



E:KRBL/BIBHU/STK_EX_2223/20
3 June 2022

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 Monday, 30 May 2022, on the Audited Financial Results of KRBL Limited for the Fourth Quarter (Q4) and Financial Year ended 31 March 2022.

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) Regulations, 2015, please find enclosed herewith the transcript of the Earnings Conference Call held on Monday, 30 May 2022, at 02.00 P.M. onwards, on the Audited Financial Results of KRBL Limited for the Fourth Quarter (Q4) and Financial Year ended 31 March 2022.

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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WORLD'S LARGEST RICE MILLERS & BASMATI RICE EXPORTERS



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KRBL Limited

Q4 & FY22 Earnings Conference Call

May 30, 2022

Moderator: Ladies and Gentlemen, Good day and welcome to the Q4 & FY22 earnings conference call of KRBL Limited. As a reminder, all participant lines will be in 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. Nishid Solanki from CDR India. Thank you and over to you sir.

Nishid Solanki: Welcome to KRBL Limited's Q4 & FY22 earnings conference call for analysts and investors. I am pleased to introduce to you, senior members of the management team on today's call. We will have with us, Mr. Anil Kumar Mittal, Chairman and Managing Director, Mr. Anoop Kumar Gupta, Joint Managing Director, Mr. Ayush Gupta, Head Domestic Division and Mr. Ashish Jain, Chief Financial Officer.

We propose to begin with updates from Mr. Mittal with the views on the industry, business and growth strategy. He would be followed by Mr. Ayush Gupta, who will take us through the perspectives on the domestic business. Thereafter, we shall have the financial overview presented by Mr. Ashish Jain. After the opening remarks from the management, the forum will be open for question and answer session.

A cautionary note. Certain statements from today's call could be forward looking in nature and the actual results may vary from these forward looking statements, a detailed statement in this regard is available in KRBL's investor presentation, which is available on the Stock Exchange websites.

I would now like to invite our Chairman, Mr. Anil Kumar Mittal, to share his views. Thank you and over to you sir.

Anil Kumar Mittal: Good afternoon, everyone. India, as a nation has done exceptionally well in rice exports in FY22, particularly in non-basmati segment, as against a total export of 13 million metric tonnes in FY21, India has exported 17.24 million metric tonnes of rice in FY22, the credit of which mainly goes to non-basmati rice, which has placed India as the largest rice exporting nation in the world.

Countries such as Bangladesh, China, Sri Lanka and Vietnam have emerged as new markets. China has become one of the largest markets for Indian non-basmati rice, importing more than 1 million metric tonnes. There are about 15 rice exporters



registered with GACC who are eligible to export rice to China and KRBL is one of them. We have a decent share of around 12% of this China business. We have remained opportunistic in the non-basmati trade, and have indulged in businesses where there are good margins. Otherwise, 80% of non-basmati business in the country is being done with low margin of 3% to 4%.

Overall, India has been able to capture a sizable share of the global non-basmati business because Indian rice prices are most competitive today as compared to global rice prices. Our major competitors like Thailand, Vietnam, and Pakistan have increased their prices due to poor crop, whereas India has been having bumper crops year after year in the last four years, creating a good buffer with the Government of India and the traders keeping the prices at lower levels. The Indian Government has started offering now 10 kg rice per month under the free food distribution system instead of 5 kg rice and 5 kg wheat.

As far as basmati exports are concerned, however, it has remained marginally lower in FY22 at 3.95 million metric tonne, as compared to 4.63 million metric tonne during FY21. The main reason for the shortfall was due to the lesser imports by nations such as Yemen, Saudi, Iraq, Iran, as well as EU. Moreover, basmati prices increased sharply in the second half of FY22, coupled with five times increase in ocean freight rates had a downward pressure on basmati exports.

The impact of Russia and Ukraine war on our business - Agro commodity prices have overall shot up due to the ongoing Russia and Ukraine war, especially in areas such as oil, cotton, and wheat, etc. The worst impact has been on crude oil prices, which have spiraled up to USD 120 from USD 70 per barrel, which has severely affected the logistics cost and other input costs and had an indirect impact on basmati rice exports.

However, we must understand that there was very limited direct impact on basmati prices due to this war. As far as Iran is concerned, when we talk of basmati rice, we cannot forget Iran market, right, since it remains one of the largest markets for Indian basmati. As such, there is no improvement in the payment position due to American sanctions. However, the good news is that India continues to export basmati rice to them via third countries.

