

Measuring the Happiness Index

KRBL LIMITED | ANNUAL REPORT 2011-12



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KRBL Limited
World's Largest Rice Millers & Basmati Rice Exporters

India Gate Classic Basmati Rice is the most premium rice available in the market. The royal taste of India Gate Classic is impeccable and every grain preserves the essence of whole India. So, now you can feel India's traditional taste refined with the modern technology. India Gate Classic has grains that remain non-sticky even after getting cooked and grains are maturated in our special storage facilities for years to reach to its truly mouth-watering taste that makes India Gate Classic exotic in the class.

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BASMATI RICE
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We bring Smiles to one & all!*

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Control & Contracts Firmly | Largest Rice Mills Group | Processing for Approx. 20 Million Tonnage

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Excellent. Esthetic. Exemplary

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Corporate Information

Board of Directors

Chairman & Managing Director

Mr. Anil Kumar Mittal

Joint Managing Directors

Mr. Arun Kumar Gupta

Mr. Anoop Kumar Gupta

Directors

Mr. Vinod Ahuja

Mr. Shyam Arora

Mr. Ashok Chand

Mr. Ashwani Dua

Dr. N. K. Gupta

Mr. Gautam Khaitan

Ms. Priyanka Mittal

Chief Financial Officer

Mr. Rakesh Mehrotra

Auditors

M/s Vinod Kumar Bindal & Co.

Chartered Accountants

Shiv Shushil Bhawan

D-219, Vivek Vihar, Phase-I

New Delhi - 110095

Cost Auditors

M/s HMVN & Associates

Cost Accountants

31, Community Centre

Ashok Vihar, Delhi - 110052

Registered Office

5190, Lahori Gate

Delhi - 110006

Corporate Office

9th Milestone, Post Dujana

Bulandshahr Road

Distt. Gautambudh Nagar - 203207, U.P.

Bankers

State Bank of India

The Hongkong & Shanghai Banking Corporation Limited

DBS Bank Limited

ICICI Bank Limited

HDFC Bank Limited

Standard Chartered Bank

State Bank of Bikaner and Jaipur

Kotak Mahindra Bank Limited

Corporation Bank Limited

State Bank of Travancore

Yes Bank Limited

IndusInd Bank Limited

Oriental Bank of Commerce

Karnataka Bank Limited

Works

Ghaziabad

9th Milestone, Post Dujana

Bulandshahr Road

Distt. Gautambudh Nagar - 203207, U.P.

Dhuri

Village Bhasaur (Dhuri)

Distt. Sangrur - 148024, Punjab

Alipur 1

29/ 15-29/ 16, Village Jindpur

G. T. Karnal Road, Alipur

Delhi - 110036

Alipur 2

Plot 258-260 Extended Lal Dora

Alipur, Delhi - 110036





Measuring the Happiness Index

No longer an intangible emotion. No more just a value to be nurtured on a personal basis alone. Happiness is today a core concept for corporates as well as nations, a tangible and measurable goal for growth and advancement

So what is this concept of 'happiness'? And how does one measure it?

Are we talking about happy people, happy customers or happy investors? Or is it an all encompassing concept that spans each of these segments, and more? Are we referring to 'happy' employees generating greater productivity to bring about an overall sense of well-being? And can it ever be considered a vital measure of a nation's economy?

These are questions we are trying to explore as we chart a roadmap for our future. And in whose answers we are looking for the yardstick by which we can measure the degree of happiness we are extending to each of our stakeholders.

The happiness index is our way of measuring our impact on the society and the extent of our success. How happy have we made our customers? What is our contribution to the happiness of our farmer families? How do we positively impact the lives of our employees and engender happiness? How happy are our stakeholders? What is the impact that we have made in the communities that we work within?

We believe that money can buy the material things of life, but, love, belonging, self esteem, and the happiness that occurs with self actualisation, are the higher echelons of our well-being. We believe in fostering happiness amongst our stakeholder segments as much as we believe in rewarding them financially.

Our purpose is not merely to be the largest, but also be the actuator of the highest level of happiness.

We believe that when we make others happy, we are contributing to our own happiness.

This then is our story

Measuring the Happiness Index.

Our ability to measure the happiness index... Is built on our legacy of excellence



It may not be mathematically calculable certainty. But happiness is nevertheless a measurable scale to gauge the link between a thriving and continuously growing business and its performance year-after-year.

For KRBL, it is that link we have developed 125 years of our journey as a firm engaged in the business of grain marketing and agro processing. If today we are the world's largest rice miller with manufacturing capacity of 195 MT/hr, and also the world's largest Basmati rice exporter with a strong presence in the Middle East, it is because of our ability to make people - farmers, employees, distributors, dealers, investors, stakeholders - happy.

Building on this ability, we have evolved as a fully integrated player, generating several value-added by-products like bran oil, de-oiled cakes, and use rice husks for captive power plants. Our equity shares are listed on the National Stock Exchange and Bombay Stock Exchange in India. As on 31st March 2012, over tens of thousands of members were collaborating to deliver happiness to farmers, partners, consumers and stakeholders.

Our distribution network extends across 28 states, while our export presence spans 31 countries.



Measuring happiness on our manufacturing platform

Our manufacturing facilities are located in Dhuri, Punjab (150 TPH) - acquired in 2003 and Ghaziabad, Uttar Pradesh (45 TPH). The Dhuri plant, which has been refurbished and reengineered to meet the Basmati production requirements, is the world's largest integrated Basmati rice milling capacity, spread over 150 acres. Currently operating at 35% capacity utilisation, it is equipped with milling operations, parboiling plant, paddy storage area including silos, grading and packaging, bran oil plant, furfural plant, officer and labour colonies and a 12.3 MW biomass plant.

Measuring happiness across businesses

Our legacy of delivering happiness extends beyond our core business of Rice. With our entry into commercial sale of power, our Energy division has shown remarkable growth over the past two years. Our Energy portfolio consists of biomass and wind power projects, with a total capacity of 55.6 MW. Capitalising on the strong demand supply gap in power, we intend to expand our installed capacity by 4-5 MW every year for the next three to four years, to bring light and happiness into more and more lives every year.



