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	Scrip Code: 530813	Symbol: KRBL Series: Eq.

Dear Sir/Madam,

Sub: Transcript of the Conference Call held on Thursday, May 16, 2019

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 (“SEBI Listing Regulations”), please find enclosed herewith the transcript of Conference Call held on Thursday, May 16, 2019.

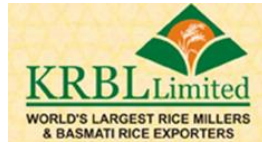
This is for your information and record.

Thanking you,

Yours Faithfully,
For KRBL Limited

Raman Sapra
Company Secretary

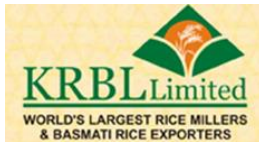
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‘KRBL Limited’
Q4 FY2019 Earnings Conference Call

May 16, 2019

MANAGEMENT: **MR. ANIL MITTAL – CHAIRMAN & MANAGING
DIRECTOR**
 **MR. ANOOP GUPTA - JOINT MANAGING
DIRECTOR**
 **MR. RAKESH MEHROTRA – CHIEF FINANCIAL
OFFICER**



KRBL Limited
May 16, 2019

Moderator: Ladies and gentlemen good day and welcome to the KRBL Limited post Q4 FY2019 results conference call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rushad Kapadia from ICICI Securities Limited. Thank you and over to you Sir!

Rushad Kapadia: Thank you Bikram. Good evening everybody and welcome to the KRBL Limited’s Q4 FY2019 results call. We have with us from the management, Mr. Anil Kumar Mittal, Chairman and Managing Director; Mr. Anoop Kumar Gupta, Joint Managing Director; and Mr. Rakesh Mehrotra, Chief Financial Officer. I would now like to hand over the call to the members of the management to take this forward. Thank you, and over to you, Sir!

Rakesh Mehrotra: Good evening, ladies and gentlemen. Welcome to KRBL Limited’s Q4 and FY2019 earnings conference call. Thank you ICICI Securities for organizing this call today.

Our investor presentation is available on the stock exchanges and website for your easy reference. Talking about the performance of the quarter. Revenue from the operation is at Rs.1196 Crores, an increase of 36.6% as compared to same period last year. EBITDA, at Rs.232 Crores as compared to Rs.210 Crores for the same period last year, this is an increase of 10.5% in absolute terms.

PBT for the quarter stood at Rs.196 Crores as compared to Rs.162 Crores for the same period last year, an increase of 20.6%. PAT for the quarter stood at Rs.137 Crores as compared to Rs.96 Crores for the same period last year, an increase of 42.4% year-on-year.

Moving to performance for the full year 2019, we reported the highest ever revenue from operations, which is at Rs.4120 Crores, an increase of 27% as compared to same period last year. We have achieved an all-time high EBITDA of Rs.865 Crores as compared to the Rs.819 Crores last year. We achieved PBT Rs.733 Crores as compared to Rs.682 Crores last year; this is increase of 7.5%. PAT of Rs.503 Crores as compared to Rs.452 Crores in the previous year, an increase of 9%.

Our company has very little long-term loan. Most of our debt is in the form of working capital loan. Working capital debt starts rising from with the commencement of procurement of paddy at the beginning of Q3 every year and becomes insignificantly low by end of Q2 in the next financial year. This is cycle which results in zero debt by September every year for company.

Our peak borrowing was in the range of Rs.1600 Crores, which is already down to Rs.940 Crores as on date and may come down to be near zero by September 2019. Because of our strong balance sheet, our cost of borrowing is low in the industry. It is lower by 150 to 200 basis points

as compared to the market. We are pleased to inform that Board of Directors have recommended a dividend at the rate of 250% for the year ended March 2019 on the basis of the robust financial performance of the company.

With this, I hand over the floor to Mr. Anoop Kumar Gupta for his comments on the market.

Anoop Kumar Gupta:

Thank you, Mr. Mehrotra. Good evening to everybody. On the macro environment, demand for rice remains strong in India. Overall, the company has achieved a 13% year-on-year volume growth at the back of our strong focus on branding, customer engagement and wide distribution network. We aim to grow at 15% in the domestic market. Our exports as a percentage of revenue are at 45% as compared to 40% in the same period last year. We remain aggressive in terms of our strategy on increasing volumes in both the domestic and export market. We have spent around 3% of sales on promotional expenses for the year.

Moving on to realizations. For the full year, realization per metric tonne was 8%, up YoY. This strong realization per million tonne was due to factors such as superior product mix, which comprised of high-end brands, a rise in the USD rates and an increase in the prices in the export markets.

We have the capacity to mill around 1.2 million tonnes of paddy. We believe that we are adequately stocked up in terms of capacity. Our inventory cost is lower as compared to the industry. This is because of our contract farming operations. Financially, the company is really strong, and the company's procurement process is very robust as compared to peers.

We have a strong distributor network across India with 484 distributors from Kashmir to Kanyakumari, and we believe that we have covered the entire country more or less with this. On the income tax demand raised a few months ago, we are engaged with the department and we are confident of this demand getting scrapped as it is in avenues and without any breaches. Up to March 31, 2019 we have paid Rs.75 Crores towards that income tax demand notice. I would like to reiterate our market share expedition of 45% in the domestic market in the next 4 to 5 years. Currently, we have the market share 35%. On revenue, our expedition is to grow the top line to Rs.7000 Crores to Rs.8000 Crores in the next 4 to 5 years.

With this, I would like to hand over to our CMD, Mr. Anil Kumar Mittal.

