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19th August 2023

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

Sub: Transcript of the Earnings Conference Call held on Friday, 11th August 2023 on Unaudited Financial Results of KRBL Limited for the First Quarter (Q1) ended 30th June 2023

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 read with Para A of Schedule III of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation 2015, Please find enclosed herewith the Transcript of the Earnings Conference Call of KRBL Limited held on Friday, 11th August 2023, at 02:30 P.M onwards on the Unaudited Financial Results for the First Quarter (Q1) ended 30th June 2023.

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

You are requested to kindly take the same on record.

Thanking you,

Yours Faithfully,
For KRBL Limited

Jyoti Verma
Company Secretary
FCS-7210

Encl: As Above



“KRBL Limited
Q1 FY’24 Earnings Conference Call”
August 11, 2023



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

Moderator: Ladies and gentlemen, good day and welcome to KRBL Limited Q1 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then “0” on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Jain, Chief Financial Officer of KRBL Limited. Thank you and over to you, sir.

Ashish Jain: Thank you for joining us. Welcome to the Q1 FY24 Earnings Conference Call for Analysts and Investors of KRBL Limited. Today we have several key speakers on the call, Mr. Anil Kumar Mittal, Chairman and Managing Director, Mr. Anoop Kumar Gupta, Joint Managing Director and Mr. Ayush Gupta, Head of the Domestic Division.

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

Please note that some of the statements made during the call may contain forward-looking information and actual results may differ from these statements. For more details, you can refer to KRBL's investor presentation, which is available on the Stock Exchange website and our company's website. Now I would like to invite Anil Ji to share his views. The floor is yours.

Anil Kumar Mittal: Good afternoon, investors. The world Rice production in marketing year 2022-23 is expected to be marginally lower at 512.5 million tons, lower by 0.2% over preceding marketing year. The shortage is mainly due to lower production in China and Pakistan. In Marketing Year 2023-24, despite of El Nino conditions, world rice production is estimated at 520.8 million tons, which is higher by 1.6% against previous year.

India is expected to grow record rice production at 135.5 million metric tons in marketing year 2022-23, which includes 2022 Kharif crop and 2023 Rabi crop. Further, the Indian government in its effort to support farmers' income has announced a 7% higher MSP for rice in the upcoming Kharif season at Rs. 2183 per quintal and Rs. 2203 per quintal for common grade and Grade A paddy respectively. We do not see any impact of the MSP on the Basmati prices as Basmati paddy prices have been trading at a much higher level as compared to the MSP

The Basmati production for marketing year 2022-23 is around 9.5 million metric tons, about 12% higher than last year. Despite the overall increase in rice production in India in both Basmati and non-Basmati segments, we have seen a general price increase this year during the crop cycle which indicates growing demand for both Basmati rice and non-Basmati rice from India. India's Basmati export has grown 16% in volume terms and 46% in value terms in FY23 over FY22. Volume growth mainly came from Saudi Arabia, UAE, Yemen, Oman, Qatar, USA, UK and Jordan, whereas India's total rice export grew by 6% to record volume of 22.34 million metric ton and 24% in value terms to INR 89,689 crores, accounting for nearly 42% of the global rice trade.

The area under Basmati paddy expected to be higher in the new crop 2023 due to good prices realized by the farmer last year. As per latest information available, the sowing of Basmati paddy has increased in Punjab and Haryana, including western Uttar Pradesh, with a forecast of increase in production by 12% over last year. This does not include non-GI areas such as MP and Rajasthan. It is too early to comment on the price structure of the new crop since it will depend upon final outcome of the crop and the government decision on whether they will continue with export ban of non-Basmati rice.

On the non-Basmati side, despite imposition of export duty on non-Basmati white rice of 20% from September 2022, India has exported a higher quantity of non-Basmati rice at 4.2 million tons during the period September 22 to March 23, as against 3.37 million tons in the same period of previous year. Therefore, the government decided to ban the export of this grade in order to control the prices in the domestic market. This decision has severely impacted the global rice prices as stocks in other exporting countries such as Thailand, Vietnam and Pakistan are also not abundant to take care of the shortfalls created by the ban. KRBL impact due to the right export ban is very minimal.

Our exports of specially premium grade of non-Basmati variant is affected. But we have represented our case to the government through the trade association and various chambers of commerce to carve out a proposal to allow export of premium variants of these do not have any effect on the food inflation and food security concerns of the government of India. As you have seen financial results for the quarter, our export revenue is Rs 540 crores in Q1 and FY24 against Rs 485 crores in Q1 FY23. With respect to the export business, Q1 has been a little slow. This is on account of two reasons, preponement of some sales to Q4 FY2023 owing to early Ramadan and some distribution related changes in some key markets.