Logistic problems, as mentioned freight rates are very high, but availability of containers have slightly improved as compared to previous quarter. Warehouses near the ports are fully congested and storage costs have gone 3 times at Kandla port due to wheat exports. After the ban on wheat export, the situation is getting eased out but it will take another two- three months for it to be normal.

Climatic conditions. As is being experienced, North India is reeling under harsh heat wave conditions, and everyone is concerned about sowing of Kharif crop which is harvested in winter. Here again, the impact would be limited on basmati rice since it will be sown during the rainy season and will be harvested in October-November. Basmati rice is highly dependent on monsoons, the forecast of which is looking to be good. We are expecting a very large area under cultivation for basmati rice this year, due to the attractive prices realized by the farmers last year. Most importantly, basmati rice prices have remained firm throughout the last year, which would be a great motivating factor for the farmers to sow more of basmati rice this year.



On R&D front, Pusa Institute has distributed good quantity of seed for seed multiplication and substitute, for 1121 now 1885, 1718 now 1849, 1509 variety now known as 1418, 4714, 1401 basmati rice, as 1886 and Pusa basmati rice at 1677. We are confident that this will bring a good revolution in production of chemical residue free basmati rice, because these new seeds are disease and pest resistant, besides their yields are also better over these old varieties. Thus, the rice will qualify for exports to countries such as Europe, US and many Middle Eastern nations, which have been imposing non-tariff barriers by putting restrictions on imports on the basis of pesticide residue levels, which we all know, do not have any harmful effect as such on human beings.

KRBL's strategy and roadmap for the future businesses. As you all very well know, we had a major setback in Saudi Arabia where our distributor had gone financially weak and had been defaulting on payments. We have tried our level best to save that 35 year old relationship. We have been supporting them for the past 5-6 years in the hope of reviving that business but in the process, we have lost badly in terms of finance and market position. We used to export about 100,000 metric tonne of basmati rice annually to the Kingdom of Saudi Arabia through our old distributor but due to this failure, we started losing our market share.

Finally, we had to take a hard decision and appointed a new distributor for Saudi Arabia market in the month of January 2022. This new distributor is doing an excellent job, the result of which will be seen in FY2023. We have very good orders in hand from them. We are confident that very soon we will recapture this market and will grow beyond our previous levels. As regards, Iran is placed good since we have good buyers and have made all arrangements through third country to ensure that business is done as per the regulations of law.

It is crucial to mention here that we have already purchased lands in Kandla, Bhopal, and Karnataka and currently setting up operations in these regions. I would like to correct here myself, we have purchased in Kandla, we have finalized in Karnataka and Bhopal, about 25% to 30% has already been acquired. It will take maximum two years' time to start these businesses, which would help us further to secure and increase our top line as well as bottom line.

Towards the end, I am indeed happy to let you know that our new generation is doing exceptionally good and is working very hard. It will take a little more time for them to rise to their full potential and they are now in the process of gaining professional experience. I am sure that with our concerted efforts, and relentless hard work of our young generation and our professionals, KRBL is set to march ahead in the path of glory and success. Overall, 2023 will position KRBL in an accelerated position in the arena of rice exports and I am seeing promising times ahead. Thanks to everybody. Now, I will hand over the call to Mr. Ayush Gupta – Head, Domestic Division.

Ayush Gupta:

Good afternoon, everyone. I am delighted to share that the domestic rice business recorded yet again a strong quarter performance with revenue growing by 11% to Rs. 677 Crore. We have recorded highest-ever sales in FY22, wherein revenue increased by 32% to close the year at Rs. 2,648 Crore. We continue to lead the branded basmati rice segment with an annual volume market share of 32.5% in general trade and 41.9% in modern trade. We are sharply focused on a three-pronged strategy of densifying distribution, increasing brand penetration and augmenting the portfolio.



Let me now share progress on each of these three levers. On the distribution front, KRBL already boast of to have best in class distribution infrastructure amongst its peers in the rice category. We are proud to say that we are the most loyal, determined and financially sound distributors in the category. We are now expanding our distributor network by more than 30% in the current financial year, to further increase our retail reach and grow the category.

In the North and West zones, we are now targeting reaching all towns with the 50,000 plus population with a direct distributor. In South and East zones, we will be appointing a direct distributor in all one lakh plus population in towns. In the past year, our secondary sales coverage increased from 26% to 31%, an increase of 500 basis points. This is in-line with our strategy to drive the category through robust active retailing. Increase in secondary sales coverage has resulted in higher throughputs at retail outlets, improved relationships with great and better saliency of the brand. We will continue to drive this feature and are targeting to reach 60% secondary field coverage by financial year 2025.

