KRBL Limited

E:KRBL/BIBHU/STK_EX_2122/21
09 July 2021

✓	**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.**

Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call held on Thursday, 01 July 2021

Pursuant to the provisions of Regulation 30 read with Para A of Part A of Schedule III of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of Earnings Conference Call held on Thursday, 01 July 2021.

This is for your information and record.

Thanking you,

Yours Faithfully,
For KRBL Limited

Raman Sapra
Company Secretary

Encl.: As Above.

Corporate Office : C-32, 5th & 6th Floor, Sector-62, Noida-201301, Gautambudh Nagar, (U.P.), INDIA.
Regd. Office : 5190, Lahori Gate, Delhi - 110 006, INDIA. Tel. : +91-11-23968328, Fax : +91-11-23968327, CIN No. L01111DL1993PLC052845
Tel. : +91-120-4060300, Fax : +91-120-4060398. E-mail : mails@krblindia.com. Visit us at : www.krblrice.com

KRBL Limited
Q4 & FY21 Earnings Conference Call Transcript
July 01, 2021

Moderator Ladies and gentlemen, good day and welcome to KRBL Limited's Q4 & FY21 Earnings Conference Call. As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you and over to you sir.

Siddharth Rangnekar: Thank you Neerav. Welcome to KRBL Limited's Q4 & FY21 earnings conference call for analysts and investors. I take great pleasure in introducing senior members of the management team on today's call. Joining us are Mr. Anil Kumar Mittal – Chairman and Managing Director, Mr. Anoop Kumar Gupta – Joint Managing Director, Ms. Priyanka Mittal – Whole Time Director and Head International Division, Mr. Ayush Gupta – Head Domestic Division and Mr. Rakesh Mehrotra – Chief Financial Officer.

We propose to commence with updates from Mr. Mehrotra on the overall financial performance. Mr. Ayush Gupta on the domestic business, Ms. Priyanka Mittal with perspectives from exports and Mr. Anil Kumar Mittal, Chairman, with views on the industry, business, and broad strategy. After the opening remarks from the management the forum would be open for an interactive question-and-answer session.

A cautionary note. Certain statements that may be made on today's call could be forwarding looking in nature and actual results could vary from these statements. A detailed statement in this regard is available in KRBL's investor presentation which is available on the company's website. I would now like to invite Mr. Mehrotra. Thank you and over to you sir.

Rakesh Mehrotra: Good afternoon, ladies and gentlemen. I welcome you all to KRBL's Q4 & FY21 Conference Call. Trust all of you are safe and well. I hope you will have had the opportunity to review our presentation and results which have been uploaded on our website.

Let me provide you a brief overview of the financial performance for the quarter. During Q4 FY21, our standalone revenue from operations came in at Rs. 974 crore. This was supported by 15% volume growth in sale of rice with healthy volume expansion achieved across exports and domestic business. With a strong brand presence shown by customers we have seen improvement in bulk pack volume sales in the period. Similar growth trends were observed in consumer pack volume sales which trend higher year-on-year.

Our EBITDA during Q4 FY21 stood at Rs. 212 crore with EBITDA margin at 21.75%. Gross margins came in at 32.9%, these were higher by 98 bps year-on-year in line with better volume growth. PBT for Q4 FY21 stood at Rs.187 crore, PBT margin in this period is standing at 19.13%, this is 33 bps better on year-on-year basis owing to cost benefit on inventory, and substantially lower finance costs on account of reduced requirement of working capital funding. Our PAT for Q4 FY21 came in at Rs. 139 crore and PAT margin at 14.27%, higher by 100 bps year-on-year.

Moving to performance for the full-year FY21:

We reported revenue from operations at Rs. 3,992 crore, which was backed by consistent growth in export volumes. Domestically we recorded robust growth year-on-year basis, general trade and modern trade in consumer pack sales. Gross margin showed 256 bps gain year-on-year 31.5%. EBITDA stood at Rs. 846 crore, whereas EBITDA margins showed 133 bps improvement year-on-year basis to 21.20%. We achieved a PBT of Rs. 751 crore and our PBT margins showed 192 bps enhancement year-on-year basis to 18.70%. We have achieved highest ever PAT of Rs. 567 crore during the year in line with reduced finance cost. Net profit margins showed a growth of 191 bps year-on-year basis at 14%.

Our company has very little long-term debt. Most of our debt is practically in the form of working capital loan. We have achieved all-time loan net debt position of Rs. 147 crore, our net bank debt as on 31st March 2021 stood at as low as Rs. 53 crore. Consequently, our leveraging ratio have shown marked improvement. Net debt to EBITDA showed 33 bps reduction 0.17 as on 31st March 2021. Interest coverage ratio showed substantial jump to 32.8 times as on March 2021, over 13.2 times as at 31st March 2020. In line with improvement on in operating trends in the business, I am pleased to inform that Board of Directors has recommended a dividend at the rate of 350% for the year ended March 2021.

Our goal remains the same to reinvest our accruals in expanding our inventory. We have taken advantage of softer paddy prices by stocking up incremental quantities in order to meet our goals over the next 2-3 years. This gives us a unique base to grow volumes at a pace that we are comfortable with in coming year. Also, with the announced increase in MSP for non-Basmati price, the industry dynamics will support firmness in the pricing of the Basmati which could enhance our inventory position further. This brings me to the end of my remarks.

Before I hand over to the next speaker, I would like to share the company's view on the method of the ED. The management of company has taken an opinion from independent legal counsel and on the basis of the same the view is that, since investigation is still ongoing, no adverse opinion can be drawn. We will not be in a position to respond to queries on this matter on the call as it is sub judice. KRBL always believes in highest standard of corporate governance and transparency and is determined to take effective steps to restore our esteemed reputation.

With that I hand over to Mr. Ayush Gupta who will update you on domestic business,

Ayush Gupta: Thank you, Mr. Mehrotra and I welcome everyone on the call today. I hope your families and you have been keeping healthy in these tough going times. Good evening everyone. Whatever I have to say today, I would like to tackle it as a report card of a resilient organization. Resilient organizations are those that rebound and prosper after business disruption, because they are resistant to the impacts of disruption, as well as adaptive, agile and sustainable in the face of disruption.

I would like to begin with the key highlights of the results. To put it briefly our India business showed great restraint during the first half of the financial year and exemplary performance in the last quarter. Q4 grew by 17.5% in volume terms. Approximately 50% of our topline is contributed by consumer pack, which is all pack sizes of 5 kgs and below. This segment was boosted by in-home consumption and posted double digit growth. This only implies that our brand framework and distribution framework have been fairly resilient during the storm. Demand in, out of home consumption packs hereby categorize as all pack sizes of 10 kg and above continued to improve. This challenge has gone through great difficulties during the pandemic, but gradually on a sequential basis, we are getting back to normalcy, and I do hope we will be back to normal very soon. E-commerce continues to contribute better towards domestic sales. I will be talking further on how this has really boosted the performance of the company.

Being the market leaders in basmati rice space, the company has now strategically forayed into the health food segment with the launch of two new nutritionally superior products, India Gate Chia Seeds, and India Gate Flax Seeds. Along with the existing portfolio of brown rice, brown basmati rice and Quinoa. The health segment though at a very nascent stage grew at high double digits during the past financial year. India Gate consumer packs, which contributes almost 40% to our business had a strong performance in the last quarter of the financial year, where India Gate brand grew by more than 20%. During this period, we have added almost 1.5 million households to the consumption basket of this brand. It is important that the resilience of this brand continues as we look forward to lasting normality. The basmati market in India is pegged at 2.5 million tonne annually, through estimates and surveys, we are able to quantify that about 40% of this volume is catered through packaged basmati rice segment. The 60%, which is 1.5 million tonne is still sold in loose unbranded packs. As a category captaincy effort to grow the penetration of packaged basmati rice in the broader basmati rice segment, KRBL has positioned its Unity brand as a brand of choice for the price conscious customer. While best in class product quality and consistency will remain the key pillars of strength, KRBL wishes to tap the market populated by regional and unbranded players of the industry. This Rs. 400 crore brand when nurtured over the year will prove to be the most important contributor to KRBL's growth story. So, if we call ourselves a resilient organization, what are the aspects that make us resilient? There are five aspects that I would like to discuss today. They are, a decade of market dominance, the consumption opportunity, a growth model, focus on omni-channel and lastly consistent media support to our brands.

