

E:KRBL/BIBHU/STK_EX_1920/38
13 August 2019



✓	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.

Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call held on Friday 2 August 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 Earnings Conference Call held on Friday, 2 August 2019.

This is for your information and record.

Thanking you,

Yours Faithfully,
For KRBL Limited

Raman Sapra
Company Secretary

Encl.: As Above.

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“KRBL Limited
Q1 FY'20
Earnings Conference Call”

August 02, 2019

MANAGEMENT: **MR. ANIL KUMAR MITTAL - CHAIRMAN & MANAGING
DIRECTOR, KRBL LIMITED**
**MR. ANOOP KUMAR GUPTA - JOINT MANAGING
DIRECTOR, KRBL LIMITED**
MR. RAKESH MEHROTRA - CFO, KRBL LIMITED

MODERATOR: **MR. ANIRUDDHA JOSHI – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the KRBL Limited Q1 FY '20 Earnings 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities Limited. Thank you and over to you.

Aniruddha Joshi: Yes. Thanks, Steven. On behalf of ICICI Securities, we welcome you all to Q1 FY '20 Results Conference Call of KRBL Limited. We have with us the management team; Mr. Anil Kumar Mittal – Chairman and Managing Director; Mr. Anoop Kumar Gupta – Joint Managing Director; and Mr. Rakesh Mehrotra – CFO. So now I hand over the call to the management of KRBL Limited for their initial comments on the company and the quarterly performance. Thanks, and over to you, sir.

Rakesh Mehrotra: Good afternoon, ladies and gentlemen. Welcome to KRBL Limited's Q1 Earnings Conference Call. Thank you ICICI Securities for managing 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 operations is at INR 1,218 crores, an increase of 64% as compared to the same period last year. We achieved an overall volume growth of 20% in the Indian market, at the back of strong focus on the branding, customer engagement and strengthened distribution network. Export contribution to our revenue increased to 51% in Q1 FY'20 from 36% in the same period last year, at the back of a strong demand environment. EBITDA is at INR 240 crores as compared to INR 183 crores in the same period last year. There is an increase of 31% of EBITDA.

PBT for the quarter is at INR 199 crores as compared to INR 149 crores for the same period last year, an increase of 34%. PAT for the quarter is at INR 136 crores as compared to INR 100 crores for the same period last year, an increase of 36% year-on-year.

I would like to conclude by saying that we are excited about the long-term growth opportunities for our business and are confident of taking the company to greater heights. With this, I will hand over the floor to Mr. Anoop Gupta for his comments.

Anoop Kumar Gupta: Thank you, Mr. Mehrotra. On the macro front, I would like to reiterate that demand for the rice remains strong. The rice production for the country has also reached a record high of 116 million tonnes. Rice exports in India have also reached a record high. Basmati rice exports are also on the verge of clocking the highest ever number. This has also reflected in our export contribution, which is 51% for this quarter as compared to 36% in the same period last year. Our strategy on increasing volumes, along with a favorable demand environment, is yielding results.

We have spent ~2% of sales on promotional expenses for the quarter. On the sanctions applied by U.S. on Iran, we would like to reiterate that the same would not affect KRBL Limited and Iran continues to be the largest importer of Basmati rice from India. Exports to Iran have reached a level of 1.48 million tonnes in FY '19 as compared to 0.79 million tonnes in the previous year. This is a growth of almost 87%. We are capitalizing on this opportunity and continue to remain unaffected because of rupee payment mechanism introduced sales backed by LCs and the history of good payment terms.

We remain committed to grow our business in domestic and international markets and expect to grow multifold over the next 5 years. Our expedition is to mark our top line at INR 8,000 crores at the back of our strong and widespread distribution network across India, a huge contract farming network covering 2,50,000 acres, strong R&D capabilities and global presence.

Talking about the IT demand notice, I would like to reiterate that we are confident of the case being in our favor. As on 30th June 2019, we have paid INR 111 crores towards the tax demand notice. We remain committed to grow our core business in domestic as well as international markets and continue to deliver similar results.

With this, I now open the floor for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shailesh Kumar from Sunidhi Securities. Please go ahead.

Shailesh Kumar: Sir, I have a couple of questions. Our export realizations have gone down by almost 8% on Y-o-Y basis. So, if you could help me understand the reason behind the same? And by when do we expect our income tax dispute to be settled properly?