Anil Kumar Mittal:

Good evening to everybody. This year has been a robust year as far as basmati rice industry is concerned. If you look at the numbers in 2000, just 18 years back, India used to export around 500,000 tonnes of rice and 200,000 tonnes of domestic rice. The total was 700,000 tonnes. And today, it is at 6.4 - 6.5 million tonnes. You can see in last 17 - 18 years, the growth has been marvelous.

This year, India has exported ~4.4 million tonnes of basmati rice and ~2.2 million tonnes is domestic. In total it is ~6.6 million tonnes and in spite of disturbances into the Middle East, there

has been a tremendous growth in Middle East market. E.g. Yemen, last year i.e. 2017-2018 exported around 160,000 tonnes, and this year i.e. 2018-2019, there is 208,000 tonnes. Similarly, Saudi Arabia, last year it was 813,000 tonnes in 2017-2018, and this year in 2018-2019, it is 911,000 tonnes. Iraq has been little slow because of the payment problem. Otherwise Iraq is a market of around 400,000 tonnes. Last year also, it went around 340,000 tonnes, and this year, it has been 317,000 tonnes. So, there is a shortfall of about 33,000 tonnes, which is not big. I think it may cover up in April and May because of the Ramadan season. There are two countries, which are the countries of concern for the basmati rice industry.

First, before I come to Iran, I would like to discuss about the European market. European market in 2017-2018, the total rice exported to Europe was 418,000 tonnes. This year, it is 238,000 tonnes.

When we talk of Europe these numbers comprise of two paddy seasons. Normally, the paddy season starts from October to March and the Financial year is April to March. When we quote the figures of April to March to Europe, it means one is a season from April to September and the other crop year is October to March. So, the two-year season are considered. Since quantity exported is 238,000 tonnes, this is also a very big question mark because of the pesticide residue compliant material. Once the figures are showing 238,000 tonnes, we being the largest contact farmer in the country, you will be surprised to know that out of 150,000 tonnes, we could only gather around 30000 - 35000 tonnes of pesticides compliant material. We are ourselves confused that how this 238,000 tonne figure has been exported that to with the pesticides compliant. KRBL used to export around 40,000 tonnes to European continent, which has come down to 2000 tonnes. This is about Europe and we will then discuss more on Europe during the Q&As.

Now as far as Iran is concerned, the sanctions by US applied to the import of crude from Iran, but not to the export of essential commodity like food product, medicine, etc, which includes basmati rice. Thus, basmati rice exports to Iran continue as there has not been any official notification. Another indication that this discontinuation of on May 5, 2019, has not impacted basmati rice is that the basmati rice prices have remained firm and, in fact, increased.

Post the imposition of the U.S. sanctions in November 2018, the rupee payment mechanism was introduced, enabling trade between India and Iran, given that Indian imports of crude from Iran thus far has being significantly higher than its exports to Iran. There is still a sizable surplus of funds available in the escrow account of UCO Bank. The management understands that the surplus funds are to that tune of ~\$6.5 billion, which would be sufficient to pay for Indian export to Iran for 1.5 years to 2 years. Hence, basmati rice exports to Iran is expected to continue. Even now, the orders are flowing.

In the past, KRBL has had limited exposure to Iran. Some sales were made in FY 2019, but this was only for government tenders, which are backed by LCs. Payment for the same has been received smoothly. Thus, there is no adverse of the waiver removal impact on KRBL. Iran typically imposes a ban on basmati rice imports from July to September every year to safeguard

its own crop, however, in the current fiscal, the crop has been impacted due to flood in April in Iran. Depending on the extent of the crop loss and stock level, imports from Iran may not decline substantially in FY2020.

Despite comparatively high level of imports done in 2019 and there has been a record import by Iran directly from India to the tune of 1.42 million tonnes. Iran use to always import around 1 million, but this year, they have exceeded by around 420,000 tonnes. If for some reason, exports of basmati rice to Iran were to stop, it is likely to have an adverse impact on the industry given the importance of Iran as the leading importer; however, alternate channels are always open for Iran, which may be exports, such as noting the export through Iraq or through Dubai. But instead of 1.4 million, it could be 900 million, 100,000 or 800,000 million. Iran today cannot afford to stop imports of Indian basmati rice because it is their staple food while it is early to comment on the price. That is what I have to say about the Iran and Europe. Now we can continue with question and answers.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have a first question from the line of Amit Doshi from Care Portfolio Managers Private Limited. Please go ahead.

Amit Doshi: Good afternoon Sir. Sir, a week back we read about this order from the relevant authority about the application of GI tag being the restricted only two specific regions so can you slightly explain how that it is likely to affect us or basmati rice industry in general also?

Anil Kumar Mittal: See, on GI front, the case is a still pending in the Madras High Court, and I think so after the election it will come up maybe in June or July. But it has been pending for more than now two years now. We had won this case from the GI authorities, but MP government has already gone into appeal and we are likely to go in build our team. But there has been one application from MP government about the production of seed of basmati rice in the non-GI compliant areas. For that, court recently dismissed the application of APEDA government of India saying that the constitution does not allow them to create a definition on basmati rice. By the Ministry of Agriculture, he attached to have a different route. Under that contention, it was withdrawn. And I think so the government is working to come out with a legislation and an Act to confirm that the seeds are also been grown in GI area.

Amit Doshi: Okay. Sir, on the Iran side, you mentioned that the prices were not only firm, they were increase in price so what do you think the reason considering the issues that are already prevailing or are under discussion? And second, with respect to Iran that last year because of the flood issue, they had themselves crop impacted and therefore, they could have imported more so last year, which we speak about the generally record exports done to Iran or record by the company itself. Could be consider it as an aberration? Or this is likely to repeat in future as well?

