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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.

Dear Sir/Madam,

Sub: Transcript of the Investor Conference Call held on Wednesday, 10 August 2022 on Unaudited Financial Results of KRBL Limited for the First Quarter (Q1) ended 30 June 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) Regulation 2015, Please find enclosed herewith the Transcript of the Investor Conference Call of KRBL Limited held on Wednesday, 10 August, 2022, at 2:00 P.M. onwards on the Unaudited Financial Results for the First Quarter (Q1) ended 30 June 2022.

You are requested to kindly take the same on record.

Thanking you,

Yours Faithfully,
For KRBL Limited


Raman Sapra
Company Secretary

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WORLD'S LARGEST RICE MILLERS & BASMATI RICE EXPORTERS



KRBL Limited

Q1 FY23 Earnings Conference Call Transcript

August 10, 2022

Management: Mr. Anil Kumar Mittal – Chairman and Managing Director
Mr. Anoop Kumar Gupta – Joint Managing Director
Mr. Ayush Gupta – Head, Domestic Division
Mr. Ashish Jain – Chief Financial Officer

Moderator: Ladies and gentlemen, good day and welcome to the KRBL Limited's Q1 FY23 Earnings conference call. As a reminder, all participants' lines will be in the listen-only mode. 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.

Nishid Solanki: Welcome to KRBL Limited's Q1 FY23 Earnings conference call for analysts and investors. I am pleased to introduce to you the senior members of the management team on today's call. We 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 views on the industry, business, and broad strategy. It would then be followed by Mr. Ayush Gupta who would take us through the perspectives on 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 an interactive question & answer session.

A cautionary note: certain statements made on today's call could be forward-looking in nature and actual results could vary from these statements. A detailed statement in this regard is available in KRBL's investor presentation which is available on the stock exchange websites.

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

Anil Kumar Mittal:

Good afternoon to everybody. When we talk about rice, we should keep in mind that there are two different commodities, i.e., basmati rice and non-basmati rice. There is no linkage whatsoever between the two as far as production, price and markets are concerned. In regard to non-basmati rice, we see that non-basmati rice could emerge as the next challenge for global food supply as shortage of rain in parts of India, which has caused planting area to shrink to the smallest in about 3 years. The threat to India's rice production comes at a time when countries are grappling with soaring food costs and rampant inflation. Total rice planted area has declined by 13% so far this season due to lack of rainfall in some areas including West Bengal, Odisha, Chhattisgarh, and Uttar Pradesh which account for a major area of India's rice output. There is still hope if weather gods shower their blessing in the next 25 days, then the above scenario can change. Let me add that the prices have already increased by 10% and the Government has increased the MSP to Rs. 20,400 per metric ton for the upcoming Kharif crop. Moreover, there is still good demand from overseas markets since India is still the cheapest among all exporting nations.

As regards basmati rice, the sowing is good and according to the field survey, the production of basmati rice will increase by 25% in crop year 2022-23. This is mainly due to high prices witnessed by the farmer last year. Recently, we witnessed that the early crop which comes in the month of July-August that is 1509 basmati rice fetched a price of Rs. 32,000 to 33,000 per metric tonnes giving the farmer a revenue of Rs. 70,000 per acre whereas non-basmati with the new MSP will fetch the farmer around 62,000 per acre, which certifies that the price of basmati paddy in spite of 25% hike in production will still remain firm and the export prices will also fetch good prices. Moreover, the export demand is good and there is also an alternate channel established to export basmati rice to Iran. As we all know, Middle East is the largest consumer of Indian basmati rice. It doesn't have much stock in hand. Besides, the Ramzan season will start in March this financial year which will put pressure on prices of basmati rice during the season. Basmati rice export witnessed 25.54% in the first 3 months of the financial year 2022-23 as its export increased from USD 922 million to USD 1,156 million between April to June 2022, whereas in volume terms, the growth was only 3.5% thereby confirming that the price realization was very good.