We are hoping to complete the distribution refresh soon. With that, the second half of this year should be set up in performance vis-a-vis Q1. Any details regarding the export performance on any particular market can be discussed during Q&A session. In regard to our expansion program, we would like to apprise you that Gujarat plant is functional and production is live. Presently, we are keeping our cargo in rented warehouses. Till the time we construct another warehouse of about 1 lakh square feet for which government approval is awaited.

In Karnataka, all formalities pertaining to the land acquisition are completed. Government permissions are in place and civil construction started in the month of June 2023. In MP, already the land has been purchased, government formalities to start construction is applied for. It will take time to get government clearances. Regarding buyback, I think so I will hand over to Ashish. He will give you the details of the buyback, and the final dividend for finance year 2022-23. Thank you.

Ayush Gupta:

Good afternoon, ladies and gentlemen, I am Ayush Gupta and I'll be covering the domestic business remarks for today. I am pleased to be here today to discuss KRBL's remarkable performance and strategic efforts in the domestic market during the first quarter of financial year 2024. Our commitment to growth and innovation has led us to achieve outstanding accomplishments across various dimensions of our business. In terms of our domestic sales performance, I'm excited to share that our Q1 domestic sales, excluding power, reached an impressive INR 845 crores, reflecting a remarkable growth of 19% compared to the same period last year.

This success is a testament to our relentless dedication to delivering quality products and meeting the evolving needs of our consumers. Our branded Basmati segment, a cornerstone of our success, has demonstrated strong momentum. The volume sales of both consumer pack and bulk pack has surged by 6% and 14% respectively, contributing to a 9% increase in overall branded Basmati volume over Q1 FY 2023.

We are thrilled to report that KRBL has continued to consolidate its leadership position in the domestic market with a 90 basis points gain in volume market share reaching to 32.4% in general trade and an impressive 510 basis points gain to reach 41.9% in modern trade. Underpinning our achievements are the three strategic pillars that drive our domestic business. The growth in branded basmati household penetration, outpacing the unbranded segment is a noteworthy feat. Our flagship brand, India Gate, has shown exemplary progress by growing penetration faster than the category itself. Moreover, I'm elated to announce that KRBL has crossed the marvelous milestone of one crore consuming households, reflecting the trust and loyalty of brand enjoys amongst consumers.

Distribution has been a key focus area for us, and I'm delighted to share that our efforts are paying off. We have meticulously evaluated our distribution potential across geographies and make substantial improvements to our distribution infrastructure, regarding a notable increase of 230 basis points in our numeric distribution over the previous quarter.

This enhancement empowers us to better serve our diverse consumables. Our commitment to innovation is evident in our category expansion agenda. We have embarked on a regional approach with India Gate South India marketing campaign. This campaign is aimed at expanding basmati consumption beyond the confines of biryani unlocking new avenues for growth and reaching untapped markets.

In addition to our branded basmati success, we have witnessed a remarkable growth in our non-basmati sales which surged by an impressive 60% to INR 30 crores in Q1 FY 2024, compared to the same period last year. Our regional rice business is progressing in line with our expectations, on track to achieve a 5% share of the overall domestic revenue by end of the financial year.

Addressing our Q1 FY 2024 performance, the 9.3% decline, compared to Q4 FY 2023 is a result of seasonal category dynamics. Bulk pack sales peaked from October to March due to festivals and weddings, followed by a natural decline. Hence, this is not a sales drop, but a pattern reflecting market behaviour.

In our Q1 FY 2024 performance update, amidst our achievements of promising development has taken place. recent years have witnessed the rampant commercialization of basmati rice, raising concerns about authenticity due to reports of blending other grains, artificial fragrances and colors. However, a new ray of hope emerges as stringent regulations come to effect this August.

These regulations aim to restore consumer trust and ensure the true essence of basmati rice. The regulation imposed from 1st August 2023 are poised to bring about a significant shift in the basmati rice landscape. Key parameters that consumers will now rightfully expect for the price they pay are exclusively outlined in these regulations.

One notable change expected with the implementation of these regulations is the probable preference shift among consumers from loose basmati to packaged. The new found assurance of authenticity offered by package varieties, it's likely to resonate well with consumers seeking the genuine basmati experience. Looking ahead, these regulations are poised to have a favorable impact on domestic trade.