Let me start with talking about our past decade of market dominance:

We have had 10 years of volume led sustainable growth, where India business has shown a robust 300% increase in its topline. The market share of India Gate brand has crawled up to a head turning 38%. We have a leadership position in our market, and it has been so for the past 10 years. Our persistent and incremental marketing investments have taken our share of voice up to 80%. This simply denotes that we are a long-term oriented company and seek to invest in brands over extended period of time.

Moving on, the consumption opportunity:

Why KRBL sees for itself a reasonably bright future? There is a study done by Bain & Co. and there are many more then by Kantar and Nielsen and many other consulting firms. It says why India is a large market in aggregate, the cold reality of India is its relatively low per capita income. As recently as 2005, 69% of India's households were classified as low income, households with comfortable cushions what we would call upper middle class or high income accounted for a mere 7% of the total, giving the income profile an Eifel tower like shape. In the last 15 years, this tower has acquired a prosperous middle with a steady GDP growth rate of 7.5% a year since this point, today's household income profile pyramid will become a diamond by 2030 and 50% of households will be in the higher and upper middle-income segment. What this essentially means is that India will add 140 million households in the middle-class segment and 20 million households in the high-income segment. The consumption story of India will thrive. The consumption of packaged goods, of branded goods, goods with high quality and safety and good credentials goods will have an uptick. And that uptick will definitely benefit KRBL. We stand at the base of a mountain of opportunity. That is as intriguing as it is exciting. KRBL will have huge opportunities for future growths. The question is not what for future growth. The question merely is when.

Next is our growth model:

At KRBL we are undergoing massive renovation. If I have to explain you in layman's language, renovation is making changes something that already exists, leaving the essence intact, but giving it new vigor and perhaps a new life. It's like remodeling your kitchen, the basics, counter, dishwasher, refrigerator, wet bar will still be there, but they will be upgraded and that's exactly what we are doing at KRBL. While keeping the ethos of the corporate intact, we are upgrading our supply chain, our technology, and most importantly our people. KRBL is upgrading its supply chain from the current multiple disfunction stage to an integrated supply chain model. KRBL plans to further extend supply chain capabilities to regional markets in order to cover geographies in a much more robust manner. We are taking end-to-end digitization of our channel partners. Project Disha as the word means direction. It is a step towards moving into an open culture to share, learn, grow together. Disha will create a digital interface between KRBL and its distributors. It will completely transform the way our channel partners and sales team have been interacting till now and will strengthen organization's ability for decision making in today's fiercely competitive market. We have been using salesforce automation software for the past two years and we are very proud to state that our sales team productivity has doubled through this journey. I am further delighted to share that almost 30% of our generated business now flows through this salesforce automation software and we are further doubling our sales team on the field in order to drive a controlled GTM.

Next, the most important pillar of our transformation journey, our people:

People are what make an organization and quality of people is what drives culture. At KRBL we are building a team of highly experienced top FMCG professionals at various levels of the organization. This input of fresh blood in the KRBL system is helping us overcome resistance to change in a much more welcoming manner. I am proud to state that we are quickly moving into a productivity driven work culture. FMCG distribution landscape in India is undergoing huge disruption. This omni channel landscape is presenting new and better opportunities to increase category penetration in various markets. KRBL is welcoming all channels and developing policies through which we are able to coexist in a mutually beneficial manner. E-commerce has had a solitary story, a story done by many organizations, but at KRBL we are also proud of it. In financial year 2017, less than 1% actually 0.3% of the business came from e-commerce, whereas in financial year 2021, it contributes to 4% of our topline. Growth has been a fantastic 13 times. A strong focus on building capabilities and driving every day great execution has resulted in this performance.

As I look back on the performance of the year, I am very pleased to share that we operate at an undisputed leading market share of 44% and 35% in modern trade and general trade respectively. When there is a crisis, consumer turn towards big brands which have a deep foundation built on decades of trust. We continue to invest in our brands through regular advertising garnering upwards of 80% share of voice. Our brand messaging remains relevant and contextual owing to changes in consumer sentiments. These times also required a responsible outlook for the society and a brand with a heart. KRBL contributed more than 50 million meals through the largest food drive campaign during the pandemic. We are aggressive. We will not fail to succeed if that is what is needed to succeed. We are an organization with a long-term vision. Our company is all about brand and brand strength. The love, support, trust, and commitment our customers have given us is what keeps this company going. We can have our ups and downs as an organization, as a country, as a society. Your company is here to stay in the same resilient, positive, respectful spirit that it has adopted for all these years. Thank you.

I would now request Ms. Priyanka Mittal, the Whole-time Director to give her remarks on the export side of the business.

Priyanka Mittal: Thanks, Ayush. Good evening to everybody. I would like to start by saying that COVID indeed has been a roller coaster, but I think as an organization, as a sales department, it definitely brought us closer together. When during the last lockdown the entire export department worked hand-in-hand with the plant and the distributors to ensure that the supply chain kept on functioning and since then we have learnt a lot, and appreciated our own inherent strength, the strength of our employees and the fact that we live the values. It was really heartening to see that the higher purpose actually come through. Despite the logistics challenges we continue to supply our distributors, despite lockdowns we continue to operate under great duress. One of our distributors, Ameya and he just kept his warehouse open. He didn't charge his consumers any money. That is the ethos on which we built India Gate and it was heartening to see that our distributors also live that ethos. So overall, a huge learning journey that brought the entire team closer together.

With regard to regional update, for those of you who may be joining us for the first time, I just wanted to draw out the context on how basmati is exported, and which are the key markets. If you were to look at APEDA data which actually monitors overall exports, the most dominant market for basmati is Middle East. Over 70% of the total product of India goes to the Middle East and the rest of the markets are in low single digits. Whether it's America or Southeast Asia or Africa, so really the key market for basmati in terms of existing market and potential market for me, is Middle East. And I am very happy to inform that we remain the most dominant player in the Middle East from the branded side, your brand India Gate is the most dominant brand in the GCC, which is the highest consumer of basmati and we remain number one. And the gap between number two, number three, particularly in certain key markets like UAE, Qatar, are almost halved. Also, in a very high-density market like Saudi, we remain truly an aspirational brand that I think, as an

Indian agri branded product, that's something to be very proud of that it is consumed by the Royalties of the world.

There's great aspirational value, not only amongst Indian brands, but actually even amongst the local brands. And we saw that highlighted in COVID where our consumers lined up to fill their baskets with India Gate. And we continue to remain buoyant in that market. We understand the consumer and we have offered a lot of other caterings to offer to the sort of short-term changes that have occurred in the market.

With regard to other markets, America remains market of key interest, despite it being 4%-5% contributor to APEDA, in certain markets in the Americas, particularly in Canada, KRBL's brand, India Gate continues to outperform everybody. In terms of aspiration value, we are the most aspiration brand. India Gate Classic is the most expensive brand in the market, and I am happy to report that in the last year we have actually gained a lot of important channel customers that actually deepened and increased our penetration in the market. Also, we saw that happen in America wherein through just sheer focus on distribution and availability we opened a lot of new doors and that is evident in the growth rate that the America's business experienced. We also launched a lot of new products, which I'll be talking shortly, which are actually received well in the America's market. With regard to Australasia, this is a market that was built earlier on. We have had over a 15-year leadership in that market. We continue to dominate that region. I am very happy to report that in almost all mainstream accounts in Australia, we are present, and we are present loudly. In the APAC market we continue to maintain our leadership. In the New Zealand market, we are the most highest selling brand in the mainstream as well as the ethnic market. And I think something that is also unique to us vis-à-vis our peers is that we are 100% brand focused. So, while others may claim volume share of the market, I am very happy to report that India Gate is the most dominant leader in that market. The same goes for Africa and I think that shows our experience in seeding, scaling, and maintaining leadership. So, we don't recede grains of growth, but we actually nourish them, splash them and sustain them. I think that is evident with our growing market share in markets like Africa. Africa last year experienced challenges on Forex remittances and despite that our share in the African market on an absolute basis grew. In certain markets, Nur Jahan is now close to 50% market share, which is really heartening because South Africa is a fairly evolved retail market. I think something else to be extremely proud of is India Gate's share in the premium segment globally, particularly in markets that matter, which is the GCC markets. And we estimate our share of the premium market to be as high as 86% and I am very proud to say that there's probably no other brand that can claim such dominance, especially an Indian brand.

