

# 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. Shayam Arora

Mr. Ashok Chand

Mr. Ashwani Dua

Dr. N. K. Gupta

Mr. Gautam Khaitan

Ms. Priyanka Mittal

### Auditors

M/s. Vinod Kumar Bindal & Co.

Chartered Accountants

Shiv Shuhil Bhawan

D-219, Vivek Vihar, Phase-I

New Delhi-110095

### Registered Office

5190, Lahori Gate, Delhi - 110006

### Corporate Office

81-B, Central Avenue, Sainik Farms

New Delhi-110062

## Bankers

State Bank of India

Corporation Bank

HDFC Bank Ltd.

The Hongkong & Shanghai Banking corporation Ltd.

Karnataka Bank Ltd.

Kotak Mahindra Bank Ltd.

Oriental Bank of Commerce

State Bank of Bikaner and Jaipur

State Bank of Hyderabad

State Bank of Travancore

Union Bank of India

ICICI Bank Limited

IDBI Bank Limited

Standard Chartered Bank

Yes Bank Limited

IndusInd Bank

## Works

✓ 9th Milestone, Post Dujana  
Bulandshahar Road  
Distt, Gautam Budh Nagar - 203 207, U.P.

✓ Village Bhasaur (Dhuri)  
Distt. Sangrur - 148024, Punjab

✓ 29/15-29/16, Village Jindpur  
G.T. Karnal Road, Alipur,  
Delhi - 110036

✓ Plot 258-260 Extended Lal Dora  
Alipur, Delhi - 110036

# Management Discussion and Analysis





“The International Monetary Fund (IMF) in its World Economic Outlook (WEO) has pegged India's growth during FY11 at 9.5%.”

### **Indian Economy**

On the back of the global economic revival and the positive indicators emerging worldwide, the Indian economy has shown remarkable signs of improvement in recent months, with the promise of even better performance going ahead.

Founded on a core of strong fundamentals, the Indian economy continued to post robust growth during the year, clocking a Gross Domestic Product (GDP) growth rate of around 7.5%.

The situation is expected to be even better in the months to come and the World Bank's Global Economic Prospects 2010: South Asia, in fact, has predicted that economic growth next year will be strongest in developing countries, especially in Asia.

In a post-Budget statement, India's Finance Minister Pranab Mukherjee expressed confidence that the measures announced in the Budget for 2010-11 would revive private investment and put the economy back on a 9% growth trajectory. The International Monetary Fund (IMF) in its World Economic Outlook (WEO) has pegged India's growth during FY11 at 9.5% as robust corporate profits and favourable financing conditions fuel investment.

Changes in the economic environment, including continuing fluctuations in exchange rates and high unpredictability, have a strong influence on agricultural commodity markets. From the supply side, however, the 2008-2009 price boom spurred plantings and production of many food crops, resulting in a recovery in inventories and boosting stocks-to-use ratios, a tendency likely to prevail also in 2010/11.\*

As markets enter the second half of 2010, the focus is shifting gradually to prospects over the next year. Traditionally, the outlook for cereals attracts particular attention at this time as information on plantings for the new season is firmer than for other crops. Based on FAO's first forecasts of global supply and demand in 2010-11, cereal markets are heading towards another comfortable season, with world production in 2010 likely, at least, to match the record achieved in 2008, and global inventories increasing for the third consecutive season.\*

*\* Source: 'Food outlook-Global Market Analysis – June 2010', Food and Agriculture Organisation (FAO), United Nations*

# Management Discussion and Analysis

The Indian agriculture sector also reflects and resonates the global mood and scenario. The Indian Government, in its budget for 2010-11, has given considerable thrust to this sector, proposing nearly 21.6% increase in the Central Plan outlay for agriculture. This is the biggest step-up in the Plan allocation for this sector in several years. The Budget has set apart Rs. 12,308 crores as the Central Plan outlay for agriculture and allied sectors for 2010-11, Rs. 2,185 crores, or 21.58% higher than the 2009-10 Revised Estimates (RE) of Rs. 10,123 crores. Further, timely arrival of monsoon is a much needed booster for overall growth in this sector.