Anil Kumar Mittal: Actually, in basmati exports or even in the domestic market, there are various segments of the market. One is the high segment, where we sell India Gate Classic, India Gate Super, etc. and they are very highly priced. Then comes the second segment, which is priced around INR70 to INR80 across the segment. Then the third is between INR60 to INR70. Then comes the broken rice, which is INR35 to INR60. So, these are the three to four segments in which the domestic and international business takes place. And as far as exports are concerned, we took a conscious decision that we have to be quite aggressive because of two reasons. One, it was the Ramadan period and there was a demand in Middle East. And today, 70% of our rice exported is to Middle East. So, we focused and took the advantage of Ramadan, which falls between April and May. Secondly, to become aggressive and to sell the market, we knew that the middle segment will buy more rice than the upper top segment, which is again - India Gate Classic or India Gate Super. So, the main sales which have come out is from the middle segment, and that is why the prices, realization and EBITDA has come down.

- Anoop Kumar Gupta:** And as far as IT is concerned, we have submitted all the documents and we are awaiting the orders. And we are quite hopeful that the orders will be in our favor.
- Shailesh Kumar:** Sir, because what we have seen that, of late, the IT department has gone very aggressive and they are targeting every possible nook and corner to garner revenue. So, what is the probability then in this case?
- Anoop Kumar Gupta:** If we talk on merits; our case is very strong. And I hope minimum 90% to 95% relief would be given.
- Shailesh Kumar:** And by when do we expect the matter to be over?
- Anoop Kumar Gupta:** Our submissions are complete. Now we are awaiting the order, it can be any day.
- Shailesh Kumar:** Okay. And I may like to squeeze one more question. What is the update on this ED case, which was declared a couple of weeks back?
- Anil Kumar Mittal:** In the ED case, we have taken a legal opinion from 2-3 lawyers, and the opinion is that this case is not sustainable. In appellate authority, this attachment will go away. It is a matter of another 3 months.
- Moderator:** Thank you. The next question is from the line of Akash Shah from Asian Market Securities. Please go ahead.
- Akash Shah:** What was the debtor's level as on June '19?
- Rakesh Mehrotra:** What is the debtor level?
- Akash Shah:** Debtors and net debt level.
- Anil Kumar Mittal:** On June '19?
- Akash Shah:** Sir, yes, June '19. For Q1, FY '20.
- Rakesh Mehrotra:** Yes, our debtors are around INR 297 crores as on June 30, 2019.
- Akash Shah:** The same that was there on March '19?
- Rakesh Mehrotra:** Yes. I would say, probably here and there, because in power division, the debtors go a little higher because it was peak season period. So, debtors of the power segment goes up.
- Akash Shah:** Okay. And the net debt level?

- Rakesh Mehrotra:** Net debt level will be around 714 crores, approximately.
- Akash Shah:** Should we expect it to be negligible by the end of Q2 FY '20?
- Rakesh Mehrotra:** The debtors will continue because we had a business of INR 4,000 crores plus or INR1200 crores in a quarter, so the debtors will always be there however net debt may be negligible.
- Akash Shah:** I was asking about net debt leverage.
- Anoop Kumar Gupta:** You mean the bank finance?
- Akash Shah:** Yes, bank finance.
- Anoop Kumar Gupta:** Yes. Debt if you talk as on date the net debt is INR280 crores.
- Rakesh Mehrotra:** It has come down from peak level of INR1,800 crores - 1,900 crores to INR280 crores till date.
- Akash Shah:** Okay. That is good to hear.
- Rakesh Mehrotra:** And it should be zero by the end of Q2.
- Akash Shah:** Great. I wanted to ask one more question. In the last conference call, you had said that we were expecting the final hearing for the IT case on 7th June 2019. So, what has led to the delay of the order?
- Anoop Kumar Gupta:** The hearing and submissions are complete, we are awaiting the order. Now it is up to the officer when he issues the order. From our side, everything has been done.
- Akash Shah:** Okay. So, do we expect any clarity in this quarter or it may take a few more months?
- Anoop Kumar Gupta:** No, definitely within this quarter.
- Moderator:** Thank you. The next question is from the line of Varun Goenka from Reliance Mutual Fund. Please go ahead.
- Varun Goenka:** My question is that the vision that we have put out of INR8,000 crores approximately in 5 years, it will just help if you could break down on how we are looking at the volume growth, value growth, pricing, exports, domestic, etc. If you could just give us directionally some idea as to how we are going to get to this aspiration?