During the last 2 years, we have really witnessed a panic situation on account of the poor availability of containers, labors, transportation, and warehousing which brought down the productivity by 50%. We are now starting to see the situation ease out with freight levels coming down and availability of containers, labors, transportation, and warehousing space are considerably improved. There is no impediment as far as logistics are concerned except that freight rates though they have come down but still are on the higher side. But it does not affect to the industry anymore since the freight charges are built up in the pricing.

The new mechanism introduced by RBI which enables exporters to export in Indian rupee was a welcome move by the exporting community of India. Unfortunately, it does not help much to the basmati rice industry since the major importing countries of basmati rice do not fall under rupee mechanism.

This is to confirm that during this Kharif Season, IARI has distributed seeds of 3 new varieties of basmati rice which possess inbuilt resistance to bacterial blight and blast disease, as I had mentioned you last year as well. IARI has supplied seeds to farmers of improved 1487, 1885, and 1886 rice varieties in which 2 genes have been inserted, which could withstand the attack of bacterial blight and blast disease that adversely impact the crop yield. Three varieties would gradually replace the existing basmati rice varieties of 1121, 1509, and 1401 which are cultivated in more than 90% of about 2 million hectares of aromatic and long-grain rice grown areas.



The above program of IARI will multiply the seeds this year which will result into a commercial crop during the crop year 2023-24. This will give a big leap to basmati exports practically in the EU and the USA, including few countries in the Arab world. Though the restriction of pesticide residue is nothing but a non-tariff barrier, the challenge which was accepted by the Indian exporters and now we have come up with the new varieties to ensure that Indian basmati rice is fully compliant.

We have an excellent order book and our first quarter results are already with you. Both domestic as well as exports sales are showing remarkable progress and this growth trajectory will continue in the times to come. One of the biggest setbacks, KRBL faced in the last couple of years was a loss of a 40-year-old distributor relationship in Saudi Arabia due to its financial crisis. We have now appointed a new distributor for the mainstream market and it is doing exceptionally well, the result of which are already seen in the first quarter and will improvise in the subsequent period. We are yet to finalize another distributor for HoReCa and traditional trade which we hope to finalize by September or October 2022.

KRBL is doing exceptionally well throughout the globe except the EU region due to pesticide restriction. Let me add, it is not KRBL but the entire rice industry that is facing a hard time in EU. I would like to add that UK has signed an MoU for free trade with India whereby there will be a total exemption of duties on imports from India from 1st of October 2022.

The white rice presently attracts about EUR 175 metric tonnes duty which will go away. Hence, the scope of exporting blended white rice is ample since UK is the largest importing country in Europe, but it has a lot much implication in the economies of both the countries. Hence, it could be delayed for a few months.

I am happy to share that India Gate is now recognized as the world's No. 1 basmati rice brand which is the testimony to the quality and love for our brand.

With this, I thank you everybody once again and pass on the speaker to Ayush Gupta for the domestic scenario.

Ayush Gupta:

Good afternoon ladies and gentlemen. I am pleased to share the results of Q1 FY23 for India market. Revenue grew by 47% year on year. Unity brand has grown by more than 100% to Rs. 150 crore in quarterly revenue. Consumer pack continues to grow in healthy double digits year over year in volume terms.

I will now share updates on our three-pronged strategy to transform the India market. First, densifying distribution reach. We are diligently expanding our direct distributor network to town class 1, town class 2, and rural markets of India. We are on track with our target to expand our distribution reach to 250 more towns by the end of this financial year.

Next, we have increased our investments in brand penetration initiatives such as trade marketing to accelerate the ongoing shift in consumption from unbranded to branded rice. We continue to expand our direct coverage to retail outlets by deploying more feet on street. This is not only helping us expand width and depth of distribution but making us a more agile organization as we move closer to the market.

