoReCa business was normalization of GST across India. Earlier there was a GST charge only on branded products while unbranded products were exempted of GST. So, that created a lot of baggage on branded products to compete in the market. But after 2019, when the GST regime got normalized, a big push was received by us especially because we were in the quality branded space in the HoReCa business. And obviously, HoReCa overall has seen a very, I would say stupendous growth in terms of outdoor eating, in terms of travels and in terms of spending otherwise, so HoReCa business has grown for us considerably over the past five years. Another tailwind that we have seen in the India market is consumption patterns increasing. So, kind of mentioned in earlier speeches as well, that India used to be purely a metro phenomenon when it came to basmati rice consumption, almost 60%, 65% of basmati rice was consumed only in the metro cities. Over the past five to seven years, this trend has changed. Now, about 60%- 65% consumption of basmati rice, branded basmati rice happens in the tier one and tier two cities. So, that tells you about the expansion of basmati rice consumption within the India market. And we have kind of ridden that wave of growth. But we have also outperformed the category growth in a lot of ways that is showcased through our gain in market share. Just last year, we gained about 300 basis points market share to finish the year at 35% in general trade. So, we have done distribution expansions, we have entered new retail outlets, we have done a lot of work on the household penetration in terms of effective communication and marketing strategies. So, it's a mixture of a lot of things across the spectrum. Even supply chain capabilities have been enhanced over the past couple of years to be able to fulfill to this evolving consumer needs.

Nisarg Vakharia: Just in context to this, see the addressable opportunity from unbranded to branded is infinite. We can't even put those numbers on paper. So, when you say 35% market share, what does it mean?

Ayush Gupta: That's part of the packaged branded segment.

Nisarg Vakharia: Package brand, okay. And can we not have like 10% to 12% volume growth considering that now we have Blinkit, Swiggy, at least in the urban cities I don't think many people go and buy loose rice, from the general provision store, everybody orders on these platforms. So, can the volume growth not be higher than what we are doing today?

Ayush Gupta: That's our aspiration, we are planning at least a 15% to 18% volume growth on consumer packs. And about 8% to 10% volume growth on bulk packs year-over-year and 15% to 18% in consumer pack is on the back of e-commerce and modern trade which are growing even higher, but modern trade and e-commerce still as a percentage of sales is about 20% to 25%, 70%-75% is contributed by general trade. So, that's the reality of Indian retail ecosystem. And it's quite a good tailwind and a good story for us unfolding going forward as well.

Nisarg Vakharia: Thank you for patiently answering my questions. One small question, if I can squeeze in, just wanted to understand if we open our office in Saudi Arabia. See, there are two forms of distribution networks one is India, where you have to go to every general provision store and grab bag or you have like US, where the distribution network is very consolidating. So, you can easily achieve scale so Saudi Arabia falls in which bracket?

Anil Kumar Mittal: No, as far as Saudi is concerned, it is a mixed bag of Europe, America & India. Most of the business is done in a professional manner. 90% consumption in Saudi market is of Indian Rice. Modern trade is very well organized whereas HoReCa business is just like Indian market.

Moderator: Thank you. We will take our next question from the line of Anuj Sharma from M3 Investment. Please go ahead.

Anuj Sharma: Just one quick question related to the previous one, what is the economics of setting up our own channel in Saudi?

Anil Kumar Mittal: Still we have not worked out. We are still working on concluding a good distributor. But if we are not able to get any good distributor in next three months, then we will make a visit and see how we can establish our own office.

Anuj Sharma: Okay, but if let's suppose we come down to Plan B. I am just trying to understand what are the negatives or downside of setting up our own channel, is it the breakeven or is it the possibility of success or failure?

Ayush Gupta: See, from an economic standpoint, it will definitely be a much better deal because we will be surpassing all the middlemen margins and working directly. However, there will definitely be a question of credit exposure in the market that we will be exposed to. But, broadly the question that needs to be answered is the capabilities front. Having a distribution, having our own distribution in the foreign market requires a lot of network, requires a lot of local know how and capabilities, being a manufacturer being a brand Company, that's not what our core capability lies, which is setting up our own distribution network. Having said that, if the need arises, and if that's what we want to do, we will put all our energies towards developing that capability. So, there's more at risk on the software side of things rather than economic, economics definitely would favor the decision but it's more about the capabilities that need to be able to enter the market.