In terms of a regional perspective, we continue to open new markets. Of course, that effort proved to be arduous because of logistics constraints on container availability, etc., but we did open a lot of new markets last year. In terms of our strategy going forward I think it is built on seven pillars. We want to be relevant, and we want to grow our market leadership and markets that matter, particularly in the GCC market. I am very happy to report on the value capture that we did this year. So, we really set up a house if I may for growth in the coming years and in the coming quarters and what I mean by that was value capture. We operate on a very evolved FMCG model akin to most global FMCG brands in the market. We implemented that model in some of the biggest markets of the GCC, particularly Saudi Arabia we have seen phenomenal improvement in the availability of our products, and I think it's only a matter of time when we reclaim our market leadership in that market in the white rice segment. Our Chairman remains invested in that market because that's something that he built and he constantly steers the markets through his guidance and through his experience. However, I think it's important to instill the FMCG discipline and we are going to be seeing some early returns of that investment. We have also looked at our distribution structure, our distribution relationship and we are looking at adding more distributors to the current pipeline and that is sort of a widening of the funnel strategy. We believe that if we truly want to address the market then markets need to be segmented. We need to have a more focused go-to-market approach and then partner with distributors who will execute that go-to-market strategy with trade finesse and expertise. And so, what we have done is we have widened our distribution base. We've looked at HoReCa channel more deeply, we have invested a bit in research, and we are hoping to benefit from that channel also. So, unlike other traditional brands which focus primarily on the general trade or the traditional trade our strategy as a brand has been to focus on modern trade, which outside India is the dominant market channel. So over 70% of the product is sold through that channel and in the Middle East, there is not a retail channel where we are not present. And I am very happy to report same is the case in our key markets wherein we exhibit that dominance. Our strategy going forward would actually be to ensure that we consolidate our presence there, to grow on traditional trade. And of course, e-commerce as mentioned by Ayush earlier that remains an area of increased focus. We saw that last mile connectivity with e-commerce came in very handy during COVID when due to lockdown consumers couldn't go to the supermarket. So, brands such as us in the Middle East who were present through the Amazons and the Noons of the world were able to do it, distributors stepped up, went online and scaled their online model, home delivery model, and so there was a lot of new, huge channels which came about. And we would like to ensure that we remain fully available to capitalize those opportunities.

I think targeting and acquiring new customers has been KRBL's mantra for a very long time. While the Indian diaspora continues to drive majority of our consumption, international chef events, the master chefs of the world and the social media at large are enablers to acquiring new customers. We have seen early seeds of it in Southeast Asia. We have seen seeds of it in Africa and I am happy to report definitely in a market we will do really well which is Canada. So, we saw a lot of new customer acquisition, not just Southeast Asian but I have to say starting seeds on sort of a non-traditional consumers. We stepped up our efforts on initiating dialogue with the customer and I have to say COVID actually propelled that initiative much deeper, because you have to be active on the social media. You had to have that human front. And I think just simply relying on traditional media didn't really meet brand objectives. So, creating I think a brand dialogue and trust became very-very important. We invested in a lot of marketing initiatives. We were on air in Dubai. We were on air in North America. I think that also helped us in the customer acquisition drive. We also created an entire ecosystem of influencers, chef celebrities, dieticians, who could actually educate our customers on buying better. So, a lot of the activities weren't necessarily just about selling India Gate, but it was actually enabling the customer to make a more informed choice. And I think as leaders bringing customers along the education curve is extremely important.

I think the last pillar, which for me personally, has been the most important pillar has been the pillar of product diversification. We started in 2016, I am really happy to report that even though gains have been slow, but we see these fruits of labor and to see the recognition that people recognize us, not just for basmati but for the health portfolio is really heartening for me. Last year we launched three new products despite it being a COVID year. We launched Amaranth, we launched Rice

Bran Oil in the market. Again, the positioning there is more of a shelf premium oil rather than an edible oil. Still early days, but we are very hopeful that with the India Gate brand equity that we will see success in coming days.

In terms of the opportunity, I would like to talk about again, from the perspective of markets that matter, so if you were to look at the share of Indian basmati to the overall rice basket in the Middle East, we are still in about the mid-sixties range, I would imagine. So, the upside to convert a non-consumer of basmati into basmati remains tremendous, that's one. Second, I think moving the consumer up the pyramid is also a perennial endeavor at KRBL’s international division. We remain very-very focused on pushing the premium end of the market, but at the same time being cognizant that there are, mid brands that are entering the market, we have taken timely action to address those mid and value tiers and just as we have maintained our dominance on the premium end, we hope to establish an anchor position in those two categories as well. The future looks buoyant; yes, indeed the last quarter was muted, we used that to restructure ourselves internally, but if you look at the future; what the future beckons particularly from the highest per capita consumer of basmati, as per Ipsos, it's all positive, 57% people are spending more on food and groceries. 57% are preparing their own meals. And overall, I think people have become more conscious on what they consume, and I think with the brand equity that India Gate has, we are well positioned to benefit from that.

Along the lines of the massive activity that we entailed in India I am happy to report that on the CSR front, we actually did an initiative towards UAE 10 million meals, wherein we gave away rice. We believe that if we truly want to be in the consumer’s heart, it would not be just through pure marketing channels, we will have to be part of society. We would have to be part of giving back not only in India, but regionally. So that will be an area of focus that we will continue to build on.

So, with that thank you for the opportunity. I'll turn it over to the next speaker now.

Anil Kumar Mittal: Good evening everybody. I hope that everybody is keeping well and safe during the second wave of pandemic. I would like to update you on current dynamics of basmati business. The COVID pandemic had brought lots of hardship to the trade and industry for the last 14 months. The Government had of course allowed running of the plants since ours is the food industry falling under essential commodities. However, we had to face great challenges in procuring empty containers for movement of cargo, freight rates have increased double fold and the availability of labor went down by 35%, as a result, day to day working got badly impacted. And so also the shipments especially in the last 3-4 months. Anyhow, with our concerted efforts, we had managed to overcome all these stringent problems and the yearly results are before you. We now pray that there should not be any third wave and that we should all live, work and stay safe.

I would now like to brief you on the new crop:

You may be aware that this year government of India has increased the MSP of non-basmati rice to rupees Rs. 1,940 per quintal which tantamount to a farm income of around Rs. 66,000 per acre. To get an equal amount of farm income and ex-mandi price of 1121 basmati paddy should be around Rs. 3,600 per quintal. Likewise, 1509 should be priced at about Rs. 2,900 per quintal and 1401 should be around Rs. 2,850 per quintal. These prices are around 20% higher as compared to previous year prices. Your company has sufficient stocks of both paddy and rice for which we must get a good premium next year. Since majority of our SKUs are two years old at the time of sale, we see a good future in the coming year.

I would like to add something on the research side:

I would like to further inform you that Pusa Institute has developed a genes recombination technique by injecting two genes of bacterial blight and two genes of blast to ensure that the crop is pest resistant so that there is no need for the farmers to use pesticides, such as tricyclazole and carbendazim. As you are aware that pesticide residue issue has become a serious threat for basmati export, especially in America, Europe countries, which is also being slowly spreading in the Middle East and the Persian Gulf. For example, the above four genes are injected in 1121 basmati paddy to create a new variety Pusa 1885. Similarly, four genes are injected into 1509 to create a new variety Pusa 1985. Similarly, for Pusa number 1, the new variety will be called Pusa 1882 and for 1401 the new variety will be called 1886. The idea is to inculcate the pest resistance traits of the donor varieties and export potent varieties such as 1401, Pusa number 1, 1121, 1509, etc. We are quite confident that the research under the leadership of Dr A.K. Singh, the Director of Pusa Institute will really bring awesome results, resolving the pesticide residue issue for all times to come.