Supply chain continues to remain an area where we can unlock productivity upgrades and enhance cost efficiency. Teams are working relentlessly to explore opportunities and transform processes to make them more technologically driven. Interventions in supply chain such as implementation of Hub and Spoke model in strategic geographies will further help us reduce our lead times to market and will greatly enhance fill rates.

Our technology transformation project on the sales front, Project DISHA is now ready for launch. We shall start seeing its core benefits from Q3 of this financial year. The third strategy on augmenting product portfolio has already been shared about the non-basmati initiatives. Other than that, I'm happy to share that 'Unity' brand has now officially reached Rs. 500 crore revenue benchmark, a brand that is targeted for consumers to make the shift from loose to package, grew by 42% in volume terms and 50% in revenue terms in the financial year 2022.

Further, we continue to push aggressively on modern trade and e-commerce platforms. Volume sales to modern trade and e-commerce channels recorded 25% year over year growth in financial year 2022. Brand equity and quality of products remain the top enablers, which consistently allow us to penetrate this highly cluttered market. KRBL continues to invest in its brands with a dominating 60% plus share of voice on media platforms.

At KRBL, our outlook for the basmati rice category remains progressive. We believe there is immense scope of growth in both the consumer as well as the HoReCa segments of the business. We are constantly evaluating and upgrading our retailing and distribution capabilities to match that to FMCG best practices.

I will now hand it over to Ashish, who will take us through the financial performance.

Ashish Jain:

I will now take you through the performance for the quarter and the year ended March 31, 2022. All figures mentioned by me would refer to consolidated financials of KRBL Limited.

Total income for the quarter stood at Rs. 994 crore, marking a growth of 1.8% over the corresponding quarter last year. Revenue from operations grew by 1.4% wherein domestic sales excluding energy sales grew by 11%, while exports de-grew by 19%.



As Ayush mentioned, domestic rice sales benefited from healthy volumes besides the buoyant rice prices. For exports, although the quarter witnessed lower rice volume than the corresponding quarter last year, realization improved, led by increase in share of higher price point SKUs and general trend in rice prices. Total exports to Iran and Saudi Arabia were lower by approximately Rs. 70 crore in the quarter as compared to the corresponding quarter last year.

Post appointment of new distributor in Saudi Arabia, offtake resumption is in progress, and it should scale up further in the coming quarters. Revenue from operations included a provision write back of Rs. 7.8 crore recognized after a favorable court judgement in Andhra Pradesh for electricity units supplied in earlier years. Overall, better sales mix and higher price realization led to higher gross margin as compared to Q3 FY22, even rice cost per tonne continued to be higher on account of higher paddy price in the last buying season.

This coupled with higher advertising costs led to EBITDA margin at 17% as against 22% in the corresponding quarter. KRBL's finance costs declined to Rs. 4 crore for the quarter, as against Rs. 8 crore in corresponding quarter as reliance on borrowings continues to reduce.

To give an overview of FY22, revenue from operations increased by 5%, while total income increased by 6% over the preceding quarter. EBITDA margin was at 17% as against 22%, while net margin was at 15% as against 19%. The domestic business, like Ayush mentioned had a record year with both volume and value sales, value rice sales increasing by 32%, while exports continue to be affected, with rice volume sales declining by 10% and value by 24%.

Total exports to Iran and Saudi were lower by approximately Rs. 850 crore in FY22 as compared to the preceding year. So, these two, this is the single largest impact from a sales perspective. This was made up by exports to other countries. Lower export sales coupled with higher rice costs were the key drivers of the company's operating performance during the year.

I will now cover some balance sheet highlights. Total inventory as of March 31, 2022, was Rs. 2,816 crore comprising around Rs. 870 crore of paddy and around Rs. 1,800 crore of rice as against Rs. 2,964 crore in previous year. The inventory this year is lower primarily due to lower paddy purchase in Q3 FY22 on account of high paddy prices. In volume terms, as of March 31, 22 paddy stocks were at 256,000 tonnes and rice at 382,000 tonnes.

The Company had negative net debt of Rs. 389 crore, which is net of cash and cash equivalents of Rs. 390 crore and investments of Rs. 5 crore. Net debt at the end of March 31, FY21 was a positive of Rs. 53 crore. So, this movement that you see is a direct impact of higher net cash flow from operations, which was at Rs. 561 crore in FY22 as against Rs. 384 crore in the preceding year.

The Company's overall liquidity position continues to be strong. The board has recommended a final dividend of Rs. 3.5 per paid up equity share aggregating into approximately Rs. 82 crore for the financial year, March 31, 2022. As mentioned by the Chairman, capacity expansion program is underway, where new manufacturing facilities are being set up in three states. Gujarat is the first state, where a rice-to-rice capacity of 30 metric tonnes per hour is being set up. Karnataka is the second where a paddy to rice capacity of 10 metric tonnes per hour is being set up and Madhya Pradesh, with capacity same as that in Karnataka.