Anil Kumar Mittal:

We have mentioned many times that basmati rice exports out of the country were just 500,000 tonnes in the year 2000. In last 19 years, it has jumped to 4.4 million tonnes. The two countries which are responsible for this increase are Iran and Iraq. Iraq has started buying around 350,000 tonnes and Iran has started buying about 1.4 million tonnes. Now these are quite huge quantities because Iran itself is about 33% - 34%. Looking through the volume growth in last 19 years, and if you look at the KRBL pattern of rising, it has also moved in the same pattern what it has moved in the global and international market. But there has been a tremendous volume and value growth in domestic market, the credit of which goes to our domestic team headed by Anoop. That definitely requires praise because today we are at 36%-37% of the total branded market. In the rice industry, there are many players/traders, but the entry point is very low. So, there are some substandard traders/manufacturers that are selling substandard basmati rice at a very low price, which disturbs our branded and top-quality basmati rice. Still, 50% of the consumers do not know the difference between a good and a bad basmati rice and they go on a price war and a price front. And that is why, in domestic, we could have done much better than what we have done now, if that knowledge among customers would have been there, which we feel that in next 4-5 years this trend will change. Looking to the FSSAI norms, Looking to the quality norms, Looking to the new technologies coming, the consumers will be more educated what is the real basmati and that share will go to the quality players, and one of them is KRBL.

So, therefore, we feel that this global market will come to 6 million - 6.5 million tonnes. In the Middle East there is a population jump everywhere. If you look at the growth, it is 6% every year, with an exception of Iran and Iraq. Domestic market, at the present, is at 2% of the total rice consumption in the country which we believe would multifold into as far as consumption is concerned. So, we feel that INR8,000 crores we can reach in 5 years or it could take us 6 years, or it could be done early too, after all it's a commodity. But we are sure, looking at the growth into this segment of Basmati rice within the rice segment, we are going to grow.

Varun Goenka:

Iran exports are 1.4 million tonnes. What is the provision? What is the outlook there? To increase or will it remain at this level? It has increased from 1 million tonnes to 1.4 million tonnes.

Anil Kumar Mittal:

Good question. See, Iran's total consumption of rice is 3.2 million tonnes to 3.3 million tonnes. There was a time when Iran used to grow 2.5 million tonnes and only 500-600 million tonnes used to be imported & that too from three/four sources - It was Pakistan, Vietnam, Thailand and a part of Uruguayan and American rice. As the time passed, they started importing. The first time Iran imported Indian Basmati rice in 2007 and 2008. From 2007 and 2008, within 10-11 years, we have reached to 1.3 million to 1.4 million tonnes. And the reason was that, due to sanctions, Iran could not import any rice, either from Vietnam or Thailand or from Uruguay. Earlier Pakistan was our very big competitor because all the rice smuggled through Afghanistan, was total Pakistani rice. And in the open market, the value of toman, which is

against \$1, you get 4,500 toman for the import out of India, which is the official import, you get about 10,000 toman to 12,000 toman for \$1 if you go into the black market. So, it is not workable as far as that smuggling which used to be 100,000 or 200,000 tonnes a year. So, we believe looking to the sanctions, looking to the demand, depleting their own production every year because of the urbanization of the area where basmati was grown, I feel that a time will come when Iran will import 2.2 million tonnes from the world. Till these sanctions are there, India would be the biggest gainer.

Varun Goenka: Just one final thing, I think we are one of the most respected food companies today in India. And in terms of size and scale also, we are dominant in every way back end and in distribution and in brand. But last 12 months, there have been several setbacks, both from the industry and of course, KRBL-specific. So today, our company is trading at extremely low valuation. So, have the promoters thought of anything shoring up our holding in any way or reallocating resources between our power capital versus our core consumer company? Any plan that we foresee over the next 12 months?

Anoop Kumar Gupta: Varun, we are discussing this thing within ourselves, we have not decided anything as on date.

Varun Goenka: Any other news in the industry or in the company which could be a possible headwind to us?