On domestic side, we have been meticulously planning to enter non-basmati segment, especially Gobindobhog from West Bengal, Sonamasuri from Karnataka, and Kolam from our Maharashtra. However, we could not proceed as per our plans last year due to the pandemic. We are now working on launching these varieties in a big way. These varieties have a similar working pattern as that of basmati, since you have to age them for at least one year after the arrival of the new crop as to gather their actual attributes and premium quality and pricing.

Regarding farmer’s agitation:

We are all watching on media about the farmer agitation which has certainly not impacted the working of our industry. As a matter of fact, we fail to understand the reason for this agitation. The new agricultural policy is going to increase farm incomes by double fold and to help farmers to diversify, besides the farmer is under no compulsion to follow the new regulation. The government has further guaranteed to buy the crops on MSP. We thus really fail to understand the reason of this farmer agitation. We feel there is no rationale whatsoever. As far as state and central legislations are concerned, the Government has repealed Essential Commodities Act. They have also removed VAT/GST on farm produce. The whole country has become rendered as a common market and thus there is free movement of farm produce from one place to another. There are less obstacles and hindrances. Things are well streamlined, and the working environment has become more conducive. However, the state government in order to increase their revenue, they have been making changes in market feet and rural development surge which made the produce costlier for Indian basmati. I would like to add that basmati rice has put under the category of negative list, no incentive has been provided and even the latest scheme of RoDTEP has been exempted.

On GI, lately we are hearing news about the registration of GI for basmati rice in EU. Our stand has always been that basmati rice is grown only in seven states of north India. Moreover, India was the first for the registration of GI in the EU Pakistan awakened and came into the picture when the GI of India was about to get registered and started confronting. In case India gets GI registration in EU without Pakistan, then definitely India would be the biggest gainer. Otherwise, if there is a dispute and EU authorities don't agree, then India may go for a joint registration. Let me little bit brief you the background of GI. Originally the GI for basmati was applied by APEDA excluding MP. However, registrar GI directed APEDA to include MP for which an appeal was filed to IPAB by APEDA and in the appeal the direction was issued to GI registrar to grant GI certificate to basmati rice excluding MP. MP preferred a writ petition against the order of IPAB and during the pendency of the writ, GI certificate was issued an application to include MP was dismissed by the GI registrar. The writ petition filed by MP is now dismissed. The MP filed an SLP before the Supreme Court which is pending. In the meantime, as MP has also filed a writ petition against the dismissal of inclusion of MP within the geographical area of cultivation of basmati also pending before the Madras High Court.

About EU markets:

There is no doubt that we have lost about 50% share of the EU market to Pakistan due to pesticides residue problem. The buying nations are well aware that our quality and yields parameters are better and our milling standards are superior. Yet there is no denying the fact that the pesticide residue issue had affected our position drastically and we had lost about 50% of our market share of brown basmati rice. We are working hard on the pesticide issue, and it will take about one year to recapture this lost market share. The industry, farmers, farming community, and the government are all working in tandem to resolve this issue. We are confident that this problem will be solved for all times to come very soon.

Regarding Iran:

India has really lost a big share of its market in Iran due to payment problems. There are no imports of crude including fertilizer and petrochemical help resulting into absorption of INR reserve with the Indian banks. Though, still some quantities are being routed through third countries, we are confident that import of food will be allowed in India from Iran and hence the rice imports should resume as before. Till the time the payment problems are not resolved, the business will be subdued.

The newly developed China market came into Indian market for the first time in October 2020. There has been a big export to China of broken rice, and this is our opinion, it will continue. There is a very minuscule quantities of basmati and super fine varieties going to China, that too via Hong Kong.

As you have heard just now our younger generation is quite active in business and is playing dynamic role in our export as well as domestic operation with their energetic involvement coupled with our long experience, I see a bright future ahead in the coming years.

Thanking all the investors once again. I now hand over the call to moderator to take the discussion forward.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Varun Goenka from Nippon India Asset Management.

Varun Goenka: Thank you for a very good, comprehensive presentation and Ayush and Priyanka ji comprehensively addressed, very exhaustive opening remarks. So, I think operationally or brand-wise or distribution manufacturing, nobody can beat us. We are clear leaders and not even MNCs can challenge in your turf. But my question is in terms of KRBL corporate brand or legacy, what are the efforts that we are making towards improving that, the Board, the capital allocation, etc. I think most of the participants have been talking in this line, otherwise we have been doing great. Apart from Anil ji and Anoop ji, would be also eager to hear Priyanka ji and Ayush.

Anoop Kumar Gupta: Varun, your question one is capital allocation, and one is about the board. There are two questions?

Varun Goenka: Yes sir. For example, something as simple as, what other participants were asking in the previous calls, dividend to be converted to buyback or additional buyback because the kind of brand that India Gate is, we are clearly under appreciated by the capital market.

Anoop Kumar Gupta: Varun, you see today for practically 6-7 months, we are a debt-free company as our dependency on banks have reduced too much. Even today we have the capacity to reach the present topline without taking any loans from the banks. In the history of last 26 years, KRBL has always gained due to inventory position. This year also we hold highest inventory in the industry at the lowest price. Just to inform you and you can note it down also we have paddy 3,41,000 tonnes priced at Rs. 27,374 per metric tonne. We have rice 4,45,000 tonnes at a price of Rs. 42,920 per metric tonne. This is total valuing at Rs. 2,841 crore. So, it is our great benefit to hold surplus cash in the balance sheet for the company. Going forward as Anil ji said, with the increase the procurement of basmati, paddy in regional non-basmati business where ageing is required, liquidity plays a vital role. As far as your question about buyback and converting dividend into buybacks, I tell you this is still pending at the Board, and nothing has been materialized. The matter is in the pipeline. We will let you know whenever it is materialized.

Varun Goenka: My second question being, in terms of the size of the brand that we are, I still feel our margins are materially lower versus other FMCG companies. Maybe because we are overdependent on the wholesale channel for distribution. So, is there any thought to increase gradually the net realization to us by going directly to consumers or disintermediating as much going forward directly selling at e-commerce, something like that?

Priyanka Mittal: Good evening Varun ji. Lovely to connect with you again. With regard to this thing to using wholesale at a channel, I think on the export market that's not true. We actually use a distribution led model and unlike others that just trade with the distributors with more to the distributors, we have a fixed markup arrangement which is capped. So, there markup is capped and then we have distribution drive KPIs with them, which we monitor on a monthly basis. Earlier we were monitoring on a quarterly basis now we monitor on a monthly basis. So, in terms of your question on realizations being low, I think I alluded to it in my presentation and without being very specific on this call for competition reasons, I can tell you that our unit value realization is amongst the highest of any commodity in the world. If you were to just compare it to EBITDA realization of basmati on exports, and you were to compare it with my export realizations, I would imagine that it's going to be a 60% premium over what the industry realizes. So, that is a pure aspect of branding and premium positioning. Apart from the export side, if Ayush would like to comment on the domestic side with regard to premiumization, Ayush over to you.

Ayush Gupta: Good evening Varun and thanks for that question. I think we had a brief chat on this earlier as well, where we say that domestic realization is almost 65% of its MRPs on its product. And we spoke about companies realizing over 90%. We are still a long way to go on that number. But we are really working on our supply chain. We are really working on opening regional distribution centers where we reach directly to our retailers or e-comm players. And that brings in a lot more efficiency and cost saving as well. And our objective really, I would not be able to quantify as such, but from that 65% number, I think we should be moving up considerably in just a matter of a year or two because we have put exclusive resources on that front, and we are looking at business from a supply chain cost perspective. And also, to add a little bit on the corporate PR front, more than corporate PR, I feel that I spoke about renovation in my statement. I think when change happens from a foundational aspect, it will eventually show to all of us. PR really will be a newspaper test to what we have done so far. It's not a six month or a three-month job that PRs can turn things around. We all know what KRBL is, what it has gone through. So, it's a journey. So, we are all moving in the right direction, we are transforming in the right manner, and it will eventually show. That's what I believe.

Moderator: The next question is from the line of Chetan Doshi from Tulsi Capital Market Limited.