Anil Kumar Mittal: Let me clarify one thing. The floods have come year only; it is not last year, in April 2019. The total consumption of Iran for rice is around 3.2 million tonnes. That is the requirement. They

used to grow about 1.8- 1.9 and 1.3 million tonnes used to the total imports from Iran, out of which they used to import partly from Thailand, Uruguay, Vietnam and basmati rice from India and maybe 100,000 – 150,000 tonnes from Pakistan. What has happened is that Pakistan has been in problem because of the euro mechanism or dollar mechanism. On rupee mechanism, our government was smart enough to sign the agreement within November/December. Now they do not have the payment to make, not because they do not have the payment, they do not have the mechanism to pay so their pressure of buying basmati rice is totally on India and that is why instead of 1 million tonnes, they have imported 1.4 million tonnes, and I think so the way exports are going to Iran, it will have a new history and a new record. This is what a position of Iran today because they have a surplus money lying with India around \$6.5 billion. This is the position.

Amit Doshi: Okay and Sir, there has been a significant jump in our inventory of about 30% so the reason is prices or volume? Or if you can throw some light on that, 30% jump in inventory?

Anil Kumar Mittal: I think so this price will be given by Anoop, our JMD.

Anoop Kumar Gupta: When we are talking of topline of more than Rs.4000 Crores of this year, we are expecting another jump of 10% - 15%. You have to have inventory. In basmati rice business, inventory is main thing. If more than inventory, the better it is and we have a record breaking inventory. And last one month, the market is up by 10% to 15%. This is the total gain to KRBL. Unless we have a huge inventory, how can we do exports and domestic sales? The more than inventory, it is better for KRBL.

Amit Doshi: Okay. Sir, the realizations are improved compared to year-on-year, but our margins have been slightly impacted. Can you share some reason for the same?

Anoop Kumar Gupta: When we are on a 17% more volume and about 70,000 tonnes have been sold more this year than previous year, naturally there is a pressure on price. And the price pressure we take on is due to lot of promotions to the consumer, lot of discounts to the distributors so this has made some pressure on the EBITDA. But overall, 20% on a commodity of basmati rice having EBITDA of 20% is fantastic. 20% - 22% is the EBITDA. Last year, it was exceptional EBITDA. But in absolute terms, that was EBITDA.

Amit Doshi: Right and Sir, in terms of this pesticide issue, I mean some articles where Saudi Arabia was also going to follow the European norm. Any development on that? Or was that just a discussion? Or we should ignore that.

Anil Kumar Mittal: Let me explain you. Like Iran, Saudis staple food is basmati rice. They consume basmati rice in breakfast in lunch and dinner. The consumption of bread is less compared to basmati rice. And hence, they have to be cautious that if they import certain regulations like what USA and Europe have introduced, this can be a difficulty, that is number one. Number two, according to us this pesticide residue matter is nothing but it is NTB. We state categorically that once basmati is

soaked in the water and cooked, and thereafter you test the cooked rice, it will have 0 pesticides, even if it was 100 or 150 pesticides and this explanation was well accepted by the Saudis last year. From last year to this year, they have made certain regulations that you should get the same duly inspected then exported and these should be the levels and the business is going on smoothly. Until now, there is no problem, and it could continue like that only.

Amit Doshi: Right, any launch in domestic market, new products or anything, basmati non-basmati segment?

Anoop Kumar Gupta: Yes, we are launching Idli Rava for South India because South India is a big market for Idli Rava, so we are launching consumer pack of 1kg and we are expecting a good result from South India.

Amit Doshi: This 35% to 45% market share that we target to achieve that additional from where do we, from the basmati rice itself or some new launches? Or how the product mix we aim at?

Anoop Kumar Gupta: No, mainly from basmati rice only. But I tell you recently in last two years, when the GST was imposed, there were only three or four brands in the market. Only India Gate, Daawat, little bit of Adani. All the other 20 brands have vanished from the market because of GST. So, I think the market penetration number, one, because of the modern retail sales outlook. Number two, because of the Biryani culture and number three, the income levels are growing up, the more and more basmati packet is going to be up.

Amit Doshi: Okay, now this is the last question. On the income tax side, although you mentioned everything, but on an average, monthly we are likely to pay Rs.12 Crores per month to the government, so basically by next year we will be actually paying the Rs.250 Crores of whatever that is supposed to be paid. How realistic you feel considering the amounts involved? Is that our hearings would get completed prior to this year?

Anoop Kumar Gupta: No, the final date of hearing is from June 3, 2019 to June 7, 2019. We have given, we have deposited all the documents, and everything has been completed. Now the final hearing date has been fixed continuously from June 3, 2019 to June 7, 2019 and on June 7, 2019 we have the result.

Amit Doshi: Oh, okay. So, this is the final hearing that is going to happen.

Anoop Kumar Gupta: Yes.

Amit Doshi: Oh, okay. Great Sir. All the best, Sir. Thank you so much and if Mehrotra Ji can separately share those inventory data either over separately e-mail or on the call as it may be convenient?

Rakesh Mehrotra: Okay. You can write to me, I will share.

Amit Doshi: Yes. Thank you.

Moderator: Thank you Mr. Doshi. We have next question from the line of Varun Goenka from Reliance Mutual Fund. Please go ahead.

Varun Goenka: Good evening Sir. Very, very good set of numbers coming in the last two, three years, Sir. Just a few questions like around exports, one, by when is this Iran issue likely to get resolved and if we were trying several other countries, so how is the response beyond the Middle East, volume and value growth?

Anil Kumar Mittal: See as far as Iran is concerned, today it was in the news that Trump has softened down and he has come bilateral talk agreement with Iran. To what extent they will be successful and what they are going to happen, it is difficult to say because these are all political issues and prediction on political issues can haywire. But one thing is very clear I told during my presentation also that any type of sanctions will not affect food items and medicines and you are well aware that even the biggest sanction is put on this Korea on Mr. Kim. Still the food and medicines are still going to that country, so this is not going to stop. Yes, one problem can arise that also after one-and-a-half to two years, when this surplus of \$6 billion which UCO bank has in escrow account, when it finishes and during one-and-a-half year if nothing is settled with America, then after one-and-a-half to two years, we come to square one. So as far as two years are concerned basmati rice is going to be exported and it will be imported by Iranians and we have no problem and money is already with us. You can call it the money is not in advance with the exporters, but money has come in advance with UCO Bank.