Anil Kumar Mittal: There have been many good news, I can tell you. See, one thing is that definitely, once you are in a scanner of ED, it's not a good sign for any company. And that is the reason the stock prices have come down. There's no doubt about it. And in our 50-60-70 years of the business, we realized one thing, that one mistake of yours can destroy the whole effort, the whole transparency, the whole goodwill. Everything can go away. And let me tell you, the mistake with KRBL was taking off Gautam Khaitan as our independent director. Other than that, we are nowhere in the picture. It is a matter of time, you also know that anything that comes in the scanner of ED, they will never leave you. It will be the courts and the judicial and will be the rule of the country, rule of the law, which is going to get us out of this problem. Might take 2/3 months, might take 4 months. But we will be out of it. Again, I am telling you on oath that directly, indirectly, in any sphere we are not involved into those criminal matters in what they are trying to involve us. I am talking on oath.

Varun Goenka: So, in this season, if you could help us what the outlook is. And how will our bank debt strategy change? I was discussing should we become more diversified in our banking channel because right now, we are quite concentrated. Or how do you think the banking channel might behave because of the ongoing crisis? And our industry outlook on paddy for this season, Sir?

Anil Kumar Mittal: On the banking, there is no problem. We have a consortium of banks and they are about 10 banks. We are not concentrated to one bank. SBI is the lead bank and we don't find any problem in the banking. You see, as on date, total outstanding is about INR280 crores, which is going to be zero in Q2. I don't see any questions on the bank or any credibility issue.

- Varun Goenka:** Sure. If Mehrotra, you can give us the inventory data, that will be all from myself.
- Rakesh Mehrotra:** We are having a total paddy stock of 222,685 metric tonnes, valued at INR766.46 crores. Average price is INR34,400 per metric tonne. And we are having rice stock of 325,315 metric tonne, valued at INR1,612.80 crores. Average price is INR49,577 per metric tonne.
- Moderator:** Thank you. The next question is from the line of Amit Doshi from Care Portfolio Managers. Please go ahead.
- Amit Doshi:** Exports, which have been doing phenomenally well since last 2 quarters, now crossing 600 crores. As you mentioned, we wanted to go aggressive, and probably Iran is also under consent to buy more from India. What portion of this do you believe is sustainable? And what were one-offs basically of this order which were probably done to lower the realization?
- Anil Kumar Mittal:** First of all, as far as the Iran business is concerned, it is a sustainable business because the consumption is going to increase. And we feel, this is our personal feeling as a company and as a rice export association also, that we have seen in the past that whenever the sanction of such problems have come, the food commodities are always kept out of the sanction as in case of North Korea. There are very heavy sanctions on North Korea except the food. Food is still being imported by various parts of the neighbors and other countries. So therefore, as far as basmati rice is concerned, because they consume basmati rice mostly, instead of using long-grain rice, the total consumption has shifted to basmati rice and therefore it is a sustainable business as far as KRBL is concerned.
- At present, in that trade there is a problem that about INR1,000 crores of export money has been detained in Iran because of the currency fluctuation.
- That is why KRBL, in last 30 years have been quite choosy in selecting the business and the process. Every business which KRBL has done with Iran is against letter of credit and all the payments have come to us. So as far as that part is concerned with Iran, we are quite safe. It is your decision that how you want to conclude. I can export a much larger quantity to Iran. Then we have to see the pricing. We have to see the payments. We have to see so many other consequences while dealing with Iran. We are now more interested to expand our business more into Middle East, more into Iraq and other countries, but not too much into Iran alone. We are expecting this year the exports, quantum wise will increase to 5 million tonnes, and we also expect that would be a 10% growth in our exports.
- Amit Doshi:** So, there is nothing that is kind of one-off done at a lower realization. Even if it continues, I mean, which we believe is sustainable, so this lower realization could continue basically?

Anil Kumar Mittal: It can continue also. Otherwise, EBITDA will remain the same of 24% - 25%. If you look at our premium sales, still the realizations are much better, which is around 1,02,000 rupees per metric tons and if you calculate the EBITDA on that Basis, it will come to 24% - 25%. Our premium segment sales have not been dropped and they are increasing by 4% - 5% every year. That cannot increase by 10% or 15%. If we have to show an increment of 10% both in top line and bottom line, then we have to be aggressive in selling to countries like Iraq & Iran, to medium segments.