With respect to the third lever of augmenting our product portfolio, we remain committed to deliver close to 10% revenue contribution from new products within the next two financial years. As we continue to evaluate the basmati landscape in India, we are constantly reminded of the immense headroom for growth. However, India is a vast country with diverse consumption habits across regions. KRBL is thus moving

to a regional approach stemming from consumer insights. To this end, we have launched Project RICE where RICE stands for Regional Insight and Cluster-focused Execution. Through this exercise, we aim to converge the diverse brands into three broad clusters; a cluster where there is an overwhelming need to drive branded basmati penetration, second cluster where penetration exists but consumption needs to be increased. Just to mention, the average yearly basmati consumption per household in India currently stands at just 21 kg, and cluster 3 where KRBL market share needs to be increased.

The three-pronged strategy mentioned earlier will now be executed more sharply under the above framework. With that, I come to the end of my remarks and will hand over to Mr. Ashish Jain for financial overview during the period under review.

Ashish Jain:

I will just give an overview of the quarter in terms of financials. All figures mentioned by me would refer to the consolidated financials of KRBL.

Total income for the quarter stood at Rs. 1,239 crore marking a growth of 20% over the corresponding quarter last year. Gross profit of the company increased by 24% and EBITDA and profit after tax by 17%. The Company recorded highest ever quarterly profit after tax of Rs. 164 crore and earning per share of Rs. 6.99 respectively during the quarter.

Revenue from operations grew by 21% led by domestic sales which excluding energy sales grew by 47% to Rs. 709 crore. Export sales at Rs. 485 crore were lower by 4% vis-a-vis Q1 FY22 but marked substantial growth over the preceding quarter. Overall, rice sales realization increased by 13% while volume increased by 7% over the Q1 FY22. Higher realization was recorded across both domestic and export segments. Gross margin improved to 32.5%, an improvement of 100 basis points over the corresponding quarter. EBITDA margin for the quarter was at 19.6% as against 20.2% on account of higher advertising cost, higher travel cost, mark-to-market loss on the equity portfolio, and some other expenses.

Freight expenses increased by Rs. 19.6 crore during the quarter, though the latter is largely recovered from the customer and therefore tends to be EBITDA neutral.

KRBL's finance cost declined to Rs. 2 crore as against Rs. 3.6 crore in the corresponding quarter as our reliance on borrowing continues to reduce. The Company's PBT margin was comparable at 17.9% as against 18%. PAT margin was at 13.3% as against 13.7%. The gap is on account of proportionately higher taxable income in Q1 FY23 as against that in Q1 FY22.

I will now share some key numbers on the inventory. Total inventory as of June 30th 2022 was Rs. 2,461 crore comprising Rs. 396 crore of paddy and Rs. 1,908 crore of rice. In volume terms, paddy stocks were at 116,000 tonnes and rice at 367,000 tonnes. The inventory is lower as compared to last year primarily due to lower paddy purchased in the last buying season.

Total cash and cash equivalents and investments excluding equity investments were at Rs. 938 crore, up by 130% over the same quarter last year. The Company's liquidity position remains strong and supports the Company's ability to invest both in inventory as well as in expansion in the forthcoming year.

With that, I come to an end of my prepared remarks and will request the moderator to begin with Q&A session.

Moderator:

The first question is from the line of Amit Doshi from Care PMS. Please go ahead.