Chetan Doshi: My question is, is any sale carry forward due to this non-availability of labor and second wave of COVID from March ending to the current quarter? And second question is what are your plans to increase shareholder's value? Because see, from I think last 10 years if you see our profit has gone up from say Rs. 100 crore to Rs. 560 crore. But if you see in last three years, the shareholders' value has depreciated. So, when we say in terms of leadership, it is not getting reflected on the shareholders' value. So please your comments on this.

Anoop Kumar Gupta: As far as carry forward of sales is concerned there is not much which is carry forward. We are normally…what has been carry forward it is normal in the business. As far as your question of creating value for the shareholder, you know what is happening from last three years on the legal structure which I would not like to comment, but market has really discounted that thing. You also know three years back we were at Rs. 670 and today we are at Rs. 240-250 whatever. So, market has discounted that not because of the business because of some legal issues. And I think the worst has happened. Everything now is going to be on the positive side only. The worst has happened, and market has discounted with a full flow…my share price. Now I think everything has been done well, and we are very positive in the future.

Chetan Doshi: But what are your plans to increase the shareholders' value? See, suppose today you are giving 3% dividend. We have generated enough reserve. Even if we double the dividend then also it's not going to affect your balance sheet or the cash flow. So, we should be generous because this type of profit in the history of KRBL it is a big achievement and I congratulate the entire team for this. So, you have to be a little liberal to get attention and take care of the shareholders who have been with associated with you for so long.

Anoop Kumar Gupta: You are directly or indirectly talking about buyback which I have answered in Varun's question. And why I require surplus cash, you know we are dealing in a commodity where ageing is a key and ageing not to the tune of just one year, it is to the tune of two years. And when we sell the product after two years, it goes up to three years. So, working capital requirement is the key in this business. If you compare basmati rice balance sheets of our peers, the biggest strength what KRBL is today, is our balance sheet and that is because of the cash strength. Today, if I am able to give the margin to my bank on my stock at the rate of 60% where others are giving 10% margin, then you see my interest borrowing rate is cut by 200 basis points. My average borrowing last year was 4% per annum and you see the balance sheet of other peers or anybody in the industry, it is not less than 6%-7%. So, these are the benefits because of the liquidity which is coming in the balance sheet. And going forward where we are talking a topline of Rs. 8,000 crore in next 4-5 years, we need that liquidity and ageing is the key in the industry. I hope I have answered your question.

Moderator: The next question is from the line of Abhishek from Sky Bridge Wealth Management.

Abhishek: I wanted to know about your capacity utilization. Obviously, you have a very large processing plant. I wanted to know how much scalability do you have from here without extending too much on CAPEX front?

Anoop Kumar Gupta: You see, Dhuri which is in Punjab, that is the largest plant in the world where we have a capacity to mill about 140 metric tonne per hour. In other words, we have 1 million tonne capacity per annum. Today, we are at 45% capacity utilization at Dhuri plant. And in our Ghaziabad plant we have +90 capacity utilization. As far as Dhuri plant is concerned, I am saying from last 3-4 years, to reach a turnover of Rs. 8000 crore, we don't need any capital expenditure as we have a sufficient capacity to mill the paddy and rice. Maybe we will be requiring some Rs. 100-150 crore for more warehousing. Otherwise, there is no capital requirement for increasing the revenue of the company two-fold.

Abhishek: That's good to know. My second question is regarding your realizations. As we understand that the realizations took a major hit during last year. So, are we seeing some pick up there or are we still trading low

Anoop Kumar Gupta: I think investors have taken not rightly the realization. I tell you, as far as volumes are concerned, our total volume has increased by 1% as compared to last year. Number two, COGS is reduced by 17% over to last year. And our realization is reduced by 12%. You see, COGS is reduced by 17% and our revenue realization is reduced by 12% as compared to the previous year. So, this less realization is due to the inventory because the inventory was cheap. And for certain SKUs, we have to pass that benefit to the consumer because low price SKUs are quite market sensitive, we have to pass on the price to the consumer. And number two, the realization of non-basmati export, if you see, it has been reduced by 40% as compared to last year. This is due to the export to China wherein 100% broken is exported. Whereas basmati export is concerned the downfall is only 5% and then domestic it is 10%. So, mainly the less realization is due to China where 100% broken and less value product is being exported. And despite of less value realization and less revenue the EBITDA has increased by 130 basis points and net profit has increased by 188 basis points. This is the highest ever profit by KRBL.

Moderator: The next question is from the line of Jigar Walia from OHM Group.

Jigar Walia: My first question is a clarification with regards to our roughly 1800 crore India business. Did I hear correctly that 50% is consumer packs so which is 10 kgs and below, so which would be roughly 900 CR. How much of this would be e-comm? E-comm I believe would be largely consumer packs if you can make us understand this?

Ayush Gupta: As I said, 50% of consumer pack has contributed to our topline. E-comm business contributed 4% of our topline.

Jigar Walia: Understood. With the balance wholesale which is there which is 10 kgs and above and within that there is a mention in the presentation that Unity is a Rs. 400 crore brand. But Rs.400 crore would be at the brand level, probably at the company level what could be the Unity value out of this balance Rs. 900 crore? And would this largely be you categorize as HoReCa or HoReCa is mapped separately? This entire 10 kgs and above kind of mapped as HoReCa?

Anoop Kumar Gupta: I'll tell you about Unity brand. It is basically kind of a HoReCa brand. Out of Rs. 400 crore, Rs. 320-325 crore is HoReCa. And it is a very famous brand as far as biryani is concerned. In south if you go any biryani house, if he is selling good biryani, he is using Unity. What we are saying that we have converted this brand into a consumer brand as well. And we hope to achieve Rs. 1000 crore in next 2 years, 3 years maximum and there are about 20 SKUs of consumer brand which we have launched in the name of Unity which are quite cheaper to India Gate and quite affordable to the middle class or upper middle-class people.

Jigar Walia: Understood. So, that would be outside of the wholesale pack. So, this entire Unity number that we will be sharing would be outside of the wholesale or the HoReCa pack.

Anoop Kumar Gupta: Just this Rs. 400 crore includes HoReCa but what I am talking, an increment of Rs. 500 crore will go to Rs. 1,000 crore.

Jigar Walia: Can you help us understand on a full year basis, what has been our market share change in the key markets, India, Middle East, maybe even USA or other?

Priyanka Mittal: With regard to the Middle East, we continue to remain, like I said, a dominant market leader in the GCC countries. So, in UAE we continue to be the number one brand in UAE, same in Qatar, same in Kuwait. In Oman, based on EPOS data of retailers, we can also gather that we are the number one brand because AC Nielsen does not track that region. And in Bahrain also based on EPOS, we can gather that we are number one, again AC Nielsen does not track. From a Saudi perspective in the white rice category, we are definitely the second biggest player of the category. But like I mentioned on the call, definitely huge room to grow in Saudi and we shall see that unfold. In terms of USA, we don't subscribe to Nielsen, so I would not be able to give you a Nielsen specific number. In Australia, New Zealand also we get data from mainstream retailers as well as we do a retail traditional market share of shelf study. And we can confidently say that we are a dominant number one in Australia as well as New Zealand. We also enjoy leadership and other markets as is evident in the deck. We are the number one brand with our brand Nur Jahan in South Africa. We are number one in Fiji. In certain northern African markets, again we enjoy a dominant position.

Jigar Walia: Thanks Priyanka ma'am. Basically, I was looking at markets have change. I understand we are number one in most of these markets, but more in terms of the market share change. And even within India when we look at 38% market share this is within the consumer thing or the overall Rs. 1800 crore?

Ayush Gupta: The 38% market share that you talk about India, the bulk market of India is quite unorganized, and Nielsen doesn't capture the 25 kg bags in its report. But the Nielsen report captures up to 10 kgs, in its report. So, the 38% market share is pertaining to all packs, 10 kg and below.

Jigar Walia: And within the other market that Priyanka ma'am explained, there is a positive market share growth for each of the markets or any noteworthy changes in the market share that you can highlight.

Priyanka Mittal: From an FY-FY perspective, I can tell you that we have retained a market share position in almost all of the markets. We did not subscribe last year, so I cannot tell you from an FY perspective. But what I can tell you is that we continue to maintain our leadership position.

Moderator: The next question is from the line of Mr. Jagpreet Singh from GA Capital Management.