Amit Doshi: Sir, in terms of this monsoon, which is now doing fairly well, can you give some idea about basmati acreage or on the raw material side, some scenario or some guidance on that?

Anil Kumar Mittal: Yes. There were late monsoons. And still the monsoon in Punjab, Haryana are not up to the mark. The people are drawing groundwater. One of the best parts of basmati is that it requires practically 40%, 45% or 50% less water compared to non-basmati long grain. And the reason is that non-basmati is sown in the month of end of May-first week of June and the monsoon starts from 15th of June. So, for 1.5 months, people have been abstracting the groundwater, whereas basmati sowing starts from 15th - 20th of June and it will continue to be sown up to 15th - 20th of August. And that is the monsoon period. Therefore, no groundwater is required. Because the monsoon came very less, even the people who wanted to grow non-basmati rice, they are partly shifted to basmati rice. That's number one. According to my information, the estimate this year, there will be 10% land in Punjab and Haryana which will shift from Parmal to basmati rice. But the real figure will come somewhere about 15th of August. These are estimates. And definitely, we are expecting a bumper crop this year. Farmers got a good return last year from basmati sowing, especially 2 crops, that is 1509 and 1121. So, I think there will be sufficient and good crops, and prices will also remain comparatively low.

Amit Doshi: In between there was some news of more varieties of basmati. I mean, I just read in some magazine, any idea or anything that you would want to highlight on that? 1121 and 1509, some specific variety. I honestly don't remember much detail.

Anil Kumar Mittal: There are three varieties, which were developed last year. This year also, you cannot say that it will come into big commercial production. We are expecting a crop of about may be 100,000 tonnes of that. There are 3 varieties. One is 1738, one is 1689 and there is one more. These are the 3 varieties. These varieties, as a test results were very good. Last year, we recommended to the institute that these are recommended varieties, and that's why seeds have been distributed. But the commercial results will be known this year. It was not known last year. But this year, after we know the commercial results, there are three to four benefits. First of all, the yield per acre is much more by about 20% in these varieties. Again, they are short-duration varieties, which will require maybe 85 days to 90 days for growing and cultivating. And it requires less water. That is also the third thing. And the most important part in these varieties is that they are disease-resistant, pest-resistant. So, we are not to spray the pesticides on them. India requires a

big change and that the total basmati production has to be pest-free. They will not have any diseases like neck blast, green hopper, etc. and we don't require to spray on the plants and there will be no pesticide residue in the paddy.

Amit Doshi: Okay, great. Sir, any non-basmati plans for growth in the current India? Our contribution is very low, I know, but just as a plan because of 8,000 crores anything on the non-basmati side that we are targeting?

Anil Kumar Mittal: Non-basmati, we do a very small business. We do only value addition, minimum profit has to be 7%-8%. Otherwise, we don't touch any product. Whereas long grain and non-basmati profits are 3%-4%. But let me tell you, as far as exports are concerned, India has been badly hit by the expose of non-basmati rice. At one time, we have seen non-basmati rice to the tune of 8 million to 9 million tonnes primarily from South India. Because of the minimum support by the government, we have become uncompetitive. Most of the markets have gone back to Vietnam, Thailand, Pakistan and other countries, which have got a much cheaper, non-basmati rice over us. Up till March 2019, India provided us 5% subsidy on the export of non-basmati rice. At that time, the country a business of about 2.5 million to 3 million tonnes. And thereafter, I feel that there is no parity in the global market and exports have tremendously come down.

Amit Doshi: Just one last question. In terms of income tax, everything is clear. Just wanted to know the cases which have been opened. Were they under normal scrutiny during those prior years? The normal, regular scrutiny, regular assessment or were they were opened for the first time?

Anoop Kumar Gupta: No. The assessments were made. It was a search in our premises. So, because of the search, the last six years' cases were opened. They were all scrutinized under 143(3).

Moderator: Thank you. The next question is from the line of Amber Thakerja from Vachi India. Please go ahead.