The presence of very defined standards will elevate the quality benchmark of basmati rice across markets. Moreover, the regulations will promote trade literacy and empower consumers with better education. This could signal the end of businesses that thrived on other under-graded basmati, ultimately, purifying the market for benefit of all consumers.

As we continue to uphold our commitment to excellence and authenticity, India Gate basmati rice proudly joined hands with Eat Right India under the esteemed aegis of FSSAI to embark on a nationwide basmati rice no compromise campaign.

This momentous collaboration underscores our dedication to promoting healthier eating habits, advocating balanced nutrition and enhancing food safety awareness among consumers across India. By spearheading this initiative, India Gate basmati rice assumes a pioneering role and raising widespread awareness about recently introduced FSSAI regulation on identity standards for basmati rice. With this concerted effort, we anticipate a positive transformation within the industry, fostering an environment of trust and quality.

With this, I come to an end of my remarks. Thank you for your unwavering support. And I assure you that KRBL remains committed to its growth trajectory, innovation and delivering value to our stakeholders. I will now hand it over to our CFO, Ashish Jain, for further updates.

Ashish Jain:

Thanks, Ayush. I will now take you through the performance for the quarter ended 30 June 2023, all figures mentioned by me would refer to the consolidated financials of KRBL Limited. Total income for the quarter was at INR1,441 crores, marking a growth of 16% over the corresponding quarter last year. The revenue from operations grew by 15% while other income in the quarter increased by 144% on account of interest and income tax refund, gain on forex and mark-to-market investments gains.

Domestic revenue, excluding power, increased by 19% over the corresponding quarter of last year to INR845 crores. Year-on-year, basmati sales increased by 20%, driven by 14% growth in volume which was at 107,000 MT and 5% growth in basmati realization, which was at 68,500 per ton.

On the export side, revenue increased by 11% over the corresponding quarter to INR540 crores. Out of the INR 441 crores unrecognized export revenue as of the end of Q4 FY23, INR 423 crores revenue was recognized in Q1 FY24. Outlook for this segment has already been covered in comments by Anil ji.

Gross margin in the quarter was at 28.8% and was affected by higher basmati unit cost on a Y-on-Y basis.

EBITDA margin for the quarter was at 19.3% as against 19.6% in the corresponding quarter. EBITDA trend is affected by a lower gross margin but benefited from higher Other Income and lower proportionate Other Expenses, primarily freight and advertisement.

Finance cost for the quarter was at INR 1.5 crores as against INR 2 crores on account of lower notional interest on liabilities. PAT for quarter was at INR 195 crores or 13.3% as against INR 164 crores or 13% in the corresponding quarter. PAT margin improved on account of lower proportionate finance costs and lower effective tax rate.

I will now share an analysis of Q1 FY24 versus Q4 FY23. Revenue from operations in Q4, like I mentioned, was at INR 1,414 crores, as against INR 1,280 crores in the preceding quarter. Domestic sales, as Ayush mentioned, were lower by INR 87 crores, while export sale at INR 540 crores was higher by INR 209 crores.

Domestic basmati volume was lower by around 10,000 MT due to seasonal factors, as Ayush explained, while Basmati volume was higher by around 35,000 MT, largely because of bulk basmati export recognized during the quarter. Quarter 1 Gross Margin is higher due to higher sale of high-margin basmati rice and 2% lower average basmati COGS. EBITDA Margin has improved by 518 points due to improved gross margin coupled with lower proportionate freight and advertisement expenses.

Moving on to balance sheet highlights. Total inventory as of June 30 '23, was up INR 3,278 crores, comprising INR 849 crores of paddy as against INR 396 crores in June '22 and INR 2,264 crores of rice as against INR 1,908 crores in June '22.

In volume terms, paddy stocks were at approximately 211,000 tons and rice at approximately 371,000 tons. These numbers were 116,000 tons and 367,000 tons, respectively, last year. Inventory is higher primarily to meet higher expected demand. Total cash and cash balance, including all investments, but excluding debt and equity shares as of June 30 '23, was INR 930 crores against INR 936 crores as of June '22.

With respect to distribution of surplus to shareholders, as you would have noted, the Board has recommended 100% dividend, which would come to INR 1 per share and approved buyback of INR 325 crores, as also mentioned by our Chairman. With this, the total distribution to shareholders, including the tax payable on buyback would be around INR 400 crores and around INR 24 crores of dividend, leading to a total outflow of about INR 424 crores.

With that, I come to an end of my prepared remarks. I would now like to hand over to the moderator for opening the Q&A session. I just want to mention that as the ED matter is sub-judice, we will not be in a position to respond to queries from this matter. So over to the moderator now.