As the Chairman had mentioned, land for Gujarat project was acquired in FY22 and plant construction is underway. Land acquisition formalities for Karnataka project are under process while land has been identified for Madhya Pradesh and part of the acquisition has begun. Gujarat and Karnataka facilities are likely to go live in FY24 resulting in incremental initial annualized revenue run rate of Rs. 400 crore per annum together. Madhya Pradesh facility is expected to go live in FY25.

Total CAPEX before taking the benefit of any Government capital subsidies is approximately Rs. 200 crore, of this approximately Rs. 15 crore was incurred in FY22 and balance is expected to be incurred in the current financial year. Karnataka facility is going to be based in the key rice region of Gangavati and will focus exclusively on the non-basmati opportunity, while the other two facilities will focus on basmati and non-basmati rice.

With that, I come to the end of my prepared remarks. I will now like to hand over to the moderator for opening the Q&A session. I'd just like to mention that as the ED matter is subjudice, we will not be in a position to respond to queries on this matter. So, over to the moderator now.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Jayant Mamania from CARE Portfolio Managers. Please go ahead.

Jayant Mamania: Regarding domestic sales, we grew by 30% this year. So, can you bifurcate the sales between from new distributors, existing distributors and new geography and what kind of growth we are expecting in the current year?

Ayush Gupta: Frankly, that data is not available at the moment. However, as I told you that we are looking at 30% distributor expansion in the upcoming financial year. So, bulk of our growth going forward will come from new distributors but we don't have that data of how much growth came from new distributors in the year gone by.

Jayant Mamania: So, what will be our sales from non-basmati segment and health-related products like quinoa, flaxseed and chia seeds?

Ayush Gupta: See non-basmati and the health segment currently contribute less than 3% of our overall top line number. So, as we told you that non-basmati, we are making strategic investments and regional plants in Karnataka, in Gangavati, in MP and maybe in Maharashtra going forward. We are expecting non-basmati to contribute significantly, say 10% to 15% of revenue contribution in the initial years.

Health segment is a niche category at the moment. We won't be anticipating more than 1% overall revenue contribution from that, unless and until we look into more penetrated health categories, which is still under planning.

Jayant Mamania: So, what kind of growth are we expecting in domestic market for FY23?

Ashish Jain: See, we generally don't give guidance. But I think from what we see, the rice prices are holding up and the demand is also buoyant. While we can't give a number but we're positive about the current year.

Jayant Mamania: Can you tell us what kind of price rise we have taken during this Q4? Or the average realization in Q4 and as compared to corresponding quarter?



- Ayush Gupta:** We've increased prices by 7% to 8% in Q4 which is purely on the basis of increase in commodity prices and input costs.
- Jayant Mamania:** Okay. And the last question, last year we lost sales over Rs. 850 crore by not exporting to Saudi Arabia and Iran. So, how much time will it take to recoup that?
- Anil Kumar Mittal:** See as far as Saudi Arabia is concerned, I think so, whatever is our target this year, we will be able to complete 50%. When we say 100,000, under 20,000 a year, this year FY23 we should be doing about 60,000 turnout of 120 and 120 will complete in FY24, because this is a new distributor and he is doing very well and we have yet to appoint a distributor for HoReCa segment, that we are not able to locate a good distributor. I'm quite sure within next one month, we'll be able to locate the HoReCa segment distributor in Saudi Arabia. So, the total export to Saudi Arabia would be around 125,000 - 130,000 metric tonnes.
- As far as Iran is concerned, for last eight-nine months, we were keeping silent because we were much worried about the Government and banks regulations. Now, we are able to conclude certain businesses with Iran, because under the guidance of State Bank and other financial institutions, where our guideline for the payment is crystal clear. We have decided to do that business and we have got some orders.
- Jayant Mamania:** With increased sales from Saudi Arabia in the current year and opening up of Iran, can we expect better margins this year?
- Anil Kumar Mittal:** Yes, margins would be better and I am expecting a top line of minimum Rs. 600-700 crore only from Iran and Saudi Arabia.
- Moderator:** Thank you. The next question is from the line of Mohit Khanna from Banyan Capital. Please go ahead.
- Mohit Khanna:** Yes. So, my question was pertaining to the inventory valuations. This number for inventory because we have had less purchases during the third quarter, the inventory number has gone down. How is that valuations compared to as of today in terms of the current paddy and rice pricing?
- Anoop Kumar Gupta:** Yes, what we are holding today, the stock inventory are Rs. 2,800 crore, if we compare with the market value, the difference is, it is just 80% of the market value. I mean, there's the incremental value of Rs. 500 crore in the stock.
- Mohit Khanna:** Fair enough. Also, the other expenses in this quarter seems to have increased as compared to the previous quarter. So, what is the reason for that and how should we look for it going forward?
- Ashish Jain:** Yes, so, the largest chunk of the increase that you see is on account of freight on sales, and the biggest chunk of that is on account of freight on exports, but that as you know, we pass on in our sales price. So, while it comes as an expensive and bloats up other expenses, but it is actually factored in the realization. Now, like the Chairman said, the situation is improving so, with that, you should see this cost coming down in the future.
- Mohit Khanna:** I was asking this because the gross margins have gone down a little bit as compared to the EBITDA margins, which is around 5% year over year.