Moderator: Thank you. We will take our next question from the line of Yash Dantewadia from Dante Equity. Please go ahead.

Yash Dantewadia: Hi, can you just shed some light on the distribution dynamics in domestic versus foreign exports, basically cash and carry percentage if there is any, how much is it in the Indian distribution versus export distribution, I don't know anything about exports, I don't know anything about your domestic business in terms of the payment terms, can you shed some light on that because like the previous participant said, even if you penetrate the Saudi market by yourself, you will have a hard time collecting payments in understanding the credit dynamics there. So, how is that different right now?

Ayush Gupta: See the domestic market, while there is a significant credit requirement in the market from the retailers, but having a strong brand for India Gate, our credit exposure to our distributors is very limited, distributors mostly pay us on advance payments and avail the cash discount that we offer them and hence our credit exposure in the domestic markets are quite limited. When it comes to channel dispersion 75% to 80% of the business is contributed by the general trade while 20% to 25% business contributed by the modern trade and e-commerce platforms. And we have distributors across cities and states in India and that number is closing about to 750 distributors now. In the export markets, it's quite a diversified portfolio depending on the market requirements there are certain markets like America which will be more dependent on organized retail and ethnic markets and so every market has a very nuanced distribution network depending on the product because basmati rice is also a niche product and an ethnic product. So, depending on the spread of the market, depending on the penetration of the product in that market, the distribution network varies. However, our strategy currently is that for every country, we have one authorized distributor who services various segments of the market in certain countries we have also had a separate distributor for consumer packs and we have a separate distributor for HoReCa

Yash Dantewadia: Right. In Saudi with our previous distributor did he pay cash or credit, what was your payment term?

Anil Kumar Mittal: As far as basmati is concerned, the Government of India came out with a notification that basmati can be exported either against CAD or against the letter of credit or under ECGC guarantee payment. So, these are the three modes. So, there is no question of giving any credit.

Yash Dantewadia: No, but if you go and set up your own domestic office in those countries, then that guarantee won't be valid right?

Anil Kumar Mittal: ECGC will not be valid if we open our own office in any part of the world. But the main problem in opening our office is to monitor the credit lines, especially with the HoReCa business.

Yash Dantewadia: Last question regarding the margins, for example in your domestic market in the last three years, how much have you grown in e-commerce question number one and within that question, how does your margins differ. Now, if you go through a distributor and e-commerce if you are selling directly, can you just explain if your margins are going to work if the e-commerce penetration goes up, higher margin is going to go higher or no. And if yes, by how much and how much you are expecting e-commerce to grow in India, because I see a lot of Big basket, Jio Mart, et cetera, and obviously, that penetration is going to grow a lot in the next 3-5 years. So, are your margins going to be supported by that growth and how much are you expecting that portion to grow, these are the two questions.

Ayush Gupta: All right. In the past three years, I would say the e-commerce business has quadrupled for us. So, we were at about a 50-crore revenue and we just closed a 200 crore revenue on e-commerce and we see that number, we have also had forecast this year of upwards of 33.5% in terms of growth rate on this front. So, e-commerce business because of the penetration, that digitization is happening across India. And because of the convenience from a quick commerce perspective, this channel is seeing a lot of penetration and acceptance from the consumers. So, we are very positive on the e-commerce front in terms of margins definitely it's a direct serve channel from our end to the retailers. However, there are a lot of cost of doing business with such retailers because it's a consumer facing business. So, there is a need a lot of promotions, there is a need of a lot of advertising on the platforms. And there's a heavy investment on that front. If I compare it to general trade, I would say it will be just slightly better in terms of overall cost of doing business. So, we are maintaining healthy margins as we are doing in general trade while working with e-commerce.

Yash Dantewadia: Also, can you just share US market share please?

Anil Kumar Mittal: We have 6% of the total share of the US market.

Yash Dantewadia: In the last three years or has it gone down?

Anil Kumar Mittal: It is almost the same, neither it has increased, nor it has gone down.

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

We do hereby confirm that no Unpublished Price Sensitive Information was shared or discussed during the Q4 & FY24 Earning Conference Call.