Measure of our happiness index

- We are the World's largest rice millers and Basmati rice exporters
- We are India's first fully integrated and scalable rice Company
- We are India's largest selling branded Basmati rice Company
- We have a strong brand presence through collaborations with global retail chains
- We hold a leading position in Saudi Arabia - world's largest Basmati rice market
- We have the largest contact farming Basmati rice network in the India
- Our export realisation per Million Tonnes commands a premium of more than 18% over the industry average
- We have a wide marketing network, with presence at 5,80,000 retail outlets spread across the country
- We are major player in providing the Basmati seeds in India



Measuring happiness on a strong brand platform

- Over 16 brands in Basmati rice, including India Gate, Al Wisam, Train, Quilada, Indian Farm, Nurjahan, Doon, Bemisal, Aarati, Lion, Necklace, Unity, Lotus, Shubh Mangal, Badshah, Taj Mahal Tilla
- India Gate, our the flagship brand, is the topmost selling rice in the branded rice segment, both in India and overseas market
- 25% share in branded Basmati exports from India
- Largest branded Basmati player in Saudi Arabia, Kuwait, Qatar, UAE, Australia, New Zealand
- Catering to nearly 5% of the global (Basmati) rice trade
- Exporting to 31 of the 92 countries in which India is selling Basmati rice
- India Gate Basmati chosen as 'Star Brand' in 2011 by the Indian consumer
- New variant launches - India Gate - Sona Massorie, IG Mini Dubar, IG White Sella Mini Dubar, Bemisal Dubar, Bemisal Tibar & Har Rooz



Our assurance of scoring on
the happiness index
... Is explicit in the
power of our brands



Chairman's Message



Anil Kumar Mittal, Chairman & Managing Director

I am pleased to share that last year we became a Global Growth Company with the World Economic Forum

Like most corporates and organisations, financial performance has traditionally been our yardstick for measuring success

In keeping with industry trends, the tangible financial parameters still continue to determine and define our growth odyssey but, increasingly, we have felt the need to expand our measuring scale to encompass the intangible results of our business.

After more than a century in the industry, we find the financial result-oriented measurement system not completely relevant to the transforming ethos of our business. While this system does give an indication of the direct benefits of our business for all our stakeholders, it fails to recognise the holistic, long-term advantages that it has yielded for them over the years, in many cases transforming their lives in unimaginable ways.

It is with this new focus that we look back at the year gone by, which saw your Company scale new levels of success on the measuring index of happiness.

For our investors, it was another year of good performance in the face of some extreme challenges. Sales increased by 5.6%, driven primarily by strong sales volume in the export market, with export sales going up

33.45%. Export sales contributed 53% of sales during FY12. The Middle East regions witnessed significant increase in demand for Basmati rice.

Though moderation in price realisation continued to impact revenue growth, lifting of ban on the non-Basmati rice export by the government has resulted in enhanced presence in newer export markets and improved export volumes.

These gains, unfortunately, did not translate into Net Profit growth; consolidated Net Profit for FY12, adjusted for foreign exchange losses arising from Rupee depreciation, decreased 11.8% compared to FY11.

We continued to perform well in our Energy business, with net sales increasing 33% over the previous year. However, consolidated EBIDTA remained flat over the same period, mainly due to significant increase in average cost of goods sold.

We are pleased to recommend a consistent dividend as our ongoing commitment to enhance shareholder value and happiness.

Challenges give way to happiness

As mentioned, FY12 saw the rice industry face many serious challenges, particularly on pricing front. Basmati rice prices remained under pressure due to problems associated with exports to Iran. Additionally, increase in

acreage under Basmati rice in Punjab, Haryana and Uttar Pradesh during 2011 led to surplus supply in the domestic market, which in turn put pressure on realisations.

However, the resumption of direct exports to Iran since April 2012 augurs well for Basmati exporters – a clear indication of happier times for all of us in the coming months. Expectation of lower Basmati acreage in 2012, due to lower remuneration to farmers, has also caused Basmati rice prices to recover significantly, providing further support to our growth plans.

Other recent favourable developments include the withdrawal of the Minimum Export Price (MEP) of Basmati as of July 2012; this is sure to increase the export opportunities for Indian Basmati, especially for those in the low value segment.

Led by surplus domestic supplies, the government also lifted the ban on export of non-Basmati rice, thus paving the way for higher export of Indian non-Basmati in the next one year.

Delivering happiness through brand power

The situation has definitely started easing, promising greater happiness quotient for our employees, farmers, distributors, dealers, retainers and all other stakeholders.

These factors, coupled with our strong brand presence, have set the stage for us to scale the next level of growth in our journey. Your Company has an established brand presence in both, the domestic and the international markets, and is a leading exporter to the Middle East. Our flagship brand 'India Gate' continues to grow by leaps and bounds and we remain focused and passionate about retaining our No. 1 position with respect to this premium product, which has been awarded India's Most Preferred Basmati Brand.

I am pleased to share that last year we became a Global Growth Company

with the World Economic Forum.

We have acquired this global status not merely on the strength of our ability to successfully compete with global brands but also by the deep-rooted sense of responsibility with which we have steered our growth story. This sense of responsibility is best manifest in our focus on sustainability, which we had imbibed in our business philosophy and systems much before it became the buzz word on the global platform.

However, as you are aware, sustainability comes with a cost, which has to be weighed against the overall gains that shall accrue in the long run. It is a cost that we all need to share, along with other stakeholders in the value chain, if sustainability is to be made a sustainable proposition for the future.

In conclusion

Backed by these developments, we foresee a continued period of growth ahead for your Company. As we continue our onward journey, we do so with gratitude to all those who have made it possible to scale up the happiness index for all our stakeholders through the years.

Before I conclude, I would like to express my heartfelt gratitude to all our employees, whose dedicated commitment and hard work have made it possible for us to realise our goals. I would also like to thank our stakeholders for their continued support. We move on towards greater happiness for all of us in our progress trajectory.

Sincerely,

Anil Kumar Mittal
Chairman & Managing Director

Q&A with Joint Managing Director



Anoop Kumar Gupta, Joint Managing Director

Our initiatives to ensure top quality product have yielded positive results at every step of the value chain - from farming at the grass-root level to milling and processing

How would you describe the Company's performance, especially on financial parameters, during FY12?