## Global Rice Overview

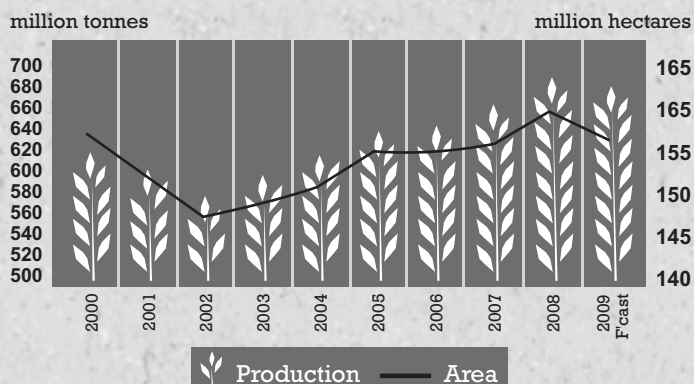
The global rice market is valued at approximately US\$125 billion, growing at 2-3% per annum. Asia accounts for 90% of the world's production and consumption, with India & China together contributing to 53% of total global production.

FAO has raised its December estimate of global paddy production in 2009 by 2.3 million tonnes to 680 million tonnes to reflect improved prospects in Asia and Latin America and the Caribbean. At that level, global output would stand 1% below the 2008 outstanding harvest, with much of the reduction being on account of Asia, where crops were impaired by erratic monsoon rains and the resurgence of El Niño conditions. Production also fell in Africa, while gains were registered in Latin America and the Caribbean, Europe, North America and Oceania.

Overall global rice consumption in 2010 is forecast to increase by 2.1% to 454 million tonnes, milled basis.

Although highly tentative at this time of the year, FAO's first forecast of world paddy production in 2010 points to a 4% output expansion to a record 710 million tonnes. The annual increase is expected to concentrate in Asian countries, forecast to gather 643 million tonnes overall, 29 million tonnes more than in 2009. India is anticipated to drive much of the production upturn in the region, with recoveries also foreseen in the Philippines, Sri Lanka and Thailand. Prospects are positive in Bangladesh, China Mainland, Indonesia and Myanmar, while the Chinese Province of Taiwan and the Republic of Korea may incur a decline.

Global Rice Paddy Production & Area\*

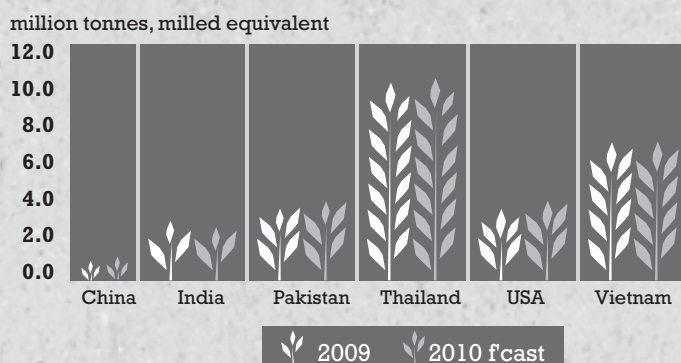


## Global rice trade

Principally reflecting revisions to 2009 production figures, FAO has raised its forecasts of world rice trade in 2010 to 31.3 million tonnes, 5% above 2009's low of 29.7 million tonnes. The recovery is anticipated to be import-driven, with Asian countries largely behind the increase in world rice imports in 2010. Bangladesh, Iraq, Nepal, Sri Lanka and especially the Philippines are expected to purchase more over the year to offset drought and flood-induced production shortfalls.