- Amit Doshi:** You did mention about jump in the exports, etc., but when we compare year on year, the numbers are not that kind of remarkable while sequentially there is a good growth. Can you just comment on that as to because last year also, I believe that the new Saudi Arabia distributor was not in place. So, what is the gap?
- Anil Kumar Mittal:** As I mentioned even in the last speech and in my today's speech also that we had a very big setback as far as Saudi Arabia was concerned and that's why the numbers were not very good in the past quarters, but since we have already appointed a new Saudi Arabia distributor, the results are before you, and by Q3, you will see an enormous good results from Saudi Arabia. We cannot change the numbers overnight, it requires some time, we have to give a gestation period to the new distributor as well.
- Amit Doshi:** As far as the domestic business is concerned, of course, your numbers have been really appreciable and a great effort clearly. This shift from unorganized to organized and that is probably driven by the Unity brand, what is the price gap between our brand versus the unorganized segment and what is driving the shift from there to Unity is just what I was trying to understand.
- Ayush Gupta:** Between a branded product such as India Gate which is clearly carrying a USP of an aged rice, that is clearly selling at a premium of about 20% to 25% compared to the unbranded loose variants in the market. With the Unity brand, our objective was to provide the non-aged steam versions to the consumer, which do not command such premiums. So, Unity brand generally commands a premium of about 10% to 12% over the unbranded loose variants. That becomes a much attractive ladder for an unbranded consumer to climb onto to get into the branded bandwagon. And that has been a clear strategy for us where we have been trying to drive more consumer penetration in our key markets and that is working well for us.
- Amit Doshi:** In the presentation slide 14, the market share is mentioned as 32% for traditional trade and modern trade as 37%. Could you give figures of what it had been prior to say probably one year back or some comparable number just for the understanding purpose?
- Ayush Gupta:** I don't have the number, will share it separately.
- Moderator:** The next question is from the line of Pritesh Chheda from Lucky Investments Managers. Please go ahead.
- Pritesh Chheda:** I have 3 questions; one pertaining to your slide 4. I couldn't understand these growth numbers where your quarter growth number is 21% and you have mentioned some growth numbers for domestic business at 47% and export business at 73%. I could not understand these numbers. If you could help us clearly on YoY what is the situation?
- My second question is somewhere in the presentation, it is mentioned that there is 25% increase in basmati price realization, but I don't see any impact on the gross margin side. So, what is the reason?
- I have one more question. In the last quarter, we had given the bifurcation on the loss of business in Saudi Arabia and Iran; certain volume numbers, certain value numbers. And based on that, we had mentioned that half of that business will be recouped in FY23, which means about a increase of 20% or 25% top line growth for the company for FY23. Where are we on that journey in terms of growth for FY23?

- Ashish Jain:** I will address the first one the overall growth in revenue is at 21%. This comprises 47% growth which is against the first quarter of last financial year for domestic business while for Exports, the same number was a degrowth of 4% Y-o-Y, the 73% that we mentioned in the presentation is against the preceding quarter, and the idea there was to highlight the change in trend that is clearly observable in the export revenue.
- Pritesh Chheda:** Is it possible to share in this 20%, what is the volume decline number or the growth number?
- Ashish Jain:** Sorry, we don't give out that data separately. But we have shared separate growth numbers for the two segments in value terms.
- Pritesh Chheda:** Can you directionally at least mention if there is a volume decline or a growth?
- Ashish Jain:** When we look at rice business overall across the two segments, in the quarter we saw 13% increase in realization over the corresponding quarter last year and 7% increase in volume.
- Pritesh Chheda:** Price increase and Gross margin reflection is not there.
- Ashish Jain:** You would have observed that the gross margin has gone up vis-a-vis the last quarter.
- Pritesh Chheda:** That is just about 100 basis points versus the price increase of 13%, right?
- Ashish Jain:** Yes, but you would also note that the paddy prices were higher in the season that we just closed, and because of that, there is also an increase in the input cost which is why the entire realization does not reflect in the gross margin.
- Pritesh Chheda:** We must be following first in, first out. (FIFO), so by that method, you would have paddy prices over the last season as well?
- Ashish Jain:** No, we don't follow FIFO. In our case, the fixed products are valued on a net realization basis while the raw material is at cost.
- Pritesh Chheda:** On that last quarter's bifurcation and our expectation of growth? The calculation seems to suggest a 20% growth for FY23. Where are we on that journey?
- Ashish Jain:** I would not comment on what we will achieve during the year, but I think you had earlier mentioned that we had indicated last quarter that the growth which is expected in Saudi Arabia. I think your question was that where are we on that journey?
- Pritesh Chheda:** And Iran, two places.
- Anil Kumar Mittal:** In Saudi Arabia, we are expecting with the current arrangement that our top line will increase by minimum Rs. 300 to 400 crore extra over the past performance. This Rs. 400 crore definitely will add up in the top line, besides we are yet to decide for another distributor for HoReCa segment and general trade, which we believe we would be finalizing somewhere within September-October and that will add, in this financial year, to about Rs. 300 crore. So, we are expecting Rs. 700 crore jump in the Saudi top line itself this year.
- Pritesh Chheda:** Rs. 300 crore via the first distributor arrangement and another Rs. 300 crore via the new arrangement, right?