Ashish Jain: Yes, so, that one is freight and the other is that there is a quarter on quarter and year on year increase in advertising, which is primarily on the domestic side. So, these are the two reasons why you see other expenses up.

Mohit Khanna: So, should we expect the advertising expenses to be at the same level or should increase? Any target number on the percentage of sales that you have for advertisement, brand building for FY23?

Ashish Jain: Sure. Advertising expenses will remain same, proportionately, while the freight costs will depend upon how the freight rates pan out, but generally we should see benefits there.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment, please go ahead.

Pritesh Chheda: What is the total basmati volumes that we would have done or rice volumes that you would have done for FY22?

Ashish Jain: See, we are not disclosing sales volume, because it tends to be sensitive from a realization point of view. In the investor deck also, we have given out the total value sales for domestic and export, but have not split into basmati rice or non-basmati rice.

Pritesh Chheda: So, you won't be comfortable to share the total volume?

Ashish Jain: No.

Pritesh Chheda: Okay. And the other question was, did I hear it correctly that we will recoup the Rs. 600 crore to Rs. 700 crore sales of Saudi Arabia plus Iran this year where we have lost about Rs. 800 – Rs. 850 crore of sales, this Rs. 800 crore – Rs. 850 crore of sales would have been lost in a couple of years right, from Rs. 4,400 crore that we did two years back?

Ashish Jain: Yes, so, let me explain Rs. 850 crore is the difference in sales to the two countries between FY21 and FY22. So, the sales in FY22 in these two countries are lower by Rs. 850 crore.

Anil Kumar Mittal: And we are confident that we will recoup this because we have orders in hand, new distributor in Saudi Arabia is doing very well and we are quite confident that he will be able to do a top line of not less than Rs. 350 crore to Rs. 400 crore. We are in the process of finalizing another distributor in Saudi Arabia who will be exclusively dealing with HoReCa segment, when that also comes in, we finalize and decide on that distributor, the total sales alone to Saudi Arabia will be about Rs. 700 crore and Iran would be another Rs. 400 crore to Rs. 500 crore.

Pritesh Chheda: Okay. So, what is the difference between gross margins in export business vis-a-vis domestic business?

Ashish Jain: In exports, the realization tends to be about 5% higher than the domestic realization.

Moderator: Thank you. The next question is from the line of Darshan Deora from Indvest Capital. Please go ahead.

Darshan Deora: Hi, I had two questions. The first question was what percentage of our sales would be non-basmati rice export sales?

Anil Kumar Mittal: It is roughly about 18% to 20%. Close to 18% because we have quite chunk of business 12% alone with China and other than China also we have done certain businesses with Bangladesh and all other countries. So overall it will be about 20% business.

Darshan Deora: Is there concern regarding a potential ban on exports of non-basmati rice?

Anil Kumar Mittal: See, let me tell you as far as my information is concerned, I had gone to the Ministry of Commerce, they have got no plan as far as non-basmati ban is concerned. The reason is that Government has surplus stocks of rice, they are depleting stocks of wheat, so they have banned wheat exports, but non-basmati rice, they have sufficient stocks, but you can't guess anything from the Government can happen. But at least for 3-4 months, I don't see any means, no future of banning the exports of rice.

Darshan Deora: Okay. Second question I had was regarding the gross margins. Generally speaking, the aged rice and the prices of rice were obviously lower a couple of years back versus what the current market prices are. So shouldn't our gross margins be expanding and we should be having inventory gains from the fact that we hold inventory which is lower price inventory from a couple of years ago?