Imports by European and Latin American countries are also set to increase, while they may fractionally decline in Africa. Despite anticipation of lower international rice prices,

Rice Exports by Major Exporters\*



\*Source: FAO Rice Market Monitor, April 2010



“The global rice market is valued at approx. US\$125 billion. Asia accounts for 90% of the world's production and consumption, with India & China together contributing to 53% of total global production.”

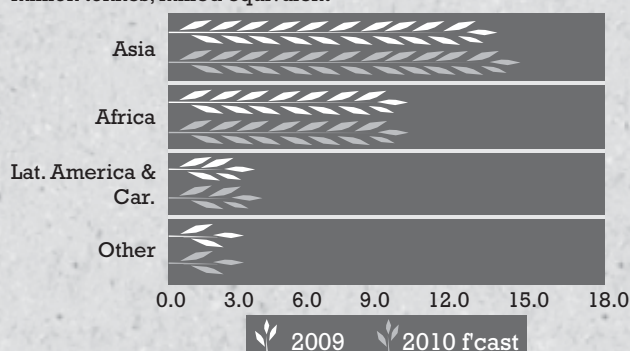
greater protective measures and reinstitution of import duties in various countries that had been exempted in 2008 and most of 2009 may limit trade growth in 2010.

Asian countries are anticipated to account for much of the year-to-year increase in globally traded volumes in 2010, with 14.5 million tonnes of rice forecast to be delivered to countries in the region, 1.2 million tonnes more than in 2009.

At the current forecast level of 124 million tonnes, global stocks would stand less than 1%, or 5,84,000 tonnes, below their opening level, and be sufficient to cover 27% of global consumption. The contraction is anticipated to be absorbed by developing countries, where end of season inventories are forecast to decline by 1% to 120 million tonnes, while stocks held by developed countries are projected to close with a 4% increase to 3.0 million tonnes.

### Rice Imports by Regions in 2009 and 2010\*

million tonnes, milled equivalent



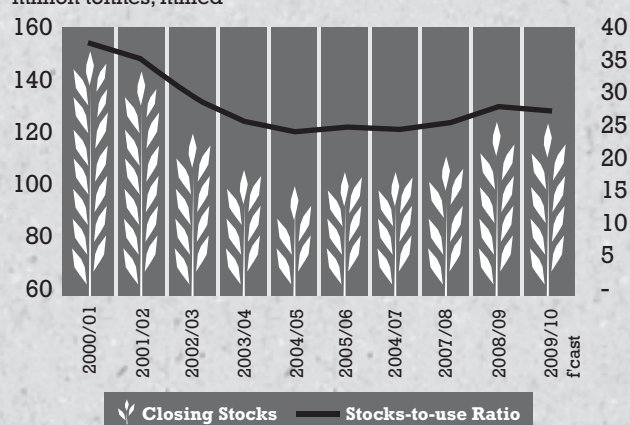
### Global rice consumption

Principally drawing on supplies produced over the 2009 season, global rice consumption in 2010, including use of rice for food, feed and other end-uses, is forecast to expand by 2.1% to 454 million tonnes, milled basis. Of these, 86%, equivalent to 388 million tonnes, are expected to be utilised as food, 6 million tonnes more than in 2009. Supplies utilised for other ends, comprising seeds, non-food industrial uses and post harvest losses, are also anticipated to rise to 53 million tonnes, while the small proportion of rice used as animal feed would decline to 12 million tonnes. Based on current estimates, global per capita rice consumption in 2010 is set to increase slightly from 56.5 kilos consumed in 2009 to 56.8 kilos, reflecting an increase in average rice consumption in developing countries to 67.8 kilos as well as in developed countries to 12.6 kilos.