Moderator:

Thank you very much, sir. First question is from the line of Himanshu Upadhyay from O3 PMS. Please go ahead.

Himanshu Upadhyay: My first question was on export side. We are hearing that the rice export ban is making global rice importers worried and people want early shipments. Are we seeing price rise in better terms of trade because of what has happened in the domestic market? And secondly, what percentage of our business in exports would be short-term business or single consignment or rupee consignment type of business? Can you elaborate on these two aspects?

Anil Kumar Mittal: There is no doubt there is panic abroad, because of the ban on non-basmati rice exports. But as far as non-basmati is concerned, it is a small business for KRBL, as we are primarily exporting basmati rice. And since we are into branded business, there is no roller coaster behaviour because the orders are with the distributors, and they have been ordering at a consistent level.

So if there is a demand abroad, it would be in private label, not in our segment of branded business. Hence our business is going on as usual. Exports have been going normally in their own way. However, during Ramadan, there were some early shipments which had an effect in Q1. But in Q2, we are doing our normal business, and there is no problem whatsoever,

Himanshu Upadhyay: Okay. And any update on Saudi market, especially on retail side and -- wholesale and retail, how is the new distributor and what is the progress there?

Anil Kumar Mittal: As regards distributor, there have been some changes, which have also affected the sales, which we are going to streamline by mid of August. So you will find the upgradation in export from middle of Q2 and Q3 & Q4 will show remarkable results.

Himanshu Upadhyay: Okay. And one last question, then I'll join back the queue. See, this year, we have paid both dividend and buyback and congrats or thanks for it. And it's a significant proportion of last year's profit. But in future, as our balance sheet is now net cash, is there a thought that we'll be paying this percentage of profits as, let's say, dividend or buyback or whatever it is and -- or in a range would you like to keep it? So any thoughts on that?

Ashish Jain: Yes. So thanks for the question. See, just in terms of policy terms, there is no change in our dividend policy, that continues as is. The way we looked at it this time was that we had surpluses beyond our requirement not for all the time to come, but at least for some time right now.

And therefore, we decided to continue with the dividend, but then add buyback to it because we find that that's a very good tool in terms of returning value to the shareholders. Long term, there is no decision yet on what the mix of dividend and buyback would be, but we'll just evaluate it as and when surplus funds are available.

Moderator: Next question is from the line of Karan Premchand Gupta from CAVI Capital.

Karan Premchand Gupta: Two questions from my side. One, can you discuss the capex and working capital requirements for the company for the next 2 to 3 years? And then secondly, on the International business, if I remember correctly, last quarter, there were some shipments that got delayed and were supposed to be booked in Q1. So excluding the effect of that, can you tell us what the revenues were in the current quarter for the export business?

And my sense is there's been a significant drop. So if you could also just elaborate on that. And also, if I may squeeze in one more. Mr. Jain just discussed the dividend policy for the Company that stayed average, if you could just elaborate on what the current policy is that you expect to continue into the future for the time being?

Ashish Jain:

Yes. So on capex, our maintenance capex is around INR 50 crores a year. In terms of the expansion that we are doing, the aggregate spend on that should be between INR 200 crores to INR 250 crores, all funded by internal accruals. This is going to be spread between FY'23 to FY'25. In terms of the requirement from working capital point of view, our principal working capital component, as you know, is inventory.

On an average, we maintain about 230 days of inventory. And therefore, as sales grow, that number will increase. That is primarily funded through internal accruals, and we borrow short term primarily during the paddy buying season. In terms of the investment part and dividend policy, so it is there on our website. But just to summarize, the effort there is to distribute around 15% of PAT.

And I think your other question was on export performance. So out of last quarter, which is the quarter ended March 31, '23, we had mentioned that around INR 441 crores was shipments that were dispatched, but the revenue was pending recognition. Out of that INR 441 crores, INR 423 crores have been recognized.

And so if you look at the export for the quarter, the total number is INR 540 crores. So excluding that revenue, this results in about INR 115 crores to INR 120 crores of export. Now that number on a year-on-year basis is lower. But as Anil ji explained, there are 2 reasons for that.

One is around INR 20 crores to INR 25 crores of export revenue got preponed in quarter 4 because Ramadan, this year, which is the principal festival in Middle East, got preponed and that's an occasion where a lot of consumption happens. So we have shipped orders to that effect in the earlier quarter.

And second, there is a distribution change there, which we are hoping to conclude by Q2. So you should see a step-up on the Q1 export performance in the second half of this year.