Our financial performance has been satisfactory, considering the ongoing inflationary and seasonality pressures. It has been our focus to continuously strengthen our relationships with all our stakeholders - customers, farmers, dealers & distributors, retailers, investors and bankers. This has translated into strong new business order intakes.

What were the key factors that enabled you to report such positive performance in the given scenario of uncertainty in both the domestic and international markets, with pricing under strong pressure?

We have consistently followed focused strategies to continuously improve the yield, quality and realisation of paddy. Our initiatives to ensure top quality product have yielded positive results at every step of the value chain - from farming at the grass-root level to milling and processing. The focus has been on achieving better productivity and cost efficiency through regular farmer interactions, upgradation of processing and

milling capacities, enhancement of utilisation levels and strengthening of R&D capabilities.

Cognisant of the need for world-class storage and warehousing capacities, we continued to invest in these areas throughout the year.

What were the major challenges faced by the Company during the year?

A key challenge, as you are probably aware, related to problems in the Iran market. The problem arose on account of sanctions imposed by the United Nations, the US and the European Union, coupled with volatility in the Iranian currency. This led to increased competition in traditional markets like Saudi Arabia, UAE, Kuwait, as well as India, as some exports to Iran were diverted to these countries. What aggravated the situation was export by some players at a loss in order to clear their inventory.

What would you list down as the major achievements of the Company for the year under review?

Our strong brand and quality focus enabled us to enhance our presence

in the domestic market, even as our international growth plans remained on track. Our competitive advantage, coupled with improvement in domestic demand, helped sustain our performance across all parameters during the year.

Our Energy business continued to do well and we added another 6.6 MW of wind generation capacity in FY12.

How do you see the coming months shaping the Company's growth and happiness index?

Going forward, we are well positioned to capitalise on the growing export opportunities in the rice industry, lower paddy prices during the season and consistent Rupee depreciation. Our strategic objectives are to enhance capacity utilisation levels, meet the increasing demand of Basmati rice and strengthen our brand position worldwide.

Can you share with us the future plans for the Company in the context of the overall prevailing industry environment?

Notwithstanding some short-lived challenges, the Company has already moved on towards better growth and performance in the coming years. India Gate will continue to be the major focus of our efforts going forward. We not only want to open new markets, but deepen our presence in the existing markets. We want to extend our network to Latin America, Europe and Africa. Particularly West Africa and North Africa.

On the domestic front, enhanced brand focus and marketing strategy to compete with the increasing number of players shall determine our happiness index, going ahead.

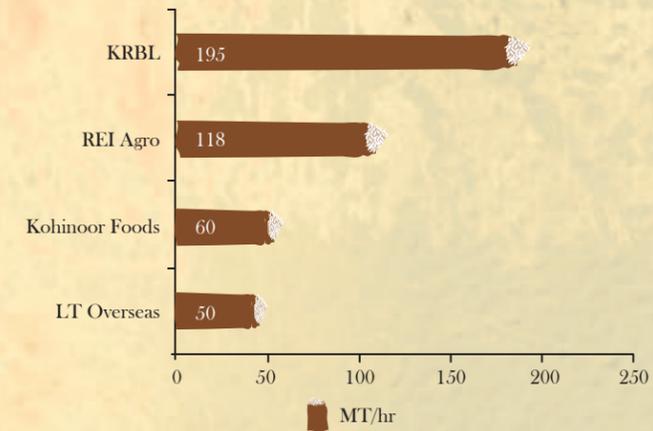
We are confident that our strategic endeavours across our business systems shall enable us to deliver even better value to our consumers and other stakeholders.

Our pledge of performing on the happiness index.... Is evident in the might of our numbers

₹ In Lakhs

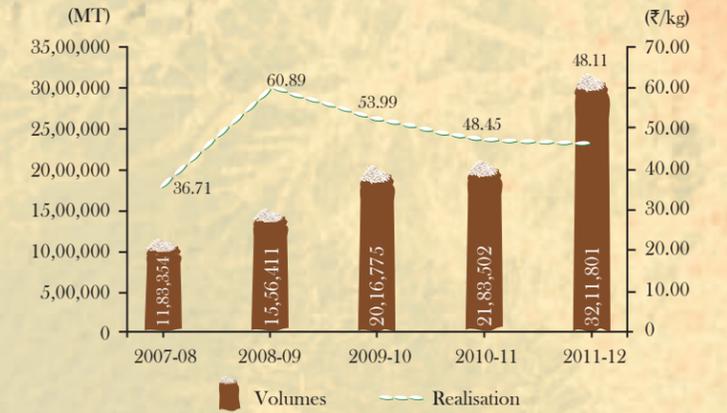
Year Ended March	2008-09	2009-10	2010-11	2011-12
Net Revenue	1,31,115	1,56,787	1,54,459	1,63,135
Other Income	946	2,164	764	907
Total Income	1,32,061	1,58,952	1,55,223	1,64,042
Total Expenditure	1,11,690	1,38,135	1,31,909	1,40,495
EBIDTA	20,371	20,816	23,314	23,547
EBIDTA Margin	15.43%	13.10%	15.02%	14.35%
Growth in EBIDTA	32.33%	2.18%	12.00%	1.00%
Depreciation	2,355	2,758	3,595	4,452
EBIT	18,016	18,058	19,719	19,096
Interest	8,865	4,174	4,756	7,002
PBT Before Exceptional Items	9,151	13,884	14,963	12,094
PBT Margin	6.93%	8.73%	9.64%	7.37%
Mark to Market Gain/(Loss) in Foreign Currency	58	1,114	843	(2,565)
PBT	9,209	14,998	15,806	9,529
TAX	2,667	2,543	3,773	2,226
Net Profit	6,542	12,455	12,033	7,303
Net Profit Margin	4.95%	7.84%	7.75%	4.45%
Earning per share	2.69	5.12	4.95	3.00
Cash EPS	3.66	6.26	6.43	4.84
Net Worth	42,054	53,531	64,695	71,716
Capital Employed	1,02,305	1,34,369	1,86,211	1,99,234
Capital Efficiency Ratio	18.95%	16.58%	14.54%	12.22%
Market Capitalisation	12,277	57,861	65,154	42,545
Fixed Assets (including CWIP)	35,941	48,895	57,660	64,068