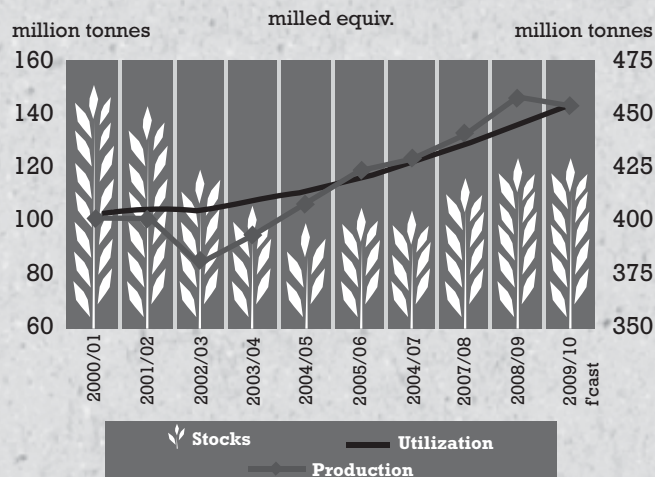
\*Source: *FAO Rice Market Monitor, April 2010*

### Global Rice Closing Stocks and Stocks-to-use Ratio\*

million tonnes, milled



### Rice Production, Utilization and Stocks\*



# Management Discussion and Analysis

## Indian Rice Overview

India is the second largest producer of rice in the world, accounting for 25% of global output. Rice constitutes around 1/3rd of India's total agricultural production and contributes approximately 26% of the overall agricultural exports from India.

Within the country, rice occupies 1/4th of the total cropped area, contributes about 40 to 43% of total food grain production and continues to play a vital role in the national food and livelihood security system.

About 85% of India's total rice output is grown during the Kharif season (between June and September), while the balance 15% is cultivated during the Rabi season (between November and February). Punjab, Haryana and Uttar Pradesh produce the most rice during the Kharif season.

The 2009 overall production forecast now stands at 131.3 million tonnes (87.6 million tonnes, milled basis), 12% below the 2008 record harvest.

Meanwhile, rice procurement by the Food Corporation of India is reported to have reached 26.4 million tonnes by 23 April, 2010, surpassing the 26 million tonne public distribution system's annual need.

## Paddy cultivation in India

While a good monsoon is critical for the rain-dependent Kharif crop, it also plays an important role in replenishing irrigation reservoirs vital for the Rabi (winter) crop. The area under cultivation is expected to increase by 10% to 45 million hectares from last year, while yields are expected to rise by 3% to 3.3 tons per hectare.

In India, the 2010 season opened with the May-June arrival of the southwest monsoon over the Kerala coast, which launched planting activities for the main Kharif crop. Given the reliance of summer-sown crops on seasonal rains, production prospects at this time of the year depend on the expected performance of the monsoon. In April, the meteorological department issued its first long-term forecast, which anticipated the unfolding of a normal

monsoon during the annual June-September period, with average monsoon rainfall expected to reach 98% of the long period average. Assuming normal growing conditions on this basis, paddy production in the country is provisionally forecast at 151.0 million tonnes (100.7 million tonnes, milled basis), 19.7 million tonnes above the 2009 drought and flood-affected crop.

Various measures are being taken by the Government to ensure the sector recovery, including the preparation of contingency plans, to cope with various monsoon scenarios. On the other hand, several initiatives to boost yields and area coverage under the 2010 Kharif crop have been announced within a framework of a second green revolution, with particular attention being taken to address low productivity levels in the eastern regions.

## India - Rice Trade

On the back of substantial crop losses endured from an erratic monsoon season in October 2009, India waived import duties on milled and semi-milled rice until 30 September 2010. Since the measure was instituted, however, it has become increasingly unlikely that the country would have to resort to large foreign purchases. Indeed, with 26.7 million tonnes of rice reported to be stocked in the Central Pool by the end of March 2010, against the 14.2 million tonnes required under the country's buffer norms and strategic reserves, the country does not appear to be considering importing rice.

Accordingly, 2010 deliveries to the country, mainly comprising private sector purchases, are forecast in the order of 100,000 tonnes.