Karan Premchand Gupta:

Okay. So this change in the distributor in the Middle East, this was something that we had undergone recently, right? So we are changing that distributor again and moving on to somebody else. And then on the inventory requirements for the new plants, what would the inventory -- Yes, if you could just elaborate on what are the expected sales from the new plants that are being set up so that we can get a sense of the working capital requirements for those?

Ashish Jain:

Yes. So on the new plants, we see about INR 400 crores to INR 450 crores of additional revenue. So the inventory with that should be around INR 200 crores to INR 300 crores additional over the current level. I think in terms of the distributor refresh -- yes, so one was done some time back. However, that has been revisited, but that should be completed by Q2.

Moderator:

Next question is from the line of Soumen Choudhury from Jet Age Securities Private Limited.

- Soumen Choudhury:** Mr. Jain mentioned about the domestic volume and realization being 68,500. And I think in the last call, you had mentioned that the domestic realization was 74,000. So is there a drop of 7%-8% over the previous quarter. And if you could give a similar breakup for exports also in terms of volumes and realization, it would be quite helpful.
- Ashish Jain:** No, there's no drop per se, Soumen. There's a slight change in the product mix, but otherwise, overall realizations are in trend vis-a-vis last quarter. In fact, when we look at realizations, they've being fairly stable for the last 3 quarters. On the export number, the total basmati realization in Q1, FY24 was around 98,000 per MT for basmati.
- Soumen Choudhury:** Okay. 98,000 tons? this is a realization?
- Ashish Jain:** That's right, yes.
- Soumen Choudhury:** Yes. And what would be the volume?
- Ashish Jain:** Yes. So volume, I don't have right now, I can share with you separately.
- Soumen Choudhury:** Okay. And what would be the outlook going forward, like for this quarter and next quarter? Are we again seeing stable kind of realizations?
- Ashish Jain:** Yes. So I think -- Anil ji do you want to touch
- Anil Kumar Mittal:** No, realisation is going to increase, as you can see the market as on date is on fire. So, you will definitely see 5% to 7% jump on the realisation in the second quarter.
- Soumen Choudhury:** Okay. And one more issue on the domestic crop, as you are saying that the sown area is better than last year, so are we expecting a better crop and then price drop in October, November when the new crop comes in?
- Anil Kumar Mittal:** It is still too early to ponder on this subject because sowing is still continuing. Especially in flood affected areas, the sowing is still going on and it will take another one week for the sowing to be completed. But this year the sowing is on a larger area of about 12 to 15% over last year. We expect the crop size to also increase by 12% to 15%, but to give you any guess work at the moment on that will be wrong on our part.
- Soumen Choudhury:** Okay, fine, that's it from my side. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Jayant Mamania from Care Portfolio Managers Private. Limited. Please go ahead.
- Jayant Mamania:** Yeah, good afternoon. Sir, can you elaborate on the export of INR540 crores on geographic basis at least top three territories?
- Ashish Jain:** Jayant, we don't typically give market-wise details because that's sensitive from a competition point of view.

- Jayant Mamania:** Okay, okay. The second question is India's total Basmati exports Middle East consist of 78%. So can you tell us the top three players after KRBL?
- Ashish Jain:** You mean who are the largest exporters?
- Jayant Mamania:** Yeah, to Middle East from India.
- Ashish Jain:** Exporters from India.
- Anil Kumar Mittal:** There are 2 - 3 companies exporting large volumes from India to Saudi Arabia, viz. Supple Tek & DD International. There are others too. I can't say that these two are the only other big players but normally all are private label players, and not into branding.
- Ashish Jain:** So, just to add that, I think what Anil Ji was saying that the names he mentioned, these are all bulk exporters. So, they tend to do very large volumes. However, as you know from a package branded point of view, KRBL is the largest exporter.
- Jayant Mamania:** Okay, okay. So can you tell us to what extent we could recover our lost market due to that change of agent?
- Ashish Jain:** Yeah, so it's already been explained I think that is a temporary go-to-market change. You should see a step up from the current levels of performance in the second half of this year.
- Jayant Mamania:** Okay, okay. So in case of domestic market our sales stabilize around INR 900 crores. So what kind of growth we expect and these FSSAI norms have come into place?
- Ayush Gupta:** Yeah, so we have been growing quarter over quarter at about 9 to 10%. And we'll be expecting to close the financial year in healthy double digits. So, I would say between 10% to 15%. Some tailwinds we got last year was the GST and I believe FSSAI norms which have recently kicked in is also a very positive tailwind that should help consumers choose packaged over loose. So, the market size will definitely expand and our brand being the dominant brand in the category should stand to gain from this regulation.
- Jayant Mamania:** Post white rice ban, the parboiled rice are in great demand. So do we deal in parboiled rice?
- Ayush Gupta:** Parboiled non-Basmati rice you mean?
- Jayant Mamania:** Yes.
- Ayush Gupta:** No, our exposure in that space is very minimal, so we're not quite dealing into that category.
- Jayant Mamania:** Okay. Thanks a lot. All the best.
- Moderator:** Thank you. Next question is from the line of Mahesh Attal from Attal and Associates. Please go ahead.
- Mahesh Attal:** Thank you for taking my question. You have just informed us that you have changed the distributor in Saudi. So, is this new distributor going to take care of the HoReCa segment also