Anoop Kumar Gupta: See, that is why if you see Q1, Q2 and Q4, the margins are to the tune of 17%- 18%. I mean the EBITDA only in Q3 was hard and it was only I think 11%. That is the reason why the whole year EBITDA is about 17%. Otherwise, this 17% EBITDA as far as rice industry is concerned is quite good. It is due to the reason of only ageing rice and we have a cheaper stock, naturally today if I say I have been holding stocks for Rs. 2,800 crore where the market value of their stock is Rs. 3,300 crore, that is only because we are holding cheaper stocks of previous years. This gain of Rs. 500 crore will come in financial year 2023 maybe some part in 2024.

Moderator: Thank you. The next question is from line of Nikhil from SIMPL. Please go ahead.

Nikhil: My first question is on export business. I'm unable to join the dots. Now, if I look at FY20, our total export sales were Rs. 2,100 crore which this year has come to around Rs. 1,500 crore. you said that in the opening comment that we lost Rs. 850 crore of sales from Saudi and Iran. So that Rs. 1,200 crore has become Rs. 1500 crore because Rs. 200 crore - Rs. 300 crore is the sale of non-basmati rice, which we did to China, Bangladesh. That is how the math is?

Ashish Jain: Yes, that is correct.

Nikhil: We look at it, so in this Rs. 2,100 crore in FY20, what was the share of Saudi and Iran if you can give ballpark number not an exact number?

Ashish Jain: I don't have the FY20 data with me. I can tell you the numbers for FY21.

Nikhil: Yes, that will also be fine. So, of the Rs. 1,900 crore, what was Saudi Arabia and Iran?

Ashish Jain: About Rs. 1,100 crore.

- Nikhil:** So, that became almost Rs. 300 crore this year?
- Ashish Jain:** That's right. Yes.
- Nikhil:** Okay. Secondly, my second question is on the domestic business. Now, you said we've increased the realization by 7% to 8%. In the presentation, we've mentioned the realizations improved by 22%. Now, even if I consider a base of 10% - 11% increase in realization, it seems our volume has dropped in fourth quarter '22 versus fourth quarter '21 in the domestic business. So where has the drop been? Is it more in the HoReCa segment or is in the branded business, if you can share some light over here?
- Ayush Gupta:** See, as far as I know, there hasn't been any drop in quarter four compared to financial year '21. We've actually grown by about a low single digit, maybe 3% in quarter four financial year '22 compared to '21.
- Nikhil:** Okay. So, the realization growth in domestic business would be also be low single digit?
- Ayush Gupta:** See, 7% to 8% realization growth that we mentioned was purely on quarter four. However, realizations have increased throughout and probably the consolidated realization increase would have been significant throughout the year, because quarter three also saw really high realizations increase. So, the double-digit realization growth that you're talking about would be a consolidated number for the full financial year.
- Ashish Jain:** Yes, and also the number is not just for domestic, it is an overall increase in realization.
- Nikhil:** So, would it be right to say that if we compare year on year growth in the fourth quarter for domestic, single digit volume growth and single digit realization growth, that will make the 11% overall top line growth? What will be the percentage of HoReCa segment for the full year or only for Q4 if you can share?
- Ayush Gupta:** Frankly, we don't share that information. And we will not have very accurate data on the HoReCa business. 25 kg bag sales are used in multiple ways in the Indian market. So, any estimate that we give will not be accurate, hence we do not share it, nor explicitly.
- Nikhil:** Okay. Last question. Now, I'm trying to understand what happened in third quarter result versus fourth quarter results, because this is sequentially. So, in third quarter, our export business was something like Rs. 380 crore, but our gross margin went down to 20%. In fourth quarter, the export business is Rs. 280 crore but gross margin improved to 30%. If you can help us understand what exactly happened in third quarter numbers that there was significant hit on gross margin and what exactly changed in fourth quarter that even though export sales was lower, our gross margins improved?
- Ashish Jain:** Yes, I explained that. See, I think two aspects really, one is that the profile of export sales, essentially export sales may have improved significantly in quarter four. So, even though you see the revenue is lower than quarter three, however, the average realization in export is far better than in quarter three, right. And similarly, the realization has also improved on the domestic side. So, one increase in gross margin

that you see even with comparable rice input cost is coming through realization which is flowing straight to gross margin.

Nikhil: Okay. So, we had better realization, sales in exports in fourth quarter just supporting the gross margins that improved?

Ashish Jain: Right.

Moderator: Thank you. The next question is from the line of Anuj Sharma from M3 Investment. Please go ahead.

Anuj Sharma: Yes, thank you. Just a few questions. One is you just mentioned that non-basmati rice is 20% in export market and realization significantly improved in Q4. So, if I compare Q-o-Q, and Q3 did not have Iran and Saudi Arabia as a significant part. So, have we lost significant volumes in the non-Iran and non-Saudi market in Q4, because the statements do indicate that, so what's happening there?