Rated Milling Capacity of Basmati Players



Source: CRISIL Research

Increasing Export of Basmati Rice

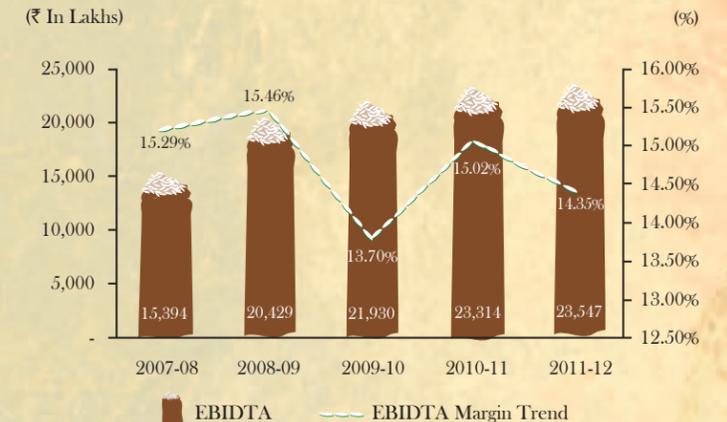


Source: APEDA

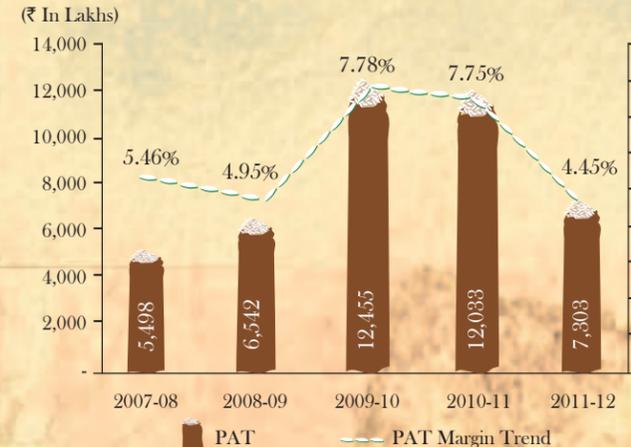
KRBL's Export Realisation Higher than Industry's



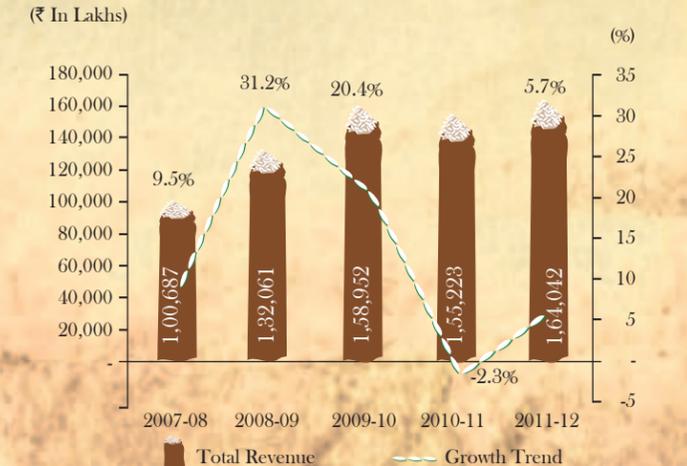
EBIDTA & EBIDTA Margin Trend



PAT & PAT Margin Trend



Total Revenue & Growth Trend



Case Study 1

The Problem: Hardworking farmers seeking better quality, quantity and returns for their produce

Improving the quality and the quantity of the yield is something that every farmer aspired for. It was the one way to break away from the shackles of low levels of income and sub optimum yields. Yet, the farmers did not have many alternatives. Strapped as they were for investible surplus, they could not invest in better quality of seeds, or even advanced technologies of farming. While the desire was there, it required outside intervention to make a perceptible difference.

Our Solution

Given the fact that we were in a far more capable position to invest resources for a seed development and farm technique improvement programme, we invested considerable funds in improving the farmer's situation. We introduced the contact farming system, introduced and popularised the new Pusa 1121 seed, and gave technical inputs to farmers in pre harvest and post harvest farming techniques that would improve both the quality and the quantity of the yield. All of these inputs were of tremendous help to Mr. Khuswant Singh Dhedia, a rice farmer in Punjab.

The Impact

For over 85,000 contact farmers, there has been a revival of fortunes. They take pride in their work, enjoy enhanced returns for their crop and many are expanding their farm land to increase their produce. *In the words of Mr. Khuswant Singh Dhedia: Today, my farms produce the highest quantity of Basmati in the neighbouring 10 villages, and I have bought 10 more acres of land. KRBL gives me a better price than I get at the mandi, and finally, I think people treat me with respect. It is the seed and its breed that made all the difference. Thank you KRBL!*



Our promise of growing the happiness index... Is integral to our procurement focus

Preamble

Latent demand has a way of skewing the market when it is not met with the appropriate level of response. In the rice market, the farmers and the merchant had sustained a kind of an adversarial relationship, mainly because the merchants were interested in buying at the lowest price and the farmer wanted to extract the maximum price for his produce. This adversarial relationship resulted in a low level equilibrium, wherein the farmer faced the brunt of low prices and inadequate returns on the crop and investment he made. We stepped in with an understanding that if this relationship could be changed for a healthy one, both sides would benefit.

The happiness index at KRBL took a major leap this year with *Dr. V. P. Singh, head of the KRBL R&D division* and pioneer of Pusa 1121, being honoured with the Padmashri by the Government of India. Dr. Singh was felicitated at the Inaugural Session of the 47th Annual Rice Group Meetings, held at DRR, Hyderabad. The felicitation ceremony saw Dr. Singh being commended for his significant contributions to Basmati rice research, thus boosting Basmati exports in the country.

Case Study 2

The Problem: Poor inputs deliver poor outputs

A weak acorn will not result in a mighty oak. The quality of the inputs – both at the seed and the nutrient levels, have a cascading impact on the quality and the quantity of the produce. No one understood this better than the small farmer who suffered due to low yields and quality issues. This impacted his price realisation and in turn, resulted in sub optimum utilisation of his resources, as well as a lower level of income.