Anil Kumar Mittal: Maybe Rs. 200 or Rs. 300 crore, the way we are looking at the numbers now with the present distributor; on the basis of that, I have discussed the numbers because we are doing exceptionally well with the new distributor.

Pritesh Chheda: Has the Q1 already started showing Saudi Arabia numbers? And if you could just share the quarterly run rate in Saudi Arabia now?

Anil Kumar Mittal: Saudi numbers are there, but there were certain payments which could not come. So, they are not reflecting. Otherwise, this number would have increased by another Rs. 70-80 crore.

Moderator: The next question is from the line of Jayant Mamania from Care PMS. Please go ahead.

Jayant Mamania: We have succeeded in sustaining the domestic sales at around Rs. 700 crore since the last 3 quarters. What is our internal target of growth for domestic sales?

Anil Kumar Mittal: We are expanding the domestic market and we are of the opinion that it would be around 50% of the revenue. If my revenue grows Rs. 5,000 crore or so, we are targeting around Rs. 2,500 crore to Rs. 3,000 crore.

Jayant Mamania: At the Rs. 700 crore run rate, it will be around Rs. 2,800 crore already this year.

Anil Kumar Mittal: So, maybe it will cross Rs. 3,000 crore. I don't know the figures, but we are on an uptrend.

Jayant Mamania: What would be the EBITDA margin in domestic sales?

Anil Kumar Mittal: As a Company policy, our EBITDA margin will always be in the range of 15% to 20%. That is a big number I have given. But I can't comment on what is the domestic EBITDA and what is the export EBITDA.

Jayant Mamania: You said this season, the non-basmati rice prices are expected to remain strong because of the lower production expected. So, what would be our strategy to stock this season considering the higher price of basmati?

Anil Kumar Mittal: Let me tell you when we talk about the higher price of basmati, it was in the mind that though the production is higher by 25%, even then due to shortage of non-basmati rice everywhere, the prices will remain firm.

Secondly, MSP has increased to Rs. 20,400. It means a farmer will have an income from the Government minimum support price of paddy to about Rs. 62,000, whereas if the farmer gets, let us say, less than Rs. 32, he will have no interest in growing basmati rice. Therefore, the prices of basmati rice, I said, will remain firm because minimum we have to achieve anything between Rs. 65,000 to Rs. 70,000 for the farmer to have interest in growing basmati rice. That is why I have mentioned that the prices will remain firm this year in spite of 25% increase. Moreover, let me tell you, the demand has increased which you will witness in the next quarter. The demand has definitely increased, and this year, I expect that the figure of India should touch about 4.4 to 4.5 million tonnes as compared to 3.9 million tonnes last year. These are the two reasons where we feel that prices will remain firm.

Your question was on buying. Definitely, this year we will be buying more. Compared to the last 2 years, we will be buying more.