which we were actually looking for and I think in the last quarter it was told that we are looking for that maybe in the next couple of quarters you will see something. So, is this distributor going to take care of that thing also?

And my second question would be, like I'm just trying to get on that inventory valuation. Mr. Ashish has just told that the inventory levels of rice, last year quantity wise was 3,67,000 and this year it is 3,71,000. But the value wise it is going, I am not able to understand, can you please elaborate on this please? These are my two queries?

Anil Kumar Mittal: Yes, I updated you on the Saudi front. We have already finalized with a very big and good distributor in Saudi. Already the agreement has been sent to them. We are expecting to get back the agreement duly signed by Mid of August. And simultaneously the shipment will start. This time we have made a common distributor for both retail, HoReCa and modern stores. And regarding your query on inventory, I will ask Ashish to reply.

Ashish Jain: Sorry, I didn't get your question on inventory. Can you repeat?

Mahesh Attal: Yeah, Mr. Ashish, if you can just see the rice levels, I mean, quantity-wise, you have just told us it is 3,71,000 compared to 3,67,000 vis-a-vis. But valuation wise there is a big gap. So, I am not able to understand how we are valuing this particular thing?

Ashish Jain: So the value of rice inventory as of June 22 was at INR 1,908 crores. That same number now is INR 2,264 crores. So, if we look at the per ton value it was around 52,000 as of June 22 and the number now is 61,000.

Mahesh Attal: Okay, and one more thing sir, so with this distributor, are we very sure that we will be reaching our earlier levels like in 2018-19, I mean whatever we used to do earlier in the Saudi market like that was around 1000 plus crores, are we still expecting it in this particular financial year, for the part of the year?

Anil Kumar Mittal: We appoint a distributor after evaluating all the minus and plus points he has. This time it took us about another 6 months as we took last time and we are quite confident that within next one year we will reach to our old numbers which we used to have in FY 2018 to FY2020. I see no problem in that.

Mahesh Attal: And sir, what is the conservative way, I mean what is the idea behind having so much cash in books sir? I mean I am just able to understand that the maximum requirement is something around INR 500 crores including the maintenance and the capex that you are going to do. So, just wanted to know that why there is an additional cash of INR 300 to INR 500 crores because it will somehow reduce the ROCE, right?

Ashish Jain: I think you will have to consider our inventory requirement. So, we stock up Paddy which is our basic raw material in October to December, and that is when the fund requirement is there. So, you have to consider that along with the capex when you look at our overall fund requirement.

Mahesh Attal: So, also, I mean, will this buyback and giving back to shareholder thing will be a regular normal thing? Can we expect another buyback or what's the plan on the like let's say if you are having

additional cash and there is no inventory that you want to pile up for the next season maybe you may take a decision for that in the next season, but still is this on the card and this will be a regular thing or it is one time thing which you have done in the five years period?

Anoop Kumar Gupta: No, we find this buyback to be a tax friendly in the hands of the shareholder and the investor and we can think of it to be a not a regular, but a very frequent feature.

Mahesh Attal: All right sir, all right. Thank you sir and all the best.

Moderator: Thank you. Next question is from the line of Saurabh Jain from Vencus. Please go ahead.

Saurabh Jain: What is the allocation between domestic and export volumes in Basmati and non-basmati rice?

Ashish Jain: Yeah, so in my speech I had given out the volume sales of both businesses. We can give you the data after the call unless you have some other question.

Saurabh Jain: Yeah, and the other question is what would be the impact of FSSAI the new law on your COGS, cost of goods sold, is there will be any hit on the GP going forward?

Ayush Gupta: See as far as branded business for KRBL goes, we have been always compliant to FSSAI in terms of purity of Basmati. So, as a brand we have always sold 100% pure Basmati rice in our packets. So, this rule does not have any impact as such on the cost for KRBL for compliance. However, we see competition prices going up because a lot of loose as well as branded players had a significant amount of blending in their packets. So, we see a much more fair competition in the market with regard to this regulation.