Amber Thakerja: My question is any update on the non-rice product, how they are doing? Any plans for them? And on the rice business, because KRBL carries substantial inventory, and of course, sells throughout 12 months. From time to time, we hear that the paddy price is moving up, moving down. And I think nobody really knows how to correlate the difference in the paddy price with the product price that you are selling, especially for the lower grade price because I am guessing for the higher grade price, there is a lot of brand element to it so you don't move around pricing that much. But for the lower grade price of rice, I wonder if there is any correlation with what the current paddy price is. Any updates on or any guidance would be appreciated. Thank you.

Anil Kumar Mittal:

First of all, we have to look at our inventory. KRBL main front is aged rice. We may be 90% or 80% of the total basmati segment selling white rice untreated, neither steamed nor parboiled. 80% of our business are white rice or 90% is non-steam. So, we do natural rice and it is when a certain SKUs is for 1 year and certain SKUs is for 2 years. So as far as the stocks are concerned, we required to keep that stock. That is our strength of KRBL, and that is the reason we get so high a premium in the market, whether in domestic or whether in exports. That one thing should be clear. And it is chain. In spite of those type of fluctuations, our price remains constant. When it comes back down, then also our selling price is same; and when it goes very much high, then also our selling price is the same and that is the reason of 25% of EBITDA, number one.

Number two, let me give you one information. July-August and September until next quarter, we are going to offload minimum 1 lakh tonnes of rice. So, whatever are the quantities showing as on 30th June, they will be lesser by 1-1.25 lakh tonnes. About 60,000 tonnes will go in export and about 50,000 tonnes will be sold in domestic. So we will be lesser by 110,000 tonnes. That is also quite a substantial quantity and that is why we say, as on 30th September, our debt will be zero. Not only zero, we might be having INR100-200 crores surplus in the bank also for that time. That is point number one. Now, this is a question in the whole trade market. It's not just your question as an investor. Everybody says that how is KRBL able to sustain, when the new crop is coming, if you are having such old rice at a higher cost. Because they do not calculate that our selling prices are much more on a premium. See, you have to understand. You go to Dubai or you go here in India too, India Gate Classic, there are 20 other brands lying and I'm getting 50% higher realization than others. So that is our strength. You have to evaluate that.

Amber Thakerja:

Got it. And any news on the non-rice business, the Quinoa business that you had started? Any plans on that?

Anil Kumar Mittal:

Yes. Quinoa business, we were expecting that we will get a good response. But definitely, we couldn't get that good response. But it is progressing now. It is progressing, and we are quite hopeful for one simple reason that the Quinoa grown in Bolivia is much superior over the Indian Quinoa. And that was one of the reasons that we could not succeed in a very big manner in exports and Indian markets was also quite slow. Number two, we were expecting that Indian markets will accept the product because of the cost and because of its niche market and total consumption of India, we could not get those numbers which we were expecting. So Quinoa, we are still hopeful. It might take 2 year, It might take 3 year, but we will achieve because it is too hard to give up the people who started contract farming. And this year, our production is excellent. It is as at par with Bolivia. So we expect to do this year very good. By this year I mean from December, January, very good on Quinoa business. At least we should double it this year. This is my feeling.

- Moderator:** Thank you. The next question is from the line of Jagdish Singh from BA Capital. Please go ahead.
- Jagdish Singh:** I just wanted to ask you about the quantities of rice in the domestic market. Although they are very good right now, but we used to have a time when we used to sell almost 1 lakh-1.25 lakh metric volumes around demonetization time. So how long do you think it will take to reach that kind of volumes?
- Anoop Kumar Gupta:** This quarter, we were at 85,000 tonnes and we are expecting the year to close at around 360,000-375,000 tonnes.
- Jagdish Singh:** And as far as this growth is concerned, is it coming from Classic? Or is it coming from low end brands in domestic market?
- Anoop Kumar Gupta:** No. Classic is also increasing, but Classic is increasing at a low pace. I am getting growth from the lower segments and middle segments. You have to see the socioeconomic things of India. In India, if you want to sell 200/kg of rice, the takers are very less. If you have to grow your numbers, you can grow in the middle segment only. Upper segment, yes, we are growing, but not at that speed. We are growing. Definitely, we are growing.
- Jagdish Singh:** So how much would be the growth in Classic because you had conducted these 2 rice campaigns, one in Diwali and one in Eid, which was focused only on Classic.
- Anoop Kumar Gupta:** Yes. Actually, it was 15% - 20% increase over last year if you talk of only Classic because of the campaigns. And the retailer penetration has increased by more than 40%-42% because of the sales team efforts and above the line advertisement.
- Jagdish Singh:** Alright.
- Anil Kumar Mittal:** So let me give you one answer to your question, which is important. We sell the majority in domestic. In head rice, our sale is of Indian Gate family: Indian Gate Super, Indian Gate Premium. That's a big sale. It's a big number, big quantity. The prices you look of that variety in the market, it is equivalent to the sale of other people of 1121. Profit is there in India Gate Classic, I believe. As Anoop said that Rs. 200 selling a staple food is not an easy joke. But if you look at the strength of India Gate, it's on India Gate Super; Tobar, Dubar and head rice, all the three. And if you look at the head rice of our Super, that is Pusa basmati rice, the price you will find more or less equivalent to other people selling 1121. That is the strength of India Gate.
- Jagdish Singh:** Sir, my second question is that I've heard that the Punjab government is pushing for MSP for maize and they want farmers to shift to maize. So, do you think, going forward, maybe 2-3