Varun Goenka: Right, so Anil Ji our exports excluding Iran, how is that doing, even Saudi Arabia oil exports have collapsed, so has that caused an issue there also?

Anil Kumar Mittal: No, there is no issue in Saudi because last year, we exported Saudi 813,000 tonnes and this year up to March 2019, it was 911,000 tonnes. So as far as basmati exports and domestic is concerned, it has been a robust year, there is no doubt about this, but what has happened, Varun, I was recently about a week or 10 days back in Doha, Qatar and I had called my team from Dubai who would look after the sales and all, I was surprised when they told me that out of our 50 quotes to various people, only 5 quotes are expected because our prices are \$80, \$90 higher than the peers. Now I was little bit confused. I say we are already doing such a big business, why the competition is there with only these parties. So, the biggest problem in India is that people are undercoating and taking the business and for that I can give you a very good example. I think everybody must be listening, there is a buyer from Iran, he is a very big buyer in Iran and they tend to import about 250,000 to 300,000 tonnes of basmati rice and they have taken the shares of a company called Mohsen. They came to us to our office three, four times, I met them in Dubai Food Fare also. They say, if KRBL is ready to supply us 200,000 tonnes to 300,000 tonnes of basmati rice, we undertake that we will not import rice from anybody else. We were happy. We said it will take us one year to create an extra infrastructure and we can do 300,000 tonnes and it is not that quantity which cannot be handled. When it came to the prices, they are talking of a profit of margin of 3% - 2%. Now we are not brokers that we start working on 2% or 3%. You

got my point? So, see we are a different type of a company, we are from the branded side and we cannot go for 5%, 2% or 3% margins.

Varun Goenka: But Anil Ji, just too high-level point, India is almost exporting about 32000 -35000 Crores annually, basmati of India, for our margin and our quality and our payment terms really next four, five years what will we scale up?

Anil Kumar Mittal: Principally, KRBL at any cost, the margin may be anything we will not give any goods on credit whatever business we do with Iran is completely on LC. Whatever we do business worldwide, it is on LC. Only one party we are giving little bit of DA against ECGC that also we have decided that after October, November, we might reduce. That is only due to relationship and they wanted some credit from us and we provided them. Otherwise, it is on LC or CAD, cash against document, we do not give credit at all. That is also one reason. Otherwise, let me tell you, Varun; Iraq is a market of 400,000 tonnes. Last year also it went 340,000 tonnes because there was a payment constraint and direct LCs are not accepted, they are routed by Dubai or some other countries. Now 70% or 60% of the goods sold to Iraq is on credit. Now we are not ready. See I can get 20,000 - 40,000 tonnes business from Iraq also, but for KRBL we will not give credit. Whatever maybe the margin, credit is the first constraint with KRBL.

Varun Goenka: No, that is really has worked well for us, Sir, so that is right. So, on the domestic business, I wanted to ask Anoop Ji, and this year has been very, very good, volume growth almost 13% to 14% and 2017 due to GST confusion I think our volumes had gone down. Sir, what is the scalability up here? Is this 12%, 15% volume growth that will continue? How are we seeing them?

Anoop Kumar Gupta: Yes, we are definitely thinking of a 15% growth in the domestic market. I tell you one thing is very clear, a lot of Biryani culture has come in South India, not only in South India, all of India and I should not depend only on India Gate brand. Today, over Unity brand, which has also crossed the Rs.500 Crores mark this year. Unity - we are expecting in the next five years to be an Rs.1500 Crores brand.

Varun Goenka: Great and at the presentation you were saying India Gate Classic is increasingly now getting acceptance?

Anoop Kumar Gupta: Yes, India Gate Classic is increasing from last year. We had an increase of about 30% this year and I am expecting a further 30% increase this year because our concentration and advertisement and our sales team is working very hard on placement of Classic.

Varun Goenka: So, then our margins should have probably held down to the 20% odd, right? I mean because our brands is growing, India Gate Classic as a proportion is growing. So, our margins are looking lower just because of the Iran business or is it that for volumes, we have, okay, let go of 100, 200 basis points?

- Anoop Kumar Gupta:** Yes, it is because of Iran business also and little bit of volume also, but I tell you 20 - 21 is the baseline for KRBL.
- Varun Goenka:** Great.
- Anoop Kumar Gupta:** I do not think we will go below this.
- Varun Goenka:** Okay and last two things I wanted to ask. Is this Iran thing does not get solved, so then will that lead to the basmati price correcting or something?
- Anoop Kumar Gupta:** Iran, there is no problem at all. It is already solved. You see in the last one month the market has jumped up by 15%. Mr. Mittal would like to tell about this thing.
- Varun Goenka:** So, I think the media is not reporting it right.
- Anil Kumar Mittal:** Varun let me tell you, they have no alternative; they have to eat basmati only. Whether it is a poor man, or whether he is a rich man. If he has to eat Basmati and if he gets some problem like, then for about 1.5 years there is going to be no problem. I told you, we have a reserve of about \$6 billion. So, there is going to be two things from India, one is medicine and the other is basmati rice. They have to eat basmati, and let us assume presume that the problem arises then there are two borders from where purchase will start like anything. The first border is Dubai, the second border is Basra and the third is Chabahar. So maybe instead of 1.4 million tonnes, they might be able to purchase 800,000 - 900,000 tonnes through these borders, but I think export to Iran will not stop. That is fundamentally correct.
- Varun Goenka:** I get it, Sir, just final question, our receivables have increased from Rs.250 Crores to Rs.400 Crores? Are there some power receivables in this? Have the state governments been?
- Anoop Kumar Gupta:** About Rs.50 Crores is power receivable and I tell you one payment of Rs.150 Crores we have received on April 5, 2019, so that was the only reason.
- Varun Goenka:** But these are receivables from our regular business only, not from the power side?
- Anoop Kumar Gupta:** You see Rs.150 Crores was from Iran business, which we received on April 5, 2019.
- Varun Goenka:** Great, yes, so by September end, approximately how much would our inventory be liquidated, just get a sense of the whole cycle?
- Anoop Kumar Gupta:** I personally feel this time we generally do our bank borrowing zero by September, but I feel that we will be doing zero by July or August. So, our bank borrowing would be 0 and the bank borrowing is about Rs.1300 Crores and the inventory is Rs.3100 Crores. So, I think by August end our inventory should be around Rs.1800 Crores.