Besides initiating seed and crop technology related measures to improve paddy among our contact farmers, we delivered value-added inputs which resulted in enhanced farming techniques, better post and pre harvest care of the crop, and crop switching, etc. At the other end of the spectrum, we invested in creating storage facilities to age the rice so that it reached its epitome in taste, aroma and flavour. Our efforts were directed at both the procurement and the storage levels.

The Impact

The result was a dramatic improvement in the quality and the quantity of the produce, and the enrichment of the farmer communities. *In the words of Mr. Balbir Singh Jharia, another of our contact farmers in Punjab: Aaj 1121 duniya ki sabse achhi Basmati maani jaati hai, aur sarkar ne bhi use uska darja de diya hai. KRBL se mujhe sirf ye beej hi nahin, sahi kheti ki rai bhi milti hai. Is se judne ke baad meri zindagi badal gayi hai. Meri kamayi kayi guna badh gayi hai. Mujhe 2007 mein Punjab governor ki taraf kheti ka award bhi mil chukka hai. Mujhe samajh mein aa gaya hai ki hum jaise bote hain, waisa hi phal paate hain. Aur ye sab KRBL ki meharbani ka nateeja hai.*

Our Solution

Case Study 3

The Problem: Finding the right procurement medium

Aggregating agricultural produce involves dealing with different local market places, checking the quality of the produce, and negotiating the right price for procurement. This requires a network of agents who operate in their local areas and help us with the quality and quantity of produce we want to aggregate in each season. Finding and nurturing these small businessmen was vital for us.

Our Solution

We addressed this issue of creating a network of agents with a typical entrepreneurial attitude. We took on young ambitious businessmen, not necessarily known to the trade, and promoted their growth by giving them the opportunity and the support they required to prove their mettle. One such businessman was Mr. Prem Chand Garg, Aartee (Commission Agent), Punjab. His story is illustrative of the impact that KRBL has had in the procurement side of the business.

The Impact

Mr. Prem Chand Garg's story is one of humble beginnings leading to a great innings in the trade. *In his own words I came in contact with KRBL some 7 years ago. At that time, it was a very small quantity that I had to deal with. Today, the number has crossed several lakhs for our mandi in Khandoori (district Patiala, Punjab) alone. And commission I used to get has also since gone up many times in value. The best part of KRBL is that there is no delay at all in receiving our payment from the Company. If KRBL's growth has multiplied in these last 7 years, my personal growth, and that of my family, has multiplied even more. I am happy working with the Company, as is every farmer in this area. It is a relationship that I cherish and nourish with every passing day.*

Our commitment of delivering on the happiness index... Is critical to our global marketing and distribution network

The Preamble

Un-served markets are an anathema on both the supply as well as demand side. They result in lost opportunity and leave markets open to the competition. There were pockets in markets all over the world where a latent demand for quality Basmati remained untapped, and entrepreneurs who identified this niche. We associate with such entrepreneurs in a win-win fashion, giving them the ability to quickly emerge as successful. Our enabling environment and inputs make it a case study for success.

Every new market presents us with a unique set of issues that we have to tackle in an individual manner. New situations call for new solutions, and we have always been driven by the need to address issues in all their uniqueness. The case studies of our entry into the New Zealand and Australia markets are a standing example of adapting to the market realities and addressing a growing market demand.



Case Study 1

The Problem: Breaking into new territory

New Zealand was a niche market with a distinct ethnic population that was growing. There was a larger mainstream market, but they were relatively unaware of the taste and speciality of Basmati rice. At the time in 2006-07, Pakistani rice brands existed in the market. It was against this background that Mr. Ashok Bhatia, a senior and very established entrepreneur successfully running AB International, approached us to team up with him in the NZ market, where the Company was as yet unrepresented. Mr. Bhatia was already representing premium Indian brands like Parle and Dabur at the time. They had no Basmati brand in their portfolio and were aware that understanding the intricacies of the Basmati market and its promotion could be a game changer only if they partnered with the right brand. KRBL was the natural choice for them as it was one of the oldest Basmati focused companies and had very well established brands like India Gate. KRBL, in the eyes of Mr. Ashok Bhatia, also had the advantage of marketing their brands in 30+ countries worldwide – a fact signifying ample experience in the global markets.



Our Solution

Collaborative partnership is our corporate credo. One of the first policy decisions that we took in conjunction with Mr. Ashok Bhatia was to focus on generating demand from the mainstream population rather than just focusing on the ethnic market. The ethnic market would represent an easy enough segment, but it had limitations in the volume aspect. Hence the need to expand the Basmati market itself, and foray into new markets through creation of fresh demand for Basmati. We were confident that in popularising the brand India Gate in the mainstream we could build volumes and emerge as leaders, not just in the existing market but also in the new markets that we would create. We offered Mr. Ashok Bhatia tremendous support in marketing and made him understand the intricacies of the rice market – different qualities, pricing, demand patterns etc. India Gate's reputation and track record of being the leading international Basmati brand helped and soon, the brand was recognised and sought after. Our international marketing team worked closely with Mr. Ashok Bhatia to promote our brand and strengthen our market in New Zealand.

The Impact

The results are palpable. Today, KRBL brands rule the NZ market, which is constantly growing with the addition of more and more consumers to the KRBL Basmati export portfolio. *In the words of Mr. Ashok and his son Mr. Abhishek Bhatia: Our relationship with KRBL dates back several years. We are settled in New Zealand and were interested in importing and marketing rice in the local market. The Indian population in the country was on the rise and there was a latent demand for good Basmati rice. KRBL was our first choice as they are the world leaders in Basmati rice. Right from the beginning, they focused on creating an enabling environment for our success in New Zealand. Deep insight, knowledge sharing and support came by way of strong branding inputs and clear marketing plans. They worked with our team, guided us and helped us to expand our sales in the market. We began in Auckland, which is the largest city in New Zealand, and then moved to the hinterland. Today, India Gate is a well recognised brand of quality Basmati and commands a premium in the local market. KRBL ensures regularity of supply, and supports all our endeavours. We understood their approach when we analysed our success. Our Basmati business grew manifold with a supportive environment. Many thanks especially to the international marketing team for their hands-on support and working closely with us over the past seven years. We are obviously very happy with our association with KRBL as it has resulted in tremendous growth for the Basmati line of our business!*