years down the line if MSP are given, do you think it might lead to reduction in basmati production?

Anil Kumar Mittal:

See, let me tell you, first of all, we have given a letter to the Government that in last 5 years, I also gave a speech in Ph.D. Chamber where I told that we have been discussing since Modi Ji came into power in 2014 that we have to make farmer incomes to double. And I made a chart, whereas, today by growing Basmati rice, the farmer income has already increased to double. When I say income, it's not the revenue. Income is the net profit to the farmer. Let us say, he grows 1 acre of parmal rice and his net income after all expenses, fertilizers etc., he earns let us say Rs. 10,000 an acre net profit after medical, after everything what he spent in the year. Basmati rice gives him Rs. 20,000. So there is a 100% rise as far as the net income is concerned. So, basmati rice, day by day in Punjab, Haryana, it is increasing. Number two, nothing is going to convince the farmer, neither you or me, not the government, not the media. It is his last year returns. Whether sugarcane gave me a better return? Or the maize gave me a better return? Or basmati rice or non-basmati rice? Based on that, he decides that next year I'm going to sow basmati or non-basmati. That's number two.

Now as far as Basmati is concerned, the prices of basmati totally depend upon demand and supply. Let us say if the export of basmati goes to 5 million tonnes and domestic, instead of 2.2 goes to 2.5 million tonnes, definitely, we'll pay a very good price for basmati because the area is limited, the quantities are limited. But let us say that remains stagnant and the production becomes 20% higher, next year, the farmer will not grow. He will grow 20% lesser. So this is a demand-and-supply thing.

As far as maize is concerned, the government has given subsidies and quite encouraging because of one issue that is the ground level water. It used to be 20 years back at 40-50 feet, which have come down in some areas to 150-160 feet, in some areas up to 250 feet. That is a matter of concern to the government and they can do anything to save that. But our basmati also falls in the same bracket in conserving the ground level water.

Jagdish Singh:

I also want to understand that in Haryana, they have blacklisted sowing of this rice, I don't know about basmati, but rice in certain areas. Is it correct?

Anil Kumar Mittal:

Haryana is in more difficulty where the water level has gone down to 400-500 feet. Non-basmati rice, they have definitely, not blacklisted but they have tried to curtail and be more strict on the farmer not to grow rice over there. But especially towards Jhansi, Hisar, Hansi - these are the areas where water levels are going down. And it's not that big a news, but there are certain areas that the government is quite particular about it.

Jagdish Singh:

Anilji, last year, you were mentioning that you're working with farmers to reduce the usage of pesticides & fungicides. Is there any marked shift which has happened this year?