*KRBL Limited
May 16, 2019*

- Varun Goenka:** Okay, great. Yes. Just wanted to congratulate the promoter family, Sir, even in this prime time, the business has been managed very, very well. Thank you so very much, Sir.
- Anil Kumar Mittal:** Thank you Varun.
- Moderator:** Thank you Sir. We have a next question from the line of Puneet Mittal from Global Core Capital. Please go ahead.
- Puneet Mittal:** Congratulations for good set of results. I have two questions. One is, can you tell us what is the proportion of non-rice in your revenue and how do you see the future of non-rice business. I mean when I say non-rice, I mean non-basmati rice?
- Rakesh Mehrotra:** Non-rice is all the by-products of rice also.
- Anil Kumar Mittal:** No, he is talking about non-basmati rice.
- Rakesh Mehrotra:** Non-basmati rice is Rs.61 Crores of the total sale of Rs.4000 Crores. Total rice sale is Rs.3791 Crores out of that non-basmati rice is Rs.61 Crores.
- Punit Mittal:** And the rest about Rs.200 Crores and Rs.250-odd Crores?
- Rakesh Mehrotra:** Rs.128 Crores from power and rest is from rice bran, rice bran oil, oil seed, furfar oil, Quinoa, D Oil Cakes these kinds of things.
- Punit Mittal:** The second question, I think historically, we have spoken about inorganic growth and that is why we are the holding on to the buyback and everything. Given the intrinsic value I think given how robust the businesses is commendable job that you guys have done? And the market valuation is much below the intrinsic value of the business in the company. So, what is the management thought around that? I mean given the timing may be pretty good or something like buyback?
- Anoop Kumar Gupta:** We want to have a debt-free company. Actually, debt now bankers sometimes play quite smart and we do not want to have it in that clutches and we want to have one-day maximum debt we should borrow for two, three months or four months. So, at the moment, we are not thinking of any buyback.
- Punit Mittal:** Okay. And the last question is, I think I am taking – I am extending the question from the previous caller where he was asking so today, our exports are about 218000 about Rs.1800 Crores, right? And given our prices, given our terms credit terms and everything that you mentioned, which are outside strong in the results, how do you see scaling the exports business up in next two, three, four years, where do you think where we can be in the next three to four years?

Anil Kumar Mittal: Let me tell you first of all, today 80% of basmati export is into 48% - 47% Middle East and 33% Iran. So, this is 80% today is to Middle East, which includes Iraq also. So, this is a market, now 20% is rest of the world. We were quite hopeful and our government even our prime minister for the first time, normally in last 30 - 40 years, I have never seen a prime minister indulging into basmati rice. But this was the first time that Mr. Modi indulged himself into two places, one with the prime minister of the European Union requesting him to defer this pesticide issue for two or three years and he has been really, and believe the ministry and everybody have been begging to China to import basmati rice. But they are not interested to import basmati rice. But we are trying African continent is become promising five years back, for we used to sell two containers to Ghana, three containers to Nigeria. Now these are countries have started buying 5000 – 6000 tonnes, each country into the African continent. Then the consumption we are trying to develop the market in the South American market including Brazil and all these areas. So, we are developing the market and we were quite hopeful that Europe one day will become 0.5 million tonne market for India. But on the contrary to pesticides, it has been also very big set back. But let me tell you one thing, I feel one thing that is in my mind though Anoop looks after it that I am seeing a very huge market, domestic market for basmati rice in the next five - seven years, we grow about 100 million tonnes of rice and basmati is just two million tonnes. In that two million tonnes also, 60% is broken rice, 40% is head rice, 800,000 – 900,000 tonnes. So, for a country of 165 Crores, you can imagine that the growth is enormous. The growth is enormous. I always tell Anoop he conservatively tells everybody 10%, 5%. But I tell you, I feel the growth should come more as well as basmati rice consumption is concerned in this country. This is my personal idea.

Punit Mittal: I agree and I think that makes a lot of sense. So, I mean I know you have you are expecting for next year around say 15% topline then about 20% - 21% EBITDA margin. And that is where we are going to say to stay that for next few years. On the domestic side, I mean, just out of curiosity, who is the next best player in this basmati apart from us?

Anoop Kumar Gupta: Today, as per Neilson data Dawat is number two, LT Foods.

Punit Mittal: I think that is it from me. Thank you so much.

Moderator: Thank you Sir. We have next question from the line of Manish Bhandari from Vallum Capital Advisors. Please go ahead.

Manish Bhandari: Good evening. My question is regarding on the opening remarks you mentioned about the new product line on idli. So, if you could share some details that what how we are trying to position and what is the market opportunity for us in this space? And then a few more questions.