Case Study 2

The Problem: Following expatriates with their favourite food

Australia was a country where the Indian Diaspora was increasing in numbers. Being Indians, they brought along with them their taste for their native food and delicacies. This was noticed by Katoomba Fresh, the country's top most frozen food and commodity chain. This brand-focused Company desired to enter the ethnic market and introduce a popular brand of Basmati rice in Australia. The existing market was served by few Indian brands at the time, but Katoomba Fresh was sure that with rigorous marketing and a popular premium brand, they could capture and expand the market for Basmati rice. At this juncture, Nelson Albert of Katoomba Fresh realised that choosing the right partner was a critical decision for him. He required someone with brands that were popular amongst the Indian Diaspora, but more importantly a company that would do the hand holding that he required if he was to make a success of this business line also. We were the natural choice - being number #1 in the business it was natural for Katoomba Fresh to want to partner with the best...KRBL, with 100+ years in the Basmati rice business, home to some of the strongest brands in the business, possessing the proven ability to build these brands internationally, was the obvious choice. Once the deal was signed, it was time to set out to capture markets.

Our Solution

Katoomba Fresh was an established player in the Australian market though they were new to the nuances of the Basmati trade. Here was an opportunity to help an established entrepreneur on the market side. We enthusiastically went about the marketing plan to counter existing competition and usher speed to market. Even our directors took time and trouble to personally spend time, understand their requirement and chalk out solutions. Our commitment was complete. We entered the Australian market to succeed and followed a collaborative approach. We engaged with Katoomba Fresh and helped in developing the marketing plan and creating the promotional inputs. By building an enabling environment that empowered the business to prosper, over time, our brands became popular and emerged as a leader in Australia.

Today, Katoomba Fresh,

which was new to the Basmati business, enjoys an envious position of achieving even without having the first mover advantage in the market. Our inputs and timely intervention helped the retail chain to move away from trial and error for this commodity and tread on the path of trial and success. According to *Nelson Albert*, while the business success has brought him prosperity, it is his relationship with KRBL that has brought about an increase in his happiness index. *In his words: I was optimistic that I was associating with the leader in the business and was sure it would help me. Help they did – in every way possible. Even the directors met me and explained how the trade worked. They helped me with the EXIM issues, stocking, and helped me distribute and market the product. Today, I am the largest distributor of Basmati rice in Australia. And all I can say is that this came to pass because I got the Formula for Success from KRBL. Good Quality, Great Brands, Ethical and transparent operations, Exemplary relationships and an Attitude of helping people. In the last seven years, since the association began, Katoomba's sales of KRBL Basmati rice have gone up manifold. The market has expanded considerably in this period and KRBL brands are very popular in the region. Encouraged by the market response, we are now seeking to find a greater following in the mainstream population to further expand the market. Katoomba Fresh started as a Sydney centric operation and is now spread out to Brisbane, Melbourne and Adelaide and, like our other commodity and frozen food products, India Gate too finds a place of pride in our portfolio.*

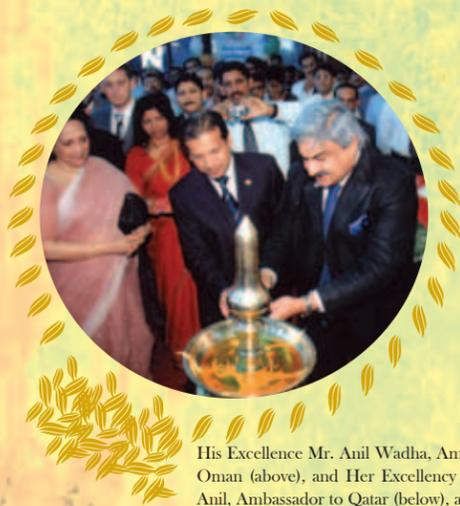
The Impact

Our dedication to growing the happiness index... Is central to our increasing retail focus



The Preamble

Changing times require us to adapt and become adept at new ways of marketing and reaching the consumer. There was a time when larger packs were the norm for marketing our high quality Basmati rice. With the expansion of the market and the introduction of new modern retail chains, we perceived the increasing consumer desire to buy in smaller quantities. During the early days, most supermarkets catered to specific regional communities, consumer or income groups. This limited the mass reach to varied consumers. Since the Indian expat families were generally small, there was a demand for Basmati rice in smaller packaging. We complied with this latent demand and introduced smaller consumer packs highlighting our brand attributes, thus enabling us to enhance our retail focus and connect directly with the consumers. Today's customers seek value and service. We have successfully forged relationships with large retail chains across geographies to reach out to consumers who preferred shopping in such environs. One Group that understood this changing paradigm and acted upon it was the Lulu Group, part of the EMKE Group. We initiated several new marketing initiatives as part of our consumer outreach. The Lulu International retail chain case study is an outstanding example of our renewed retail focus.



His Excellence Mr. Anil Wadha, Ambassador to Oman (above), and Her Excellency Ms. Deepa Anil, Ambassador to Qatar (below), at Incredible India Week at Oman

The Problem - Finding the right channels

Every market offers a unique challenge, and the Middle East market was no different. It is one of the biggest markets for Basmati rice, with a voracious appetite to consume this premium grain. The region is multi ethnic and has a mix of traditional mom and pop shops and the increasingly popular supermarkets, hyper markets and department stores of modern retail. The challenge was to find the right channels, that would offer our brands visibility, volumes and brand following.



Our Solution

In the Middle East market, KRBL tied up with one of the fastest growing and largest modern retail chains - Emke Group, better known as the Lulu Group International. The Group is an international entity that has highly diversified operations spanning a vast geographical landscape. With an annual turnover in excess of US\$ 6 billion and staff strength of over 29,000+ the Group is considered a major player in the economic scenario of the Middle East.

This tie-up gave KRBL access to a chain of shops with retail space admeasuring 20,000,000 sq feet in 21 countries. Through its 104 Hypermarkets, Supermarkets and Department Stores, KRBL reaches 32% of the retail market spread across the GCC, Yemen and Egypt.