Jagpreet Singh: Good to see you, Ayush and Priyanka ji on the call. Anoop ji, my question is to you. Two years back May 2019, you had indicated that you will be targeting a turnover of something like Rs. 8,000 crore in 5 years. So, I just wanted to understand are we on the target in next 2-3 years?

Anoop Kumar Gupta: Good evening. You see, we have shifted that plan of Rs. 8,000 crore from last year to now because last one year and one-and-a-half years has gone, you know the reason. And I am saying from now, it can be even from the third wave. I don't know. So, from last 2-3 years we are achieving basmati rice sale to the tune of 5,65,000 tonnes to 6,10,000 tonnes annually which is practically 9% to 9.5% of basmati production in India with the help of marketing initiatives, both in domestic and exports as told by Ayush and Priyanka. We would like to increase this by 50 basis points each year and to reach at least 12.5% at the end of 5 years. In revenue terms it will add extra revenue of Rs. 1500 crore if I reach to 12.5% of India's production. Number two, our plans are for having processing, packaging, and warehousing units in Karnataka, West Bengal and Maharashtra as told by Anil ji. This will give a boost to the sales of premium regional rice requiring ageing as in basmati rice. This will add another Rs. 800 crore to the revenues. Number three, we will be exporting non-basmati rice, this premium segment to different parts of the world with our premium brands. This will add another Rs. 500 crore to the kitty. Number four, health segment which is today at Rs. 20-25 crore should grow up to Rs. 500 crore in next 5 years. And there are a lot of products in pipeline relating to this segment. If you total all these it will come to around Rs. 3,500 crore and we are practically at Rs. 4,500 crore which makes it Rs. 8,000 crore. This is our program to do in next 1 or 2 years as far as capital investment is concerned.

Jagpreet Singh: You mean to say in the next 3 to 4 years, you will be able to achieve this, is it?

Anoop Kumar Gupta: I said 4 to 5 years, but 1 year has already been wasted. So, I should say from now.

Jagpreet Singh: Secondly, I just want to ask you, are you conserving cash? Do you have any acquisition in your mind?

Anoop Kumar Gupta: I told previously to Varun also, liquidity is a key for a basmati exporter. Even for non-basmati which we are trying for ageing, liquidity is the key. We would not like to spoil that thing. But definitely what I said regarding buyback or other things that is in the pipeline and we will let you know whenever it is materialized.

Jagpreet Singh: I am not talking about buyback. I am talking about any corporate acquisition.

Anoop Kumar Gupta: We are open to it, Any opportunity comes and we have cash, a lot of cash in the books so why not.

Jagpreet Singh: Are your banking limits affected due to these ongoing cases or would you be trying to rely less on the banks going forward?

Anoop Kumar Gupta: Limits are not at all affected. We don't want to be dependent on the bank. If you say as on date, we have got around Rs. 400 crore lying in the bank. So, there is no question of borrowing. So, dependency on the bank it's really too much and as I told you previously also, today if I don't borrow, I can manage my topline.

Jagpreet Singh: It will not affect you during the peak season, is it?

Anoop Kumar Gupta: Peak season also and while negotiating with the banks we get minimum benefit of 200 to 250 basis points. When we say we will give a margin of 60% on the stocks, naturally the interest rate goes down.

Jagpreet Singh: But the limits are not affected, this is what you are telling me.

Anoop Kumar Gupta: Not at all. They are all in place.

Jagpreet Singh: My last question is, due to this Iran market, the problem which is going on, do you feel there is a glut in the Indian market or next year also we will face a similar kind of a glut?

Anil Kumar Mittal: If the quantum of Iran business had continued, the market prices of basmati rice would have gone up by Rs.10 to Rs.15 a kilo. The prices could not hike to that level since the demand from Iran was subdued. I am still not saying that basmati rice is not going to Iran. India used to export around 1.4 million tonnes in FY 19-20 which came down to around 1.1 million this year. The way exports are taking place, it will further come down due to payment problems. However, looking to the current sowing level and the current prices, I am quite confident that basmati rice will be exported to Iran, because rice is their staple food. Both Indian and Iranian governments are desperately trying to find out via media whereby Indian basmati rice can be exported to Iran.

Moderator: The next question is from the line of Himanshu Upadhyaya from PGIM Mutual Fund.

Himanshu Upadhyaya: Congratulations and I really appreciate the openness with which you reply to the questions of the investors. My first question was if we see or what we are hearing about inflation and many food products also, the inflation is quite high. So, will it be significantly beneficial to us over next 1 or 2 years if the price of food products increases, because we generally have 2 years inventory. So, can you elaborate on that?

Anoop Kumar Gupta: You see, today as on 31st March I had roughly Rs. 2900 crore inventory. And basically, the price was Rs. 27,000 a tonne of paddy. And today we are expecting the new crop at mandi level to be around Rs. 33,000-34,0000 a tonne. So, already there is a gain of at least 20%-25% on the inventory which we are holding. This is my expectation. Because government of India, as Mr. Mittal has told already that has increased the MSP of non-basmati rice to Rs. 1,942 a quintal which in turn give to the farmer Rs. 66,000 an acre. So, if farmer has to grow basmati, he should get minimum Rs. 65,000-66,000 otherwise he will stop growing basmati. So, it is in the interest of the basmati milling community, exporting community, that farmer should always grow basmati and he should get a good price. When farmer will get a good price, definitely the price to the consumer will also go up and basmati eating consumers, especially the premium quality, if the price goes up by 15%-20%, it really doesn't matter. So, it is always profitable. Your question is, it is always profitable for company like KRBL who are holding huge stocks, any type of inflation will always benefit us.

Himanshu Upadhyaya: And what we also hear and last year also, you stated that the price of paddy were very low or basmati and hence you wanted to accumulate as much as you can get in the market. And what we hear from farmer community, especially in some states that the paddy sowing will be lesser this year on basmati. Is it the case or what is your sense?

Anoop Kumar Gupta: As far as crop is concerned and what I told you last year, we are holding stocks all time high as far as history of KRBL is concerned because we find the prices is too low.

Himanshu Upadhyaya: My question was that sowing of this year's paddy or basmati, how is it?

Anoop Kumar Gupta: Because this MSP where farmer is getting Rs. 66,000 we are expecting a downfall of minimum 15% in the crop this year.

Himanshu Upadhyaya: And one last thing, you said about the new varieties of rice where some pesticides may not be required. So, how quick can the adoption of that be and how successful are that? And one more thing, so when the farmer tries a new basmati or any crop, do you think that he will start with the whole crop, or it would be in small portions and the scaling up will take how much time. So just some thoughts of yours. And can it be as quick as Pusa 1121 where we did a lot of work and we benefited also, what new varieties are coming where some of these pesticides may not be required. So, how soon can be the adoption of the new varieties?

Anil Kumar Mittal: Let me tell you, no research can be conducted overnight. It takes about 3-4 years for Pusa Institute to develop a new rice variety and to come out with a commercial sample. We are one of the luckiest companies to be associated with Pusa Institute. If you recall, they gave us a 1 kilo seed of 1121 which has multiplied into 5 million tonnes today. Similarly, they gave us the seed of 1509 as well. What I mentioned to you today was that they have developed commercial crops, out of which they sent us 16 samples and out of those we cleared only 6 samples which have good cooking results and good taste. Now the seed production will start this year and commercial production will start next year. The new improvised varieties will not come in commercial scale this year, but will come only next year. We have already given our approval and they have received the approval from 10 very promising farmers as well. I think we will go into seed multiplication this year.

Himanshu Upadhyaya: So, sizable thing will be something in FY24 type of thing?

Anil Kumar Mittal: Yes, it will come in October-November 2022.

Himanshu Upadhyaya: But that would be majorly seed it means for the next season, it won't be that big, a million tonne or something.

Anil Kumar Mittal: But I tell you, see, already we are doing pesticide control. So, already we will receive this year quite a good big chunk where it is approved by the European Union for pesticide free rice. Already that we are working. And as far as Pusa Institute is concerned, the commercial crop will start coming during October 2023.

Moderator: The next question is from the line of Sarvesh Gupta from Maximal Capital.