Anoop Kumar Gupta: We have started - we have tied up with a manufacturer in Karnataka and we will be packing India Gate Idli Rava and now at the moment, we will be marketing only one kg consumer pack and at the moment, we are targeting about 500 tonnes.

- Manish Bhandari:** Is it going to get sold through the India Gate distribution channel? And why only South and why you are trying to do prototype south and then you will go northwards?
- Anoop Kumar Gupta:** No, I said south is the main market, but definitely in Delhi, the consumption is about 200 tonnes a month. I will be the king in North India. South India, I have a lot of competition with others. But North India, West India, I will be marketing maximum. I am expecting a sale of around 600 - 700 tonnes a month to start with.
- Manish Bhandari:** Sure. So, are there going to be different radiation that you have one India Gate Classic Idli and then some other variant also in this process?
- Anoop Kumar Gupta:** I could not follow your question.
- Manish Bhandari:** You mean to say there was already one brand India Gate Classic, you mean to say India Gate Classic is going to be the brand for this?
- Anoop Kumar Gupta:** No. It is India Gate Idli Rava. In India Gate we have got 23 variants that is basmati rice. We have got in non-basmati rice; we also have India Gate Kolam rice, India Gate Jeera Rice, India Gate Idli Rava, India Gate Sona Masoori Rice. In basmati, we have India Gate Classic, India Gate Super, there are 18-19 variants in India Gate.
- Manish Bhandari:** That is what I wanted to ask that you are going to have premium and then below premium category or just one category in this?
- Anoop Kumar Gupta:** In Idli Rava?
- Manish Bhandari:** Yes.
- Anoop Kumar Gupta:** Idli Rava only one category, which is the best quality, best possible quality. Because we want to get the best to the customer maybe it is to Rs.2 higher whatever it is.
- Manish Bhandari:** Sure. My second question Anoop Ji on regarding the regional rice, which you spoke last time and you had some targets in your mind in terms of the kind of volume which could be done. So, are we on a track on that regional rice and what kind of business traction we should see in next two years?
- Anoop Kumar Gupta:** Yes, we are marketing India Gate Jeera Rice, it is actually the paddy we are procuring from West Bengal and the logistic cost getting the paddy transported to North India then milling and transporting it to South India, there is a difference of around Rs.3000 - Rs.4000 a tonne, which is creating a little bit of problem. Otherwise, we have reached to a level of around 10,000 tonnes per annum and that too in a consumer pack.

Manish Bhandari: So, is it only just on West Bengal? Or you could have this regional rice for as many other regions may be something in Odisha?

Anoop Kumar Gupta: No, West Bengal what I am talking is Gobindobhog rice, which I am marketing as Jeera rice; we are also marketing India Gate Kollam rice. This paddy is available in Maharashtra. And one is India Gate Sona Masoori rice, this paddy we are procuring from the Bihar and borders of Karnataka. So we are having three varieties of non-basmati rice. But we are on a premium segment. You see this variety of rice is a huge, huge market in India. People are selling it at a margin even 0.5%. I tell you, Patanjali is working on 0.5% on these varieties. I am just selling my consumer packs with a comfortable margin.

Manish Bhandari: Sure. I get your point. Another question was regarding the Quinoa, which you did not met with enough success, but there is a market with exists in India. So, have you changed the strategy and is there anything ray of hope which you are thinking on Quinoa and anything changed which you need to do on the strategy side to make the success back?

Anil Kumar Mittal: So, let me tell you. Quinoa, whenever you are going for a new product, you make certain mistakes. So, you made little mistakes and we realized later on after marketing the product. In exports also, we were expecting our all distributors were eager that how it comes into India Gate Quinoa and we were thinking it will be easier for us to sell 200 - 400 tonnes a month and 100 tonne minimum a month into the domestic market and all. When we went into the detail, we found out that the market in India is small. Number two our quality, which will, grew under the contact farming was not to the level of below, which is little thick and white. Now this year, we did lot of labor into contact farming. We withdrew the material also at many places and we have got 100 tonnes of Quinoa which we are going to make either flour or something, Quinoa flour or something out of that and we are going to market now it should be already in the market, the better quality of Quinoa which can be compared to any Quinoa in the world. So now we think the real part of Quinoa will be from this year onwards.

Manish Bhandari: Sure. Sir, my last question. Regarding the statement you have been making for quite sometime regarding the market share gain from 32 to 45 in next four or five years as our wish list and in that context, if I see the domestic growth rate for us may be, what 7% or 8%. So, does it mean and if you are gaining market share, does that mean that the domestic market is growing at 2% or 3% on the basmati rice side? Or if you could throw some light like that how you are working on this math around?

Anoop Kumar Gupta: No, as per the latest AC Nielsen data the package rice market, which includes non-basmati also. Today, it is \$3.6 billion and as per the Nielsen they say in the next five years, it will be \$7.5 billion. He is talking of doubling the market in next five years. So, I am also expecting doubling my market quantities. But share, if you talk of the share, definitely in the branded segment today, I feel that I do not have much competition and I think, I do not have the latest data of AC Nielsen, but I think this year FY19 my share would have been increased by 3% minimum. Last

year, it was 35, this year I do not have the data right now. I will have in next 15 days. My share should be 38. Our ambition of 45% is not that far.

Manish Bhandari: Thanks a lot.

Moderator: Thank you Sir. We have next question from the line of Varun Goenka from Reliance Mutual Fund. Please go ahead.

Varun Goenka: Just one question on the point that you made that you want to decrease the leverage to zero, but our ROE is today probably depressed if you use only equity. And, sir, to get to Rs.7000 Crores, Rs.8000 Crores turnover as you are seeing in four, five years, so are we looking at doing it purely from equity? My question is about what is the right leverage?