We also had the advantage of co-managing a series of communication and marketing initiatives that would uniformly communicate KRBL brand's message to a large chunk of the GCC, Yemen and Egyptian market. One important initiative that we undertook in the region was the Biryani Festival, through which we raised awareness levels amongst the consumers about the right way to cook delicious and tasty Biryani. The event was well received and the occasion was graced by the Indian Ambassador His Excellency Anil Wadhwa and Her Excellency Deepa G Anil.

We also participated in an event titled Incredible India Week, which showcased the variety and richness of Indian products and raised awareness about the country's capabilities. The event attracted attendance and following from many expat and Arab communities, and resulted in the changing of the ethnic mix of footfalls that the mall attracted. Today, the mall is frequented by local Arabs, expat Arabs, Indians, Pakistanis and consumers of Persian origin, and to cater to their varied demands we stock the entire range of our SKUs. Through concerted marketing, KRBL has built a formidable presence in the Middle East markets. We have raised levels of awareness about Biryani as a choice delicacy and have successfully showcased the best of Indian basmati to the world.



The Impact

Given the large population of the Indian diaspora working and living in the Middle East, we were confident of our brands making an impact in the market. Driven by the nostalgic aroma and tastes of their homeland, the Indian and South Asian consumers lapped up India Gate and our other quality Basmati brands. Today, the Lulu Group is one of the largest single customers of KRBL and we have built a close working relationship with a clear long-term perspective. The success of Indian owned retail brand LULU and India Gate Classic Basmati rice is significant for the manner in which they caught the imagination of global consumers. *In the words of Shabu Abdul Majeed, who is the Business Development Manager and in charge of the procurement department of Lulu Group International: 'KRBL is brand that goes well with the customers - its strengths are well known, the brand is well recognised, we appreciate KRBL's marketing strategy. At the commencement of the year, we meet and chalk out several joint promotional activities that can be undertaken during the year.'*

Our customers are broadly from India, and South Asia. The brand is growing year-on-year by almost 20-25%. It is among the top 3 Basmati brands in our retail chain.'



Our strength
in expanding the happiness index...

Is evident in our relationships with
our bankers & investors

The Preamble

For bankers, as well as investors, investing money into a business comes after a lot of analysis of the pros and cons. While every business believes that the strength of its business model and financial discipline will make for it a perfect customer for bankers and attract potential investors, it is nice to know what they think of us as a company and our business model.

Case Study 1

The Problem: Cyclical and capital intensive business risk

The rice business is inherently a cyclical one, with the monsoons playing a larger than life role. It is also a long gestation business – given that good Basmati needs to be stored for 12 to 24 months before it is marketed and consumed.

It is capital intensive, in the sense that seed development, farmer training, procurement, milling, storing and marketing, each of these require working capital. The rice business is also a highly compartmentalised one with many players performing small tasks in the value chain. Given the cyclical and capital intensive nature of the business, what makes it an attractive investment opportunity? In our case, there are many reasons. The challenge is to sustain and maintain those reasons.

Our Solution

We approached the situation with a single minded industrial attitude. We looked at rice milling and our procurement, storage and marketing operations as an integrated whole and worked towards building an integrated operation, right from the seed to the cooker. For decades, we had marketed quality Basmati rice as a commodity, but finally, in the 90s, we started branding it as rice. This was a decision that gave us both visibility and the ability to climb the value chain. It improved recall and enhanced our margins. We also took concerted steps to spread our presence amongst world markets where demand for Basmati existed, and emerged leaders in many of them. We sought sustainability and collaboration in our relationship with our contact farmers, our procurement agents, those involved in our processing and storage operations and with our partners in marketing and distribution. This resulted in the build-up of a brand-led integrated rice business that spanned the distance from the seed to the cooker.

The Impact

The results of the business were there for us to see, as much as it was palpable to our bankers and investors. We have been granted the short term rating of ICRA A1+ for our short term working capital requirement. ICRA Limited was set up in 1991 by leading financial/ investment institutions, commercial banks and financial services companies as an independent and professional Investment Information and Credit Rating Agency. To quote from the rating rational.....*“The ratings factor in KRBLs established position as India’s largest exporter of Basmati rice, KRBLs experienced management, its long track record in the Basmati rice industry and its strong brand image in the market. The ratings also reflect KRBLs healthy financial profile marked by healthy growth in its operating income in last few years, its healthy internal accrual generation, comfortable debt protection indicators and limited debt repayment obligations in near future, with majority of debt comprising working capital borrowings. Further, the ratings derive strength from the Company’s increased focus on strategic initiatives like contact farming and seed development programme to ensure availability of quality paddy”.*

In the words of Sandeep Uppal, MD & Head Commercial Banking, Hongkong and Shanghai Banking Corporation Limited, India (HSBC India): KRBL is vintage, having been over 120 years with the same family. The management is now in the fifth generation. The business model is great. In India, while rice has been consumed for number of years, the chain from the seed to cooker had been split into various sectors and people were doing only a part of it. KRBL is one of the companies to have integrated the chain. The missing piece was the branding. While out of the over 120 years, the Company did really well for almost 80-90 without any brand, in the mid 90s, the brand was introduced, which completed the business model and gave KRBL a powerful brand which is doing very well, not only in India but also in their growth markets and focused market like Middle East. That is the kind of package that makes it very attractive from a banker’s perspective.*

(* Excerpt from an Interview with CNBC - TV 18)



Our Solution

We strengthened our relationships with the contact farmer fraternity and built them on the basis of a win-win situation. We ramped the procurement infrastructure to handle more grain procurement. We improved our processing capabilities by importing the world's best milling equipment from Buhler from Germany. We also improved our storage and ageing facilities and invested in branding and marketing efforts. The result was a robust operation, that was well managed and thought through. This, apart from our dominant presence in the markets with leading brands, turned out to be our biggest asset. Integrity and transparency is our working mandate. Further, we have consciously been financially conservative and disciplined and have completely resisted the temptation of over leveraging our balance sheet. We have been R&D centric and our success is largely driven by it. We have believed in continuous improvement and some of our products and brands have been evolved and fine tuned based on 'employees and customers' feedback. Given the fact that we worked with passion and conviction, our bankers needed little convincing.