Anil Kumar Mittal: Actually, there was a big confusion due to freight rates. And the customers were not too much ready to bear that loss because our prices of India Gate are already quite high because we are into branded segment. So, there was a little bit confusion which was cleared after the third quarter. That was the main freight rate, you know the freight rate have gone 5 times, we were paying to America about \$1500 to \$1800 a container, today, we are paying \$10,000 a container. For whole of the Middle East, our average freight rate outgoing was about \$400 - \$450 container, today we are paying \$2,000 a container. Same way Australia, even to Japan, even to Singapore we used to pay only \$50 per container. Today, we are paying \$1,500 per container. So, because of the container freight, not only we lost the business, but we became late in finalizing with our distributors.

Anuj Sharma: All right. So, if you could just give some outlook on the non-Iran and non-Saudi Arabia market going forward? Because how would they shape up? You have given outlook on the Iran and Saudi Arabia, just some outlook on these markets?

Anil Kumar Mittal: No, they're all positive markets now and let me tell you, it will not be exaggerating, if I say at least as far as realization and business is concerned, we might be able to increase that area also by 10%.

Anuj Sharma: All right. My second question is again, on the other expenses, you see our exports have fallen by roughly 26%-27% Q-o-Q and the other expenses have risen by 10% again Q-o-Q and I presume that the free trade would have softened in quarter four. So, what led to a significant rise in other expenses and what is the outlook there?

Anil Kumar Mittal: See, as far as freight rates are concerned, they have not come down, only the availability of containers has increased. When you talk of the expenses, that domestic freight rate from here to Kandla, we used to pay Rs. 80- 90, now it is Rs. 150 -160, it has become higher by 70%-80%. Same way the labor costs, everything has increased proportionately in last one year. So, that is why the things are looking little bit on a costlier side.

Anuj Sharma: All right. And my last question is, you know, somebody asked on gross margin expansion and if I look at it as our procurement is one of your core competency and we have generally procured the inventory at a lower cost, shouldn't the gross margin expand over a period of time, because we are into branded rice and we are procuring



at a lower cost and realizations are rising. So, over a let's suppose medium term or short-term outlook, do we expand, do we foresee gross margins to be expanding or 30% is where we believe we'll be happy with?

- Anil Kumar Mittal:** See, first of all, if you look at KRBL, every 1-2 years, we buy heavy stocks when the prices come down. This year, we are going to buy just 50% more what procured this year because we feel that the crop size, it would be quite a large crop size by 20% to 25%. We are going to procure, which will help us as far as our gross margins are concerned for next two years because we age rice for two years, partly will come in 2023, partly will come in 2024. So, for example, whatever stock Anoop just now told you we are having certain stock which is two years old and that Rs. 500-crore difference, we are going to build up in 2023 and partly in 2024. Margins would be better.
- Moderator:** Thank you. The next question is from the line of Amit from Care PMS. Please go ahead.
- Amit:** Yes. Thank you. Initially in the opening remarks you mentioned about INR 400 crore of top line, so is that from Gujarat plant alone or all three-plants put together?
- Ashish Jain:** Now, this is from two plants, which is Gujarat and Karnataka together.
- Amit:** Gujarat and Karnataka both, okay.
- Anoop Kumar Gupta:** This is the initial top line we are saying, ultimately this Rs. 400 crore in next 3- 4 years should go to Rs. 1,000 crore.
- Amit:** All three put together?
- Anoop Kumar Gupta:** Yes, it should be I mean, even if you take Bhopal and if you talk of 3-4 year timeline, then the revenue can go up to Rs. 1,300 – 1,400 crore. We're starting with Rs. 400 crore.
- Amit:** Yes. But that all will come in the next year FY24, because that's where -- I mean in fact my question was, for Gujarat plant we have already acquired land and the plant is in process. So, why do you think it takes so long for us to set up this Gujarat plant and why we are expecting revenue in FY24?
- Anoop Kumar Gupta:** No, some revenue will come in the Q4 of FY23 and then it will be an annual target, Q4 FY23, we can expect a revenue of Rs. 70 - 80 crore.
- Amit:** Okay. And for this regional rice, so, we are planning to do all under this Unity or India Gate or we are planning to acquire any local brands, anything that you can share on that?
- Anoop Kumar Gupta:** We have not decided, we have to look at it first. We are now putting up plants, also we can acquire brands, that's not a big issue.
- Amit:** Okay. And you mentioned that inventory we have kept it on lower side of around Rs. 2,800 crore. On other side, we are targeting to complete or kind of recoup our exports loss of Rs. 600 to Rs. 700 crore. So, with this inventory, we would be able to achieve that target of FY23. Because then it should have been, I mean, inventory could probably be short or losing it?