Anoop Kumar Gupta: Varun, you are right, you see at the temporary, the atmosphere in the share market, the atmosphere in the banking circle, they are too much against the debt. Any company who has got more debt has been discounted. So, I want the debt to be very, very limited and the dependency on the banks should be minimum and this is temporary for a year or so. I am not talking longer term.

Varun Goenka: Perfect. That is all I wanted to understand.

Moderator: Thank you Sir. We have the last question from the line of Yashpal Madan from Mainstream Consulting. Please go ahead.

Yashpal Madan: What is the status of Augusta Westland case? Is that any still hearing happening or that is closed forever?

Anoop Kumar Gupta: You see, Augusta Westland case, one of our buyer is alleged to be involved. And you see he won in the High Court, ED went to the double bench, he won in the double bench. Then there was a case in the tribunal. The order is likely to come in next 10 - 15 days and it is going to be in his favor. In Augusta Westland case, I tell so many times, we have nothing to do.

Yashpal Madan: Okay. And the independent director who was there, I think, he has become approver. So, after that, has there been any further call due for hearing or any discussions with them?

Anoop Kumar Gupta: No, Mr. Gautam Khaitan who was just an independent director from 2007 to 2013. It becomes the approver also then how does it matters to me and does it have any meaning to me. They have called us certain documents related to Balsharaf only and we have submitted that.

Yashpal Madan: Okay. As such, there is no fear factor?

Anoop Kumar Gupta: As far as KRBL is concerned, there is no problem.

- Yashpal Madan:** Okay. Thanks a lot. Mr. Mehrotra what is the average inventory cost as a now on the books?
- Rakesh Mehrotra:** The average inventory cost of paddy is Rs. 33,671 per metric tonne.
- Yashpal Madan:** Rs.33600?
- Rakesh Mehrotra:** Yes.
- Yashpal Madan:** And rice?
- Rakesh Mehrotra:** And rice is Rs. 49,401 per metric tonne.
- Yashpal Madan:** Thanks a lot.
- Moderator:** Thank you Sir. We have next question from the line of Chintan Desai from Param Capital. Please go ahead.
- Chintan Desai:** Sir, I missed your comments on the Europe market. Can you just brief us through on the Europe market, what is happening there?
- Anil Kumar Mittal:** Europe was a market for unmilled basmati rice to the tune of 400,000 tones. In 2017-2018, we exported around 418,000 tonnes to Europe and that export has come down now to 238,000 tonnes because of the pesticides issue. Now there are about 20-25 pesticides where the tolerance limit have come down to 0.01%. And for that, the compliance material is not available with the Indian market because for the last 20-30 years, there has been practices of growing rice in a certain manner. Most of the farmers are poor and land holding of two or three acres, not even educated to that level. And there are many entities in India selling them contagious medicines to make money. These are the reasons we are unable to export for last two years. Government of India, APEDA who is our monitoring agency also helped us a lot in organizing Kisan Melas every year, we are expecting that at least 20% - 30% of the crops should be equivalent to what we export to Europe 250,000 - 300,000 tonne; we might get pesticide complaint material. But let me tell you export to Europe by the Ministry of Commerce is a matter of concern for two reasons one is that the quantities of 350,000 – 400,000 tonne is not small and second is that, it has always been to everybody a prestigious market. Something good that happened is that we had quite good orders of white rice in our own brand India Gate Classic and other brands. Whatever we have complaint material that is being exported we are sending. We already exported up to 3000 tonnes to Europe.
- Chintan Desai:** Sir, my second question is on the domestic market. In terms of pricing, what would be a pricing differential as compared to the second number player?
- Anoop Kumar Gupta:** You see, if you see the EBIDTA over three years of KRBL you will see the differential.

- Chintan Desai:** Not a problem Sir. Thanks a lot.
- Moderator:** Thank you Sir. We have next question from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.
- Bajrang Bafna:** Congratulations for good set of numbers. Sir, sorry, I joined a little late. So, I am sorry, the question is repeated to you. So, what was the total growth of the production during this season for the basmati rice? And how much that we have procured and what is the average price for the procurement in this season?
- Rakesh Mehrotra:** We had procured almost 7 lakh metric ton of paddy this year which is supposed to be ~8% of the entire crop.
- Bajrang Bafna:** 7 lakh tonnes is 8%?
- Rakesh Mehrotra:** Yes.
- Bajrang Bafna:** Okay, so what is the average procurement price for this season?
- Rakesh Mehrotra:** Our average procurement price is Rs. 32,634 per metric tonne.
- Bajrang Bafna:** Okay. Rs. 32,000 rupees and Sir, the next question is what is the status of one case which was going on with income tax department. There were some demands that we have raised. And in last one call, you just talked about that, that we will appeal to that. So, what is the current status of that?
- Anoop Kumar Gupta:** You joined late. I have already told. They waived the demand of Rs.1200 Crores, we appealed to CIT. And all the documents, everything had been submitted to CIT appeals. And the final date of hearing is June 3, 2019 - June 7, 2019. And till March 31, 2019 we have paid Rs.75 Crores against the demand and in April also, we have paid Rs.12 Crores, in May also, we will be paying Rs.12 Crores rupees and most hopefully in June, we have not to pay anything, but June 7, 2019, we should get the relief.
- Bajrang Bafna:** Okay. And you expect that order to be in your favor for the reasons which you cited in the last conference call?
- Anoop Kumar Gupta:** Definitely, yes.
- Bajrang Bafna:** Thank you very much Sir.
- Moderator:** Thank you Sir. We have the last question from the line of Mr. Manish Bhandari from Vallum Capital Advisors. Please go ahead.

Manish Bhandari: Sir, one thing on the competition intensity. Adani's have launched under Fortune brand. So, would you have their market share and are there strategy, do they have any advantage in terms of procurement or how they are positioning this?