Sarvesh Gupta: First question, last 2-3 years growth-wise we haven't been able to do much. So, what gives you confidence on this Rs. 8,000-crore sort of a target which has also been postponed. That means like you are talking about 13%-14% growth. But last 2-3 years does not give us any confidence that the company can sustainably grow at 14% assuming no commodity price hike. What are the drivers of a 14%-15% growth rate compared to what we have achieved in the last 2-3 years?

Anoop Kumar Gupta: I have already mentioned, our plans were hit due to COVID, especially the plan to put processing, packaging, and warehousing in the south districts and West Bengal, it got a big hit, and it was delayed by a year or maybe it may go after third wave. And basmati is concerned, yes COVID is one of the reason, but now we are increasing and as I told, today we have a share of 9%-9.5% of the annual production of basmati in India. We are planning to reach at 12.5% around 4-5 years. And health segment is also going up and non-basmati to the export sector will also go up. So, all this combined together, we are confident that in next 5 years we will reach Rs. 8,000 crore.

Sarvesh Gupta: But you may have a plan for anything, but what are you getting from the market that 10% will increase to 12.5%. You can plan for 15% also 20% also, but are there any clear quantitative signals that you are getting from the market which develops confidence that you will be able to achieve your plans?

Anil Kumar Mittal: You have to understand the dynamics of rice. Every year the government increases the MSP of non-basmati by about 10%. So when the non-basmati MSP increases, the basmati price too has to proportionately increase otherwise farmer will have no interest to grow basmati over non-basmati. This year the non-basmati farmer's earning per acre is going to be Rs. 66,000, which will increase to Rs. 75,000 or Rs. 80,000 next year. Now with the earning of Rs. 66,000 per acre out of non-basmati, every farmer who grows basmati would also like to get a return of at least Rs. 68,000 or Rs. 70,000 per acre. And even if a farmer is satisfied with just Rs.66,000 per acre, the price of 1121 basmati paddy next year should be minimum Rs. 34,000-35,000 per MT, which is 25% higher as compared to last year.

Secondly, as Anoop ji has already communicated to you, in India the annual consumption of basmati is 2.2 million 2.4 million tonnes. Whereas non-basmati consumption in India is about 88-90 million tonnes. Out of these 90 million tonnes, about 5-18 million tonnes comprise of speciality rice varieties such as Govindbhog, Sonamasuri & Kolam. If we are going to enter this segment, we are not going to do a business of 50-100 or 1000 tonnes, but it will be in multiples of 10,000s of tonnes. These special rice varieties have already got a market of 18 – 20,000 metric tonnes in India as compared to basmati which has a market of 2.5 million tonnes. We are going to get huge revenues from three SKUs.

Next is the health segment, where we are at a very nascent stage. As Anoop ji has told, today it might be at Rs. 20 crore or Rs. 40 crore. But we want to take this segment to at least Rs. 300 – 400 cores in next 5 years. So, we have to plan and take action accordingly. Our actions are delayed because of COVID. If we do not plan and react to reach the milestone of Rs. 8000 crore, how are we going to build investor confidence?

Sarvesh Gupta: Understood sir. The second question is on the share acquisition. Two years back, I think the promoters were buying from the market at approximately maybe the similar prices. As Anoop ji mentioned earlier, that market has discounted us very badly because of all the legal issues. So, in the midst of this, I think it would make a lot of sense if the promoters, if you feel that this is the bottom and all worst has happened, then why should promoters not come and show confidence in their own stock price by buying it from the open market, when two years back also we were buying at the same price. Now, of course it is more attractive compared to what it was two years back. So, I think some action should be taken along with the buyback as anyways many participants have mentioned, I think we should move in that direction pretty quickly, sir.

Anoop Kumar Gupta: We have taken your suggestion. We will look into it. Thank you very much.

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

Anuj Sharma: When we are looking at non-rice brands, like Quinoa or Flax seeds or other segments which we are planning to enter, what are the key variables we look at before entering a new segment? And what is the scalability we look at before we decide that we plan to enter a new segment.

Priyanka Mittal: Health, I will share our learnings over the last six years. When we first entered with Quinoa and with Quinoa the aspiration was, if you look at it from a palate position, about 30% of the palate is starches, carbohydrates, so rice becomes that 30% contributor, the next palate contributor is 22% protein, and we wanted to participate in that. But as a family we would never ever participate in animal protein, so Quinoa was a farmer friendly option. Because for us parameters are two. One, it needs to realize a higher to a farmer. And the second is, it needs to net out to a consumer, and it needs to provide health benefits. So, for us, we keep these two stakeholders in mind. So, we looked at Quinoa. The third was, of course, rice bran oil which is so 7% of the palate is fats and now through rice bran oil, we have done that. When we look at GTM for each product, we look at, of course, ROS, Rate of Sale, we look at adjacencies to the core brand, so for us the anchor is Quinoa. We will look at ROS of the adjacencies and we would look at the farmer scalability. So, from an India perspective, because all of the products that we are doing are India led. So, what are the superfoods that India is growing which we can market abroad and that becomes the driver for introducing those categories. Ayush, do you want to add anything on the domestic side?

Ayush Gupta: For domestic, what we look primarily when introducing health category, firstly is the change in consumption pattern that we are seeing over the years. Also, the evolving channels. Modern trade and e-commerce, they were not so prominent as it has become now couple of years back. So, that makes it much more easier and consumer friendly to promote these products in the Indian market. More so, when we look at product expansion in domestic, there are two broad categories. One, I would categorize as high margin value-added products, and second would be driving the topline but at a compromise-able margin. So, all the health range of products really fall in the higher margin segment which really contributes handsomely to our bottom line. Whereas we also looking at non-basmati variants to grow our topline. That is a mix and that is how we look at in terms of the future.

Anuj Sharma: Just two questions linked to that one is, what is minimum scale you will want to achieve in each of these segments? And second is based on these parameters, how many products would you have in pipeline which you want to aspire or maybe sell in the market in the next 3-5 years?

Priyanka Mittal: In the export market because the base is really small, we are for some categories, we are growing at hundred percent. Also, we are seeing that because we have kind of make, there are some shoot ups in demand. From our long-term projection, we look at normalizing those short-term spikes. In terms of pipeline, we already have a very rich pipeline again, building on the adjacencies, it is too early to comment really what is going to go to market because from lab to commerce, there is a lot of consumer insight and research that goes, so while the pipeline might have 20 products, only 4 might actually make it to the market. The pipeline I can tell you is very rich. The other thing I think, which is very unique is we are very market focused so it is not necessarily that any new NPD will be launched in India as well as globally. There might be some markets which would find itself amenable to certain markets and we would therefore sell them for domestic the pipeline might be completely different. That it is consumer led and consumer acceptance based, which is driving our NPD strategy.

Moderator: The next question is from the line of Mr. V.P. Rajesh, Banyan Capital.

V.P. Rajesh: My question is do you believe the USA market, I know you mentioned that you don't subscribe to the database over there, but if you can just give our, your sense of, strategy in that market and what is our current market position there?

Priyanka Mittal: In terms of APEDA data, APEDA does not make any distinction between private label and branded business. And clearly there is, I can say so from a retail perspective, on the ethnic market side there is a peer group that appears present. But on the ethnic market in certain markets, we are at par and in certain markets we are a very-very strong number two brand. On the mainstream side I am happy to inform that on the Midwest modern chain, we are present, we are visible, and we are in fact more dominant then. But in terms of the opportunity to grow, I would imagine that would come from the club business, it would come from the modern trade format. Those are definitely opportunities that the company is working towards.

Moderator: The next question is from the line of Ekta Sanghvi from Vallum Capital.

Ekta Sanghvi: Could you give me a brand-wise breakup of the brands?

Anoop Kumar Gupta: This is a confidential data we never share with anybody sorry.

Moderator: The next question is from the line of Mr. Shailesh Kumar an individual investor.