Saurabh Jain: Yeah, and with regards to NBR, there is a INR 30 crores sold in terms of business. So what would be the output volume in that domestic NBR?

Ayush Gupta: Yeah, so the volume is about 5,300 tons.

Saurabh Jain: Okay, and I think domestic Basmati you have done, you have already told us, 1,07,000 metric tons, So what are the plans on the NBR space, so what would be the realization in terms of NBR? Okay, I got it INR30 crores on 5,300 will be the realization and future plans on NBR because you said INR 400 crores is the revenue you would be getting on the new plants. So, it will be from the NBR only or a mix of NBR and Basmati?

Ashish Jain: No, it's a mix of NBR and Basmati.

Saurabh Jain: And 450 in next year or couple of years?

Ashish Jain: No, when all the plants will become fully operational. It's not for the next one year.

Saurabh Jain: Maybe by FY25 or 26. So what would be the allocation in NBR and Basmati in INR 400 crores?

Ashish Jain: So see, the plants are still under construction. So, I think it's a little too early for that question, but broadly it will be a mix of the two.

- Saurabh Jain:** Okay, mix of the two. So, in terms of export, what would be the overall tonnage, if you can...
- Ashish Jain:** Sorry, I mean, that is a very granular question, not, don't see the relevance right now, but we can touch offline if you like.
- Saurabh Jain:** Okay, fine. Thank you, and congratulations. Thank you.
- Moderator:** Thank you. Next question is from the line of Nikhil Upadhyay from Securities Investment Managers Private Limited. Please go ahead.
- Nikhil Upadhyay:** Yeah, hi, good afternoon. Thanks for the opportunity and thanks for the buyback. Two questions, one is, can you talk on the performance of Unity brand where we were trying to move from the smaller or the unorganized Basmati to a relatively low price Basmati, so how's the brand doing and with this FSSAI regulation, if you have to consider the cost of the price differential which adulterated people were able to sell a Basmati rice versus now on a normalized, what kind of a price differential will it bring us to? So if it was INR100, what is our brand, how much of that reduction will happen now?
- Ayush Gupta:** See, our non-basmati mixture in basmati rice varies from grains from INR40 a kg up to INR60, INR65 a kg. And blending varies from anywhere between 10%, 15% to almost up to 50%, 60%. So it's quite a wide range of blending that happens across markets. If I have to talk about the numbers, it can vary from INR5 a kg up to INR25, INR30 a kg in terms of blending variance.
- So across markets, the effect will be different across market, the effect will be different for this relation to come in place. However, we see a positive outlook for our brands across. Unity, obviously being a pure basmati rice and more affordable basmati rice being the seam range compared to India Gate will definitely get better acceptance because the overall pricing in the market for our other basmati will increase. So Unity should get more competitive in terms of that. And we see a positive outlook for that brand.
- Nikhil Upadhyay:** Okay. And what would the price differential of Unity versus currently adulterated basmati rice?
- Ayush Gupta:** As I told you, the current adulterated basmati rice across market -- but the Unity would be at least a 10% to 15% premium compared to current adulterated basmati rice.
- Nikhil Upadhyay:** Okay. And another on the Saudi distributor. Now if we go back to 2021, we took almost 1.5 years, 2 years to appoint new distributor. And I think he started operating last year around Q1 itself. And within one year, we are again looking at a new distributor. So just trying to understand what are the factors on which we appoint the distributors? And what were the key things where you believe the lapses are happening that you wanted to reappoint a new distributor. So just want if you can spend some time here.
- Anil Mittal:** Yes, I'll try to explain to you. Q1 '22 and Q2, they did a phenomenal job and we got orders worth about more than 22,000 tons, 23,000 tons within two months. And we thought that within one year, we'll reach to our goal number of more than 100,000 tons a year. However, all of a sudden, after those first two months, we saw a shift in his functioning. He started asking for more discounts. He started asking for credits. There were so many such problems he tried to create.

And as a matter of principle, when we sign a contract, it is for one year - minimum one year, and we cannot give both the things, i.e. more discounts as well as credit. It is our standard norm at KRBL that we don't entertain credits normally. So we had to tell him that if he wanted to work with us, we could not entertain his such claims. And that is why we had to go for a new distributor.

And this time, we were quite sure and it has been clearly agreed between KRBL & the new distributor that credit is not required and at least for minimum one year, we will work on the discounts. So I feel that this time things will work great, when he will get the real taste of India Gate. Now that old distributor is trying to come back to us, but we are not interested to work with him. So as a brand, it's a strong brand, but I don't know why he wanted to exploit in between the agreement. Any way we are now working with the new distributor.