Anoop Kumar Gupta: As per the AC Nielsen data, their average share is 4% - 5%. However I tell you that, by going to the market, listening to the retailers, listening to my sales team, their quality is not upto the mark, I should use the word as far as quality is concerned. Whatever they are selling, they are selling take five liters of oil, take 1kg basmati rice free. You see there is big market of oil, and I think the 50% sale is free.

Manish Bhandari: So, Sir, this brings to another point, which also you are having a discussion that how someone in Iran is quoting at 3% or 5% margin versus a normal industry margin. So finally, if one has to do an apple-to-apple comparison for 18 months aging product, what is another 18-month aging product, is there any standardization which regulatory authority will say that both of them have gotten 18 months because you cannot easily mix a 16 months aging or 14 months aging and are you will make - you may make 18 months aging with some portion of non-aged rice. So how the consumer would finally would get to a bottom of a situation where two apples-to-apples regulatory, we would have an 18 months aging or whatever is claimed on the packaging side?

Anil Kumar Mittal: Previously, we could have said that consumer is uneducated or he does not know about it. I will give you an example. If you go in Saudi market, which is our biggest market or go to Dubai market, the shelves are full of 50 brands or 60 brands. And on the shelves, the difference in price may be Rs.60 rupees a kilo. I am telling you the converted price different. Now on a staple food, the shelve the lady can buy that rice would be Rs.60 cheaper. In last 10 years, the housewife or the consumer who is buying the rice from the shelf, he has tested all the rice that which brands are good, which are eatable, which are good aroma, good taste. And after analyzing in last 10 years, now in last four-five years, they have come to this conclusion that in India, there is only one company, KRBL Limited, only one brand, India Gate, which is the best both in taste, both in elongation both in all in fluffiness, in all respects. So, consumer is the actually - the real teacher is the consumer and your repeated demands.

Manish Bhandari: So, you did not require any regulatory certification in the process?

Anil Kumar Mittal: There was a case, we won the case.

Anoop Kumar Gupta: It was somebody of repute who have put up a case against us that we are quoting two years old rice, it is not. And I proved in the court with my books of account that I carry the inventory two years and, my rice is two years old. I tell you Manish, there is no barometer or there are no signs, which can prove that this rice is two-year old, only the consumer when it cooks, he can make the difference. I tell you as far as you are talking about FSSAI are coming up very heavily on the basmati rice. Whatever now we are mixing somebody is mixing 20%-30% or 40% now FSSAI is coming that you cannot mix more than 20% and if you are mixing 20%, you have to write on the

pack that it is blended basmati rice. If you are writing the word basmati rice, the administrative cannot go beyond 5%. This rule will be coming in another six months.

Manish Bhandari: Sure. Sir, another question which came in my mind, if the time permits, was also regarding the European issue, what you had that how you do not have or you have a limited pesticides residue paddy. Now I just reflect back, there was a lot of controversy, which happened on the origination of cotton. And now what has many of the companies have done is the certification of the origination and where you can track the whole packet from where it has been originated from all the analytics point of view. So, is there some technological advantage we could use in this whole process on terms of our procurement of paddy to the final consumer in terms of the whole chain and what would be the certification?

Anil Kumar Mittal: Yes, the government is desperate in going to the backward linkage; we call them a backward from the farm to the port. So right from which farmer you purchase, what was the date, when you aged it, everything has to be recorded. And because we have a pending GI case in the court, APEDA under Ministry of Commerce, they are trying their best; already they have started writing that how to backward link the basmati trade. And it is let me tell you we have to work like champagne in the GI area, and then we have to backward linkage our basmati rice also. It might take another 1 year or 1.5 year, but it will be backward linkage with the farmer.

Manish Bhandari: So, have you made any technological advancement on that we as a company irrespective of how government thinks? So, there is technology available which would do this because I see that happening in the bed sheet business?

Anil Kumar Mittal: No, I think so we have given those data operated and electronic-operated on the spot market when our purchaser goes to buy the right name of the bags, how many bags, which farmer, which area? That has been transmitted to us. We are improvising and the time will come within one year. We acquired the backward linkage would be there from which city, which part, which farmer and how and we can say that this one kilo rice produced is from this farmer and this land.

Manish Bhandari: Sure. Sir, my last question is regarding the portfolio of the energy portfolio what we have in our balance sheet. So, looking at the tax advantage what we have used in last few years, when is the timeframe when it crosses where we can sell this energy portfolio and we do not need to do any other changes in the taxation matter and overall balance sheet matter? Is there a possibility, which could release a lot of capital for us?

Anoop Kumar Gupta: You will see today, all the PPAs of the state governments are 20 years, 22 years, 25 years. And only two, three years some machines passed seven years or eight years. The first one was 2006 that was 13-year and the last one was 2017, it is only two years. So, I do not think as per the PPA range... PPA is ranging from Rs.4 to Rs.6 and today they are talking of Rs.2.10 paisa. You should talk of IRR today; it is more than 19% - 20%. There is no question of liquidating them. It will be scrapped after 22 - 23 years. That is all.



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Manish Bhandari: And you do not see any risk of resetting of this PPA because some disputes have happened in some stage, and I keep on hearing it is happening in sugar industry in UP, where the state government has...

Anoop Kumar Gupta: There are certain disputes on PPA which are Rs.12, Rs.13, and Rs.10. I am talking about PPAs of Rs.4 to Rs.6 and at that time wind power was also expensive. I mean it's a government contract, how can you cancel it? We will go in the court.

Manish Bhandari: Thank you so much.

Moderator: Thank you very much Sir. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Sir, over to you.

Rakesh Mehrotra: Thank you very much for participating in our conference call.

Moderator: Thank you very much Sir. On behalf of ICICI Securities Limited that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.