- Jayant Mamania:** We are not that good in the US market. And you said with new varieties, the pesticide residue level will be complied. So, what would be our strategy for the US market?
- Anil Kumar Mittal:** Definitely, not this year but next year, when the commercial crop comes of compliant rice, definitely our share will increase not only in America but in many other markets where there is an obstacle of being non-compliant. I am quite sure that we will do much better in these countries when the compliant rice is available in abundance.
- Moderator:** The next question is from the line of Nisarg Vakharia from Revanta Funds. Please go ahead.
- Nisarg Vakharia:** Since you mentioned that Unity as a brand has started contributing in a big way in this quarter, can you give us a rough indication as to what are the approximate gross margins in the domestic portfolio versus the export portfolio?
- Ashish Jain:** I think we just clarified that we will not be able to share segment-wise gross margins. The overall number is already with you.
- Nisarg Vakharia:** Just asking this because Unity you said is not a very premium brand as compared to what we sell. So, I was trying to get an indicative sense from you guys. Anyways. We have appointed a new distributor in Saudi Arabia. Does it mean and it's safe to say that the last 2 quarters of performance is now behind us and this is a more or less steady state-run rate or base for us in terms of profitability?
- Anil Kumar Mittal:** You are right.
- Nisarg Vakharia:** Lastly, you gave a clear road map on the exports front. Can you also tell us how much can Iran contribute in terms of export revenue for us whenever that goes through, approximately, in FY23 or FY24?
- Anil Kumar Mittal:** In FY23, definitely we will have a respectable share in Iran because a good channel has been emerged and that channel is a legal channel to export to Iran. We are quite confident that our share in the next 3 quarters will be quite impressive as far as Iran shipments are concerned.
- Moderator:** The next question is from the line of Soumen Choudhury from Jet Age Securities Private Limited. Please go ahead.
- Soumen Choudhury:** I am referring to the presentation where you have talked about a 25% increase in realization in the current quarter, YoY. Would it be like quarter on quarter? Would it also be a similar trend like 20% to 25% increase over Q4?
- Ashish Jain:** It is not 25% over the preceding quarter. In the India market, at least we are at about 10%.
- Soumen Choudhury:** 10% growth only?
- Ashish Jain:** Not growth. I think you were asking about realization.
- Soumen Choudhury:** Yes. 10% increase in realization quarter on quarter.
- Ashish Jain:** Yes, that's right.
- Soumen Choudhury:** But in the export market, it should be better than that I think.

- Ashish Jain:** The realizations tend to be higher in the export market as we have explained in earlier calls. But overall if we see the quarter-on-quarter increase in realization, I think it is similar across both domestic and exports.
- Soumen Choudhury:** My sense was Q4 realizations were impacted because of the Saudi Arabia distributor issue. And this quarter, it seems a little bit better than that. Or it is still 10% only?
- Ashish Jain:** I will just clarify. I think your question was that how does the realization compare to the preceding quarter.
- Soumen Choudhury:** Yes, that's right.
- Ashish Jain:** Our response was that first the trend is similar in both domestic and exports, and the number across is about 10% improvement over the preceding quarter.
- Moderator:** The next question is from the line of Himanshu Upadhyay from O3 Capital. Please go ahead.
- Himanshu Upadhyay:** My first question was, despite this 25% increase in sowing for basmati, do you expect the basmati prices to be high this season?
- Anil Kumar Mittal:** The reason is that the Government of India has increased the MSP to Rs. 20,400. So, in comparison, it will impact the basmati pricing as well.
- Secondly the basmati buffer stock with the Government is depleting because of giving free ration to 80 crore people. Moreover, this year, the crop is lesser by 13% overall because of the rain shortfall. These 2 things will also impact the basmati pricing and that is why the basmati prices, in spite of 25% higher crop, will increase. And let me clarify that if we take the crop of non-basmati as around 120 million less 13% whatever it is, basmati rice production is just 7 to 8 million which is 6% to 7% of the total crop. So, that 25% increase versus non-basmati rice has got no correlation, but the price impact will definitely come.
- Himanshu Upadhyay:** We had spoken about going into regional varieties of rice also for the last 1.5 years. Would we start buying those also? And what is the progress on the CAPEX we were to do for the regional basmati rice?
- Anil Kumar Mittal:** We are actually buying rice, and we are in the process of putting rice mills. In Karnataka, we have bought the land and it is under process. The construction will start in the next 60 to 90 days. I think we will be able to catch the production by FY24. But the regional rice we are buying locally and storing it and packing it in our brands, and we are marketing it. In Kandla, machines have started installing in the plants. I think within 6 months, the Kandla-Gandhidham unit will be operational.
- Moderator:** The next question is from the line of Avadhoot Joshi from New Berry Capitals. Please go ahead.
- Avadhoot Joshi:** Just one clarification. Last year, we had sent some non-basmati rice to China. Is that correct?
- Anil Kumar Mittal:** Yes, it is correct.
- Avadhoot Joshi:** Now, Bangladesh is also starting to import from us. The 3 or 4 major regions which produce rice are Bangladesh, China, and Vietnam, out of that, two are going to procure from India. If such an opportunity comes, whether we will be exporting rice to China and Bangladesh in this year also, taking the advantage of prices?