Shailesh K: Thanks for the opportunity. First I would like to thank the Company and management for their extraordinary resilience that they have shown in these extraordinary times. I would also like to thank the compliance department of the Company for timely disclosures of the various events that have taken place. I have 2 questions for the management. First thing is, though times were extraordinary, our closest competitor has grown the top line by almost 35%, both domestically as well as internationally. International business has grown by 45%, domestic at 16%, while our international business has de-grown by around 11% and domestic around 13% sort of thing. So, what is the management explanation? Second question, KRBL has always projected itself as a consumer brand FMCG kind of company, but when I look at the manpower expense of KRBL, it is around 2.2% of the turnover. While we look at the comparable companies like Dabur, Marico they have done around 10.5% of the sales, 7% of the sales, even our closest competitor is spending 5.6% of the turnover on manpower. In this competitive environment, quality of manpower is very important. So, what is the thought process of management?

Anoop Kumar Gupta: Your number one question where you are comparing our toplines with, I think you are comparing with Daawat or so. I tell you if I want to increase my topline with a private label shipping vessels. He is shipping soyabean meal. He is shipping so many products which are not branded, I mean the margin expansion is also not there. Today KRBL is a company where our topline constitutes 80%-85% of our own brands. What is the difference between EBITDA of LT and KRBL? My margin is 31.5%. What is his margin? Because my total topline is branded. Now number two question about the manpower, I thought you must have heard Ayush and Priyanka, we are in a revamp, and we are in last 60 days only 110 people are hired in the export market as well as domestic market. It is a combined export and domestic market. We are revamping our total my expenses is just 2.2% and it will go up, and you will see in next 2-3 years it will go up and my manpower strength will go up tremendously.

Priyanka Mittal: I think the third point is when you compare us to our peers and, without getting very specific, I think the obvious strength is India Gate's premium positioning. With premium positioning you get the pricing power, and you don't want to necessarily discount the product to gain value. For that reason, we have the mid segment brands and value brands that help us achieve those objectives, and you modulate that mix. While not wanting to comment what our peers are doing because each company has its own strategy, our strategy has been not to discount our premium brands to continue to deepen the penetration of those brands and fight out those players, which are sort of driving the market down, through deep cut promotions or excessive blending, to introduce new brands and fight that competition, and that is a fight that we continue to fight every day being in the commodity that we are.

Moderator: My next question is from the line of Varun Goenka from Nippon India Asset Management.

Varun Goenka: My question is on the domestic side; we are obviously champions in basmati and now we are trying to build a non-basmati franchise too. So, when we go to the dealer how do we get more wallet share of the dealer? Are we also looking to create adjacencies like Idli batter, maybe other things are also getting branded, salt and sugar, etc. Eventually will India Gate build those adjacencies so that we can build our wallet share from the dealer more and more. Does it make sense to remain absolutely focused on our rice, which is our core?

Priyanka Mittal: Varun ji, I would like to take that even though the question is directed at Ayush because we have had internal discussions on it. And India Gate from a positioning standpoint stands for premium, it stands for value, it stands for a certain brand from it. India Gate as a brand has certain attributes and aura, a personality. From that perspective, it distinguishes itself in the basmati, and the moment we try to use that brand and leverage it to other and I think certain other players who might be dominant in a certain commodities, such as edible oil have tried to line extend the brand to other commodities, they have not truly succeeded. Whether it is an edible oil player venturing into basmati with the same brand name or an atta player venturing. If you see it play out in the market, there has not been a player, because the consumer perceives that edible oil brand as a champion of that category. I think even if we do venture into let us say other commodity categories the primary driver would be through my entry, am I enriching the category? Am I creating better value for the consumers? Am I delivering better value to the trade? Because gone are the days to be another me too player in the market, it is too expensive and too crowded. That's number one.

Looking to that we have actually gotten into category creation with the health product. I think from an aspiration we would like to play at the premium end of the market with India Gate, push the value up and take the share of wallet on the premium side. If we do want to play on the other commodity side, we would most likely launch other brands and then champion them through investment.

Varun Goenka: My other question is on the export side only. Today if I see the APEDA data, around Rs. 32,000-35,000 crore of basmati is exported and KRBL's market share has risen from some 2% odd to 7%-8% today, but that's still meaningful opportunity for us. So, during this last 18 months of chaos, have you seen any kind of market structure change, any weaker player going out of the industry or any brand going out of the market, which can help us gain, even more dominant 7% market share to maybe much higher because the industry itself in the middle east is not growing or maybe 3%-4%.

Priyanka Mittal: From a GCC perspective like the strategy of domestic wherein we have built a secondary brand called Unity, at KRBL our ambition is to build a secondary brand Nur Jahan. In that market we have already achieved success in markets like Qatar, where we are the second, we are presumably number two in the Qatar market with Nur Jahan. We launched this product in the region, we have achieved moderate success with that. The idea would be to gain incremental share through addition of newer brands, which are positioned as different products. That is one.

In terms of people going out, this is the dynamics of the industry. I can tell you brands come into the market every day they have a certain lifespan, and then they sort of fade out. It will be very boastful of me to say brands go out and in, that is the nature of the commodity. Our goal is to identify the opportunities and try to capitalize them and grow them. There are short-term opportunities and long-term opportunities. The other thing that we are working on is working on the food service side of the business. So, bringing a lot of structure and scalability and approaching the food service business also through a portfolio of brands. Those are sort of opportunities which we are capitalizing on in a more structured manner.

Moderator: The next question is from the line of Ashwani Maheshwari from India Resurgence Fund.

Ashwani Maheshwari: Two questions from my side, first is regarding your revenues. As you earlier told that your volumes have gone up by around 11% over the year by more than 10%. But if you look at the revenues and amounts in Rupees terms then basically, they have gone down by more than 10% year-on-year for 12 months. What is the basic reason for that? Secondly if we look at the ethanol fuel policy of the Indian Government, they have recently launched a document in which they have said that apart from sugarcane, they are also looking at other crops, other grains including rice, for their raw material towards this particular policy. What is the benefit that we would be getting as a company from that policy, maybe from our subordinated products or our let us say our broken rice, or lesser moisture commodity or anything?

Anil Kumar Mittal: As far as non-basmati rice is concerned, we are the third cheapest country in the world. That is why in FY 20-21 India has exported around 13.1 million tons, which is a record by itself. Day by day with the increasing MSP coupled with our domestic consumption, the rice prices are going to increase. However, ethanol can only be made out of agricultural waste. For example, we make glucose out of rice tips at our Ghaziabad factory. But many a times we have to stop glucose production when corn prices come down, because there is no parity in manufacturing glucose out of rice tips. Similarly, I believe as far as Basmati rice is concerned, it will never be a viable commodity for production of ethanol that is number one.

Anoop Kumar Gupta: You were not listening, I have explained previous also the volume has increased not by 10%, it has increased by 1% only, and the value has been decreased by 11%. That is due to COGS, the cost of goods sold, the value of the cost of goods sold has reduced by 17% over to last year. Instead of 17%, yes we have made a less realization of 12%. That is the reason why our EBITDA is the highest and the profits are the highest.

Ashwani Maheshwari: Well, noted on that brand. So, if we talk about packaged food basically like India Gate and Unity, if there is an X percentage change in our raw material cost, how significantly does it get passed down to the end customer?

Anoop Kumar Gupta: You see our premium products, which are India Gate Classic, India Gate Select, India Gate Super and 3-4 more SKUs, we never change the price, whatever the market is. It is somewhere when the market is very bad, we do some promotions, but our MRP remains the same, even in the export market as well as the domestic market.

Ashwani Maheshwari: In that case your revenue should be more linked to your volume that you have been doing, like you said that 1% growth is there year-on-year. So, your revenue must have also been grown somewhat by that or must have stayed at par instead of declining by 10%. Isn't it?

Anoop Kumar Gupta: This is due to China. We have exported around 35,000 metric ton of broken rice at the rate of Rs. 20. You will see the average realization of where we are sending Rs. 80 and Rs. 20. But the cost of goods of that sold by Rs. 20, maybe my cost of goods was Rs. 15.00 only. You can't compare basis of the, because the COGS is a very important factor. We are not passing those benefits in the premium products, but then the lower segment, lower SKUs which are Mini Mogra, Mogra and which are for the lower segment consumers, yes, some benefit passes on.

Moderator: Ladies and gentlemen, I will now hand the conference over to the management for closing comments.

Rakesh Mehrotra: Thank you very much once again for your interest and support. We will continue to stay engaged. Please be in touch with our investor relations team for any further details or discussions, we look forward to interacting with you soon, thank you.