Nikhil Upadhyay:

Okay. And just one last question, sir. When these agreements we have with the distributor, is there a volume clause which we put in this year as much kind of a volume we have to get so to get a higher incentive? Or how the incentive and the discount structure worked around with the distributor?

Anil Mittal:

See, first of all, we have distribution contracts for more than 50 - 60 countries, but quantity or definition of commitment of quantity is not present in any contract. No distributor will guarantee you the quantity in the distribution agreement. Incentives are there, if you will sell above a certain quantity, then we'll give 1% or 1.5% more, but normally, there are very few distributors who qualify for those incentives. And they are all old distributors, like in Australia. There are a few in America. They are doing well. And even in Middle East, Doha, Qatar, Dubai, they are doing very well. We had issues only in one or two distributed channels. One is in Kuwait, and other is in Saudi Arabia. Otherwise, everywhere things are fine.

Moderator:

Thank you. Next question is from the line of Navid Virani from Bastion Research. Please go ahead.

Navid Virani:

So firstly, sir, in the opening remarks, you mentioned that there has been a remarkable growth in the non-basmati rice. So can you please quantify the contribution of non-basmati rice to our total sales? And how should one see this going forward if you can look to that as well?

Ayush Gupta:

So yes, I mentioned those numbers. Non-basmati currently contributes to INR 30 crores over our INR 845 crores domestic revenue. And that's roughly about just sub of 5%. Our target also for this year for the financial year is for the non-basmati to be salient at about 5% to the overall revenue for the year.

Navid Virani:

Okay. And secondly, can you also let us know the contribution of bulk or non-branded rice to total revenue?

Ayush Gupta:

Bulk or non-branded?

Navid Virani:

Yes. Bulk right. Yes, the non-branded product that I wanted to know.

- Ashish Jain:** Yes. So I think useful to look at that number for the last financial year. So the total bulk was at around 15% of our total revenue in the last financial year.
- Moderator:** Thank you. Next question is from the line of Syed Faiz Ahmad from MIF Investment and Financial Services Private Limited. Please go ahead.
- Syed Faiz Ahmad:** I am your investor and also a consumer. the quality of the product I buy has changed a lot. If I buy India Gate and Shree Maharaja, the difference is in the brand. As an investor, if I invest money, I need growth in wealth. There is a block deal on 12th February 2018 by Pabrai Investment Fund. In which they have 3,20,000 quantity and purchase price is 594. So sir, how will you release this investor? In 2018 only, they did a block deal. And buyback price is 500. And from 2018, 2023. How will you release this investor? And by which price?
- Anil Kumar Mittal:** Sir, please repeat it again. Your voice is not clear.
- Syed Faiz Ahmed:** Sir, you must have understood my first question related to price variance and quality variance. The second question is, you have an investor who has a block deal. In the February 2018 investment fund has a price range of 594. Sir, this block deal is in place till 2018 but it is going on till 2023. So how do you release this investor when you are buying at INR500? And as an investor I don't think that these buyback prices are standard prices where you are exporting and selling domestically and there is a boom in the rice market. Sir, please clarify this.
- Ashish Jain:** Yes, I will answer your questions. I think your challenge was that you have a difference in quality between earlier and now. So you can call on our customer care number. I think it will be easier for you to respond there. Rest, Ayush here who looks at domestic business, you can also reach him directly. That is my suggestion on the first one. The second one, see that deal must have been done between two shareholders. There is no company's role in it. So it will be difficult for us to comment on that.
- Syed Faiz Ahmed:** Sir, who is the second shareholder? The block deal is happening, this is a simple thing. The company has information, right? This block deal is happening, 3,20,000 rupees are being purchased at a price of INR594. You are releasing Abdullah, and an investor is being included?
- Anoop Kumar Gupta:** The company has not sold it. The company has not sold it at INR594. So, the block deal is between the two shareholders. What can the company do with it? This is purely market driven. What can the company do with brokers?
- Syed Faiz Ahmed:** Is there no information in the company about block deals, price pay, and whether an investor has to be released?
- Ashish Jain:** As far as I know, we don't have the information but we can still check. Thank you.
- Moderator:** We will take that as the last question. Thank you very much, members of the management team. Ladies and gentlemen, on behalf of KRBL Ltd, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.

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We do hereby confirm that no Unpublished Price Sensitive Information was shared or discussed during the Q1 FY24 Earning Conference Call.