- Anil Kumar Mittal:** Yes. There has been a lot of improvement. Last year, we were not much successful. We did this type of contact farming for about 40,000 tonnes of paddy where we thought we will be receiving as per our farm extension services and all. But when we received the goods, it was hardly 30% of the total of what we expected. So as far as our program was concerned of KRBL, we were not quite successful. In spite of spending money doing kisan melas, doing so much effort, it was 90% of the people who really worked hard on pesticide conservation or the removal of the pesticides. But this year, in Punjab in special, not in Haryana, government itself is taking part. The agriculture sector, if you would have gone through various articles, the Punjab government this year is very active through the Ludhiana Agriculture University. And I feel that Punjab will just give us a very good quantity of pesticide-free raw materials.
- Moderator:** Thank you. The next question is from the line of Esha Marathe from ICICI Bank. Please go ahead.
- Esha Marathe:** Yes. My main question is that the ratings are downgraded from AA to AA minus.
- Rakesh Mehrotra:** Yes.
- Esha Marathe:** Yes. So what is the main reason for that?
- Anoop Kumar Gupta:** It was the ED attachment of that 15 crores property. That was the main reason for that. Otherwise, as far as the financials of the companies are concerned, there is no issue at all.
- Esha Marathe:** Okay. But that matter will get over?
- Anoop Kumar Gupta:** Yes. We have obtained legal opinions and the matter should be over by next 3 to 4 months.
- Esha Marathe:** So, by that time, the ratings are supposed to get updated again?
- Anoop Kumar Gupta:** By that time, they are under watch.
- Rakesh Mehrotra:** Our annual surveillance is due. So, looking at our performance, we are hoping for a better rating this time around.
- Moderator:** Thank you. The next question is from the line of Varun Goenka from Reliance Mutual Fund. Please go ahead.
- Varun Goenka:** Sorry to come back. I just wanted to clarify, Anoopji. You mentioned 3,67,000 tonnes approximately of domestic sales this year, right?
- Anoop Kumar Gupta:** Yes and we expect about 4 lakhs in this year, yes.

- Varun Goenka:** 3,67,000 tonnes have already been done in the last four quarters. So are you saying by March '20, we can reach 4 lakh tonnes, right?
- Anoop Kumar Gupta:** Yes. By March '20, 4 lakh tonnes.
- Varun Goenka:** And I think Anoopji, you mentioned something about 5 million tonnes, we can reach in our exports? I think I didn't hear that properly, what was that?
- Anil Kumar Mittal:** No. I told that when we can reach from 5 Million tonnes in 2020, and we have reached today at 4.4 million tonnes in 2019, then I expect that in a year or two, we will be reaching to 5 million tonnes. Export market is going to reach 5 Million tonnes for export market to reach this year or next year, and one of the main reason is that the sanction on Iran. And Iran requires 2.2 million tonnes of rice, he doesn't have money, neither euro nor dollar. We have an advantage of the rupee payment mechanism, that is a very big advantage. And we feel 90% of the rice will go from India. So Iran demand alone can increase by 200,000-300,000 tonnes.
- Varun Goenka:** Absolutely, sir. Sir, non-Middle East, we were seeding our market. How are we seeing the traction there? We are leaders in other areas also, in other geographies also.
- Anil Kumar Mittal:** I will tell you other markets are doing well. They are growing with the right pace of 6% to 7% every year. South Africa is a good market. All of Eastern Africa have started importing rice. West Africa also started importing rice. Mauritius, Seychelles, they are big markets. America which was the market of 30,000-40,000 tonnes. This year, they will be doing about 1,25,000 tonnes. Only concern, if there is one, the European market. Europe used to import 300,000-3,50,000 tonnes from India. That has fallen due to the pesticide restrictions, which we think, if we get the crop of 200,000-400,000 tonnes, then we will capture that market back again from Pakistan. In spite of those challenges, today also, we have done a very good business of 150,000 tonnes with the European countries.
- Varun Goenka:** My best wishes, sir. I hope these next 4, 6 months, all the issues are resolved so that we can entirely focus on growth.
- Moderator:** Thank you. The next question is from the line of Amay Kulkarni from Candor Investment. Please go ahead.
- Amay Kulkarni:** I was able to join a little late. Sir I wanted to ask what is the status of the IT tax demand, sir, that we had?
- Anoop Kumar Gupta:** Our submissions to the CIT is complete and we are awaiting the order. And we are quite hopeful as per our lawyers and chartered accountants that we should get a favorable order and order is expected any day. Within this month we should get the order.

- Amay Kulkarni:** Okay, sir. But the hearing is complete, is it?
- Anoop Kumar Gupta:** Yes. The hearing and our submission is complete.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, that was the last question. I would now like to hand the conference over to the management for closing comments.
- Rakesh Mehrotra:** Thank you very much for participating in the conference and you are most welcome to write to us if you need any more information on KRBL. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.