Our lead bankers and the nation's largest lender, State Bank of India have

The Impact

consistently reposed their faith in the Company's ability to grow the business. *In the words of their DGM, Mr. Supriya Basu: As the leader of the consortium of banks financing KRBL, with a total exposure so far of ₹ 451.65 Crores, we, at State Bank of India, share a strong relationship with the Company. The relationship, initiated back in early 1995, is based on the overall growth prospects and creditworthiness of the Company. With a healthy topline, with more than 50% coming from exports, a matching bottomline, strong credit rating, well organised procurement and distribution system, coupled with efficient and competent management with long-term planning, the Company is the market leader in the organised Basmati rice segment. Even as these factors combine to contribute to the overall growth of the Company, we have, over the years, contributed to the growth process by becoming a financial partner. Of course, the Company's business is exposed to some risks in terms of fluctuation in procurement price of paddy/rice. However, the risk management policy it has in place, particularly with respect to its strong contact farming system, insulates it to a great extent. Looking at the future prospects of the Company, which we estimate shall grow by more than 20% by the end of FY14, we shall continue to partner with them as leaders in financing the Company. Going forward, we shall definitely continue to contribute in their efforts in business expansion.*

Mr. Priyank Kuchhal, Vice President, Corporate Banking, HSBC India, elaborates: We, at HSBC, share a strong relationship with KRBL, nurtured and built over the last 5 years. As market leaders in the industry, KRBL is well rated in the niche segment of its business and has thus emerged as the first choice for any banker in the agri industry. As a banker, we have a high level of comfort with the Group and continue to partner in the growth story of KRBL.

It's a thought that is endorsed by many others, including investor Mr. Anil Goel, who feels: Unlike other rice players, KRBL has a strong brand image, which they are constantly striving to promote and build upon. This was the main factor that influenced my decision to invest in the Company about 5 years ago. My experience so far with the Company has been quite satisfactory and very much in line with expectations. The strong brand advantage that KRBL has ensured minimal risk and I find the Company's growth prospects to be strong. I envisage 15-20% year-on-year growth for the Company, going forward, as the Company grows from strength-to-strength.

Case Study 2

The Problem: Building long-term trust

A happy relationship with farmers and consumers is the beginning. It helps with procurement as well sales. But for any business that involves long term purchase of commodities, their processing and storage/ageing before sale, it is very important to have secure and solid means of financing operations. The right level of funding increases a Company's capability to hold stocks and market in large quantities, both factors that improve our bottom-line. Getting increased funding to enlarge our scale of operations required bankers who were convinced and believed the long-term growth story of the Company.

Our success in scaling the happiness index... Is manifest in the loyalty of our consumers

The Preamble

The final arbiter of success or failure in any market place is the consumer. His buying preferences are known to have created empires and any changes in them destroy the fortunes of many companies. We approach the consumer with a simple proposition – the best variety of Basmati rice, procured at source, processed at our advanced plants, aged in our own storage facilities, packaged at our modern facilities and branded to meet the aspiration of the best. Delivered in convenient packs at your neighbourhood store. Purity, Aroma, Length and Flavour all the way from the seed to the cooker. Brands that one can trust and will contribute to the happiness index of the consumer.

The Problem: Finding the differentiator

How does a company deliver the highest quality of Basmati consistently to an audience that is geographically spread out across the world? Given the fact that the production of Basmati is geography specific and limited, how does it satiate the demand that is vastly more? These are questions that we kept trying to answer with a number of initiatives. How does one do this for over a century? How does one counter the competition that brings along me-too brands?

Our Solution

Premium quality, consistent taste, aroma, appearance and flavour. In short, a brand that the consumers can trust. But how was this achieved given the limitation of expanding production?

Since Basmati is grown only in a specific geography in the foothills of the Himalayas, extensive farming across more acreage was not a solution. We had to resort to improving the yield of the farmers in the region so as to improve the quantity of Basmati we sourced without diluting the quality.

We instituted a Seed Development and Multiplication (QSDIP) Programme, with a dedicated wing of eminent agricultural experts continuously researching and developing pedigree seeds to enhance the yield, taste and look of Basmati. Currently we have dedicated network of farmers to grow quality seed for KRBL. We also carry out R&D activity and test new products under overall guidance of Dr. V. P. Singh, who has been conferred with Padmashri in 2012. Our contact farming network enables us to sell high quality seeds to farmers and provide them with advice on proper methodologies to improve the yield of Basmati rice. We help farmers in both the pre and post harvesting techniques, which improve the quality and the quantity of yield. Contact farming ensures that farmers are paid well above the mandi price and paid on time. Our experienced eyes can easily distinguish the rice quality and quote the appropriate rate at the procurement stage and this plays an invaluable role in the value chain. Rice that is procured is then processed at our advanced milling facilities with machinery that is supplied by Buhler, world's leading rice milling manufacturer. The rice is then aged at our expansive storage facilities and then packaged for distribution to worldwide markets. In playing a part at every stage in the value chain, we capture efficiencies and are able to procure the best at a reasonable price. So when the consumer buys KRBL brand of rice, he has the assurance that it comes to him, all the way from the foothills of the Himalayas, under the control and supervision of the largest rice Company in the world. Once this value proposition is delivered consistently to the customer, we generate lasting brand loyalty that catapults us to being the top brand in the market. With a strong brand presence, supported by a deep distribution and retail presence, we have emerged as undisputed leaders in the market.

The Impact

Increasing consumer loyalty and increased market share has been the reward for all our endeavours. Consumers all over the world have taken to the special flavour, appearance, and aroma of our Basmati and it has become the brand of choice for celebrations at homes, community feasts, eating out at restaurants etc. *In the words of Mr. Sanjay Chhabra, a customer: I belong to a typical Punjabi family, fond of all the good things in life, including good food. My special weakness is Biryani. But getting my hands on good Biryani turned out to be more challenging than I had imagined. The rice would either become soggy, or it would remain too hard. I even encroached upon my wife's domain – the kitchen, to experiment with different Basmati varieties in a never-ending effort to get the perfect Biryani. A dream that remained elusive till I came upon India Gate. Perfect grains blending with delicious chicken/mutton and flavoured with the most aromatic of spices...and the result was awesome Biryani. Thank you KRBL, for making it happen.*

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