- Anil Kumar Mittal:** As far as Bangladesh is concerned, the problem with KRBL is that we don't entertain any business with an EBITDA of less than 10% or 11%. Otherwise, our bottom line goes haywire. So, we do not know about Bangladesh, but definitely, China, we get an opportunity because China gives a better profit or margin, so we will definitely do with China. It will be not correct for me to disclose. We are working with certain countries in non-basmati rice where our profit or margins will be above 10%, and we are quite hopeful that we will be able to conclude with those countries where the margins are above 10%.
- Avadhoot Joshi:** On the global scenario for non-basmati, the production is also decreasing, right? In India also, the production is decreasing, as you mentioned in the opening remarks. That will help us for export and realization also. Is that correct understanding?
- Anil Kumar Mittal:** India has an upper hand and definitely the crops are less, no doubt, but not to that extent what is the situation in other countries.
- Moderator:** The next question is from the line of Jagpreet Singh from VA Capital. Please go ahead.
- Jagpreet Singh:** Anilji, you mentioned that there was a spillover of some Rs. 60-70 crore from Saudi Arabia to the next quarter. Any other spillovers in this quarter?
- Anil Kumar Mittal:** Yes, there is a spillover of other countries, which I'll not like to discuss, but there is a spillover. The total spillover may be up to the tune of Rs. 150 crore.
- Jagpreet Singh:** The CAPEX plans which you have, how much is the total CAPEX for this year?
- Anoop Kumar Gupta:** For this non-regional rice, we have a plan of about Rs. 150 crore this year.
- Jagpreet Singh:** That will be all the CAPEX which would be required, right?
- Anoop Kumar Gupta:** Yes, total CAPEX.
- Jagpreet Singh:** Which means we would have around Rs. 350 crore to Rs. 400 crore of extra capital to invest in inventory of rice?
- Anoop Kumar Gupta:** Yes, Jagpreet, this year we will be buying paddy. So, we need finances, even we are going to buy regional rice. Even our share in basmati purchase would be higher this year. I think all the money which is lying in the banks will be utilized.
- Jagpreet Singh:** Any color on the growth in the premium segment rice, like Classic and Super, is that segment growing as fast as, let us say, Unity presenting most of the additional numbers? Is your premium segment also growing?
- Anoop Kumar Gupta:** I can reply to you separately on this, the numbers of Classic and Super are growing. Otherwise, how could the realization be so good? The average realization is coming under Rs. 24 per kilo. You can understand, therefore, there is a growth in the premium segment. At least for domestic market, I had run some numbers. For India Gate Classic and Super, we have done exceptionally well in Q1, and we have recorded 60% volume growth in this particular segment. It is actually beating our overall performance and the premium segment has outperformed the overall performance.
- Anil Kumar Mittal:** Jagpreetji, when the bottom line improves, it means our premium segment sales are going up.
- Moderator:** The next question is from the line of Nikhil from SIMPL. Please go ahead.