- Anoop Kumar Gupta:** No, we have a good inventory of Rs. 2,800 crore. And as Anil ji said, we will be very aggressive in the new season. If any way we are short of any old inventory, we can always buy in the market where margins would be less, we won't lose the business.
- Moderator:** Thank you. The next question is from the line of Manoj Dua from Geometric. Please go ahead.
- Manoj Dua:** Yes, congratulations on good set of numbers in this very difficult environment. I joined the call late so pardon me if it is a repeat question. You said that Rs. 1,100 crore sales of Saudi Arabia and Iran went down to Rs. 300 crore. What is the outlook for that going forward in one or two years?
- Anil Kumar Mittal:** See, as far as FY23 is concerned, I'm quite confident both Iran and Saudi Arabia will bring us an additional revenue over last year by a minimum Rs. 700 crore to Rs. 800 crore,
- Manoj Dua:** Okay. So, container prices were a shock for everyone. Nobody expected that kind right? Now it has become we know the reality what it is. So now, this can be passed on to the customers?
- Anil Kumar Mittal:** Yes, we have already finalized the contracts and whatever would be the increase in freight or decrease in freight, it will be passed on to the customer.
- Manoj Dua:** Okay. What is the outlook and what are the present-day prices, going down or stable or at elevated level?
- Anil Kumar Mittal:** At the moment, there is a false rumor being spread throughout the globe that India might ban the rice exports and because of that panic, the prices are higher. Though the demand is little less because of the high prices, but we are concluding business at a very good price, according to me it's a false rumor, nothing is going to be banned at the moment because we have sufficient rice stocks and it will continue like this only. At the moment, the prices are good at high prices.
- Manoj Dua:** Okay. And that is for non-basmati, only specifically for non-basmati?
- Anil Kumar Mittal:** Yes. I'm talking about basmati and non-basmati rice both.
- Manoj Dua:** Okay, meaning banning of rice basmati, non-basmati both is a rumor or only on basmati?
- Anil Kumar Mittal:** No, no, it was banning of only non-basmati rice but the panic throughout the world is in the rumor says that they are going to completely ban the rice. So even the importers of basmati rice are also in panic.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.
- Pritesh Chheda:** Just can you give some color in terms of volume growth and price growth in our total revenue growth? At least that color you can share?
- Ashish Jain:** Yes, for FY22, I can share. So total rice volume sales increased by 14% in FY22.

Pritesh Chheda: And balance will be price, right?

Ashish Jain: Right. And the value sales you already have.

Pritesh Chheda: Yes. And same do you have for FY21?

Ashish Jain: No, I don't have the data right now, I can share it later.

Pritesh Chheda: What is the power revenue?

Ashish Jain: It's about Rs. 110 crore.

Pritesh Chheda: Okay. It was Rs. 200 crore two years back. So now it's about Rs. 110 crore, right?

Ashish Jain: It was never Rs. 200 crore.

Moderator: Thank you. The next question is from line of Nikhil from SIMPL. Please go ahead.

Nikhil: Yes, just one question. In the market of Saudi Arabia and all where we were not able to supply the product. So, have we seen any loss? So, I know because the product is not available on the shelf, we would have lost market share. But in terms of demand, how's the demand panning out? Like, is the brand still relatively strong? If you can just help us understand because I think we sell at a branded level there so just to get a sense of how is the demand for our brand shaping up?

Anil Kumar Mittal: See as far as Saudi Arabia is concerned, India Gate as a brand is the strongest brand even today, we were absent for more than 2-3 years, not absent, but the imports were quite lesser compared to 5-7 years back. Even then, when our new distributor got the product, he could not imagine he distributes about 30- 40 products and his reply was something unimaginable that he said that the goods are coming and they are on the shelves, the goods are coming and they are on the shelves, the brand is so strong.

Nikhil: Okay. So, effectively at the demand level, you don't see any pressure, it's only ability to meet shelf spaces where probably we should be able to achieve the base back?

Anil Kumar Mittal: Right.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question for today. I now hand the conference over to the management for their closing comments. Over to you, Sir.

Anil Kumar Mittal: We are thankful to all the investors and let me again reiterate that we are all set to march ahead in the path of glory and success. Overall, FY23 will be positioned for KRBL as an exalted position in the arena of rice exports as I see very promising results. Thank you to everybody.

This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.