- Nikhil:** Two questions. One is on the HoReCa segment in India. Are we back to pre-COVID level in terms of volumes or what is the sense you are getting? For HoReCa, we used to sell under the Unity brand. So, what percentage would be HoReCa and what percentage would be retail?
- Ayush Gupta:** On the HoReCa front, we were back to higher levels pre-COVID, at least 2 quarters back, I believe. And Q1, I don't have my numbers correct, but I would take a guess at about 40% increase from pre-COVID levels in the HoReCa segment. And when it comes to Unity brand, Unity brand has historically been primarily a HoReCa brand. More than 85% of revenues still come from the HoReCa segment for that brand. However, we are aggressively promoting the consumer pack range of Unity through our expanded distribution network. And we are hopeful to see much better growth in the consumer segment as well.
- Anil Kumar Mittal:** And I would like to add one thing due to the recent GST notification where the taxability on the branded and unbranded has become equal and we are now at a level playing field. We used to pay 5% tax while others chose not to pay. Now I have changed my packing from Unity 25 kg to 30 kg. As per Government notification, above 25 kg, there is no tax for everybody whether it is a registered brand or a non-registered brand. I hope, with this, our HoReCa sales will improve very much.
- Nikhil:** I think for the last two quarters, we had issues with meeting the demand in the modern trade and all. This quarter, when we say the export demand was very strong sequentially, is there some element of channel filling also? And as a result, this number can go down in future quarters because there could be some one-time sales versus the normal sales which we would be doing?
- Anil Kumar Mittal:** This all sales which we have shown in Q1 and in future quarter is only channel sales. And the demand in channel sales is so much that none of the containers are going to the warehouses of the customer. They are going directly for supply to all the different channels. So, channel sales is very strong in Saudi Arabia, and that is the strength of the brand.
- Moderator:** The next question is from the line of Aman from Augmenta Research Private Limited. Please go ahead.
- Aman Madrecha:** Can you just throw some light about how the paddy prices have moved compared to quarter on quarter and YoY and also give some sense of understanding, like as we were just saying that the sowing area is low, around 13% to 14% lower compared to last year, can we expect that the paddy prices to remain high for the remaining year also?
- Ashish Jain:** I can give you the paddy numbers on how they have moved from quarter to quarter. If you look at our average cost of paddy purchase, for basmati rice, that was at about Rs. 34,000 per metric tonnes as of Q1 FY23 as against about Rs. 28,000 in the last season. So, if you compare it to buying price, it was Rs. 28,000 increased to about Rs. 34,000 in the last buying season.
- Aman Madrecha:** Last buying season was during?
- Ashish Jain:** October to December quarter.
- Aman Madrecha:** Can we expect the prices to continue at this level for the paddy because of lower sowing this season

Anoop Kumar Gupta: Yes, paddy prices will be strong as Anilji has already told you. There are a lot of reasons. 1) The Government has increased MSP. 2) The area of non-basmati is less. So, there will be a pressure on basmati. 3) The demand in export is quite good. 4) There is no carryforward stocks with the rice millers and exporters. So, naturally in the new buying season, everybody would be a buyer. So, we are expecting the price to be very good. Last year, the crop started at Rs. 28 and finished at Rs. 35, 36. This year, we hope the crop will start at Rs. 32, 33 compared to Rs. 28. So, naturally, it is higher by 20% than last year.

Moderator: The next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

Jayesh Gandhi: In one of the earlier callers' questions, you said that you don't follow FIFO method. What method you follow?

Anoop Kumar Gupta: It is, paddy prices are at cost. Whatever the cost is, that will go on cost, no FIFO. I mean, it is the average. If the average of everything is A, it will be A.

Jayesh Gandhi: For example, if we have a paddy stock of, say 6 months, 6 months' prior price will be there or it's the average of the 6 months price that we book?

Ashish Jain: I will add to what Anoopji said. From a calculation perspective, we use weighted average. It's not FIFO and in terms of how inventory is valued, like I had mentioned, for finished products, it is NRV which is net realizable value, and for cost and semi-processed stock, it is at cost.

Moderator: That was the last question for today. I would now like to hand the conference over to management for closing comments.

Anil Kumar Mittal: I am thankful to the investors for attending this conference call and I am quite confident that this quarter's results must have encouraged you that KRBL is back to the trajectory of growth, and we are going to follow this in the coming 3 quarters.

Our order book is very strong and we feel that in the coming 3 quarters, we are going to show very good results both on the top line as well as the bottom line. Thank you.

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We do hereby confirm that no Unpublished Price Sensitive Information was shared or discussed during the Q1FY23 Earning Conference Call.