Reduced domestic availability from the poor 2009 harvest has justified the maintenance of an export ban on non-basmati rice, first introduced in April 2008. In early March 2010, there was a small exemption that permitted 45,000 tonnes of non-basmati rice to be exported to Nepal and Sri Lanka through government channels. However, for the remainder of the calendar year, shipment is likely to be restricted to the superior Basmati varieties.

Accordingly, FAO estimates that some 2.2 million tonnes



“Rice constitutes around 1/3rd of India's total agricultural production and contributes approximately 26% of the overall agricultural exports from India.”

may be exported in 2010, 12% less than in 2009, when exceptions to export restrictions allowed a sizeable amount of common rice to be shipped under official channels. On the other hand, exports of Basmati and Pusa-1121 may surge by 20%, with the opening of new markets, including Mexico and China, with whom accords to grant access to supplies are being negotiated.

### **Indian overview – Basmati Rice**

The Indian rice industry is growing at a rate of 3-4% per annum, while domestic Basmati rice industry has been growing at a CAGR of around 11% over the last 3 years.

International demand for Indian Basmati rice has grown at a CAGR of 10% since FY2000, while the market size has grown from Rs. 17 billion in FY2000 to Rs. 94 billion in FY09 - a CAGR of 20%. The area under cultivation in India's Basmati belt - Punjab, Haryana, Uttar Pradesh (UP) and Uttarakhand - increased in FY09 as Basmati rice (particularly Pusa-1121 variety) has a yield of Rs. 55,000-60,000 per acre compared to Rs. 30,000-35,000 per acre from the non-Basmati category.\*

### **Growing demand for Basmati**

The Basmati rice industry holds prominence and attraction on the back of growing demand in both international and domestic markets, premium realization, changing lifestyle, lower regulations and increasing cultivation ensuring steady supply.

Modern retailing, by virtue of convenience and a better shopping experience, has played a vital role in fuelling consumer demand for Basmati rice and in fact presented an excellent platform for consumers to migrate from unbranded to branded rice. Spurred by a number of factors such as better shelf space, visual merchandise, promotions and personal credit amongst others, branded rice sales are expected to grow at 15% per annum.

### **Increase in Basmati cultivation**

Buoyed by the growing demand for Basmati, farmers are estimated to have planted nearly 15 lakh hectares (lh) under improved Basmati varieties such as Pusa-1121, Pusa

Basmati-1 and Super in 2009 as against 12 lh in 2008. In the case of traditional Basmati, the area has shrunk marginally, from 3.7 lh to 2.1 lh. At the same time, average yields have been at least five quintals a hectare more than last year, translating into a record harvest.

The market for Pusa-1121 is growing at a blistering 50 per cent every year and much of it is going to Iran. Unlike the rest of West Asia, Iran has considerable cultivation in Rice and its farmers have seen their realizations fall dramatically because of imports of Pusa-1121. At the same time, Iran needs over 1 million MT of Pusa-1121 this season.

### **Export of Basmati**

The withdrawal of export duty on Basmati rice in February 2009 made conditions even more conducive for increase in export of the commodity, which enjoys a premium in the international market, from India.

Export of Basmati rice from India has increased from Rs. 1,877 crores in 1998-99 to Rs. 9,477 crores in 2008-09, and in quantity terms from 5,97,756 MT to 15,56,411 MT. The bulk of India's Basmati rice was exported to Saudi Arabia, UAE, UK, Kuwait, USA.\*

According to APEDA, India is expected to have exported 2 million tonnes of Basmati rice in the fiscal 2009-10, up by 30% as against the previous fiscal, mainly because of the higher demand for Pusa-1121 variety. The Government included the Pusa variety into the Basmati category in 2008 in order to help farmers earn profit from the exports. This led to farmers expanding their acreage in 2009, leading to increase in overall production of Basmati rice. The Pusa-1121 rice variety has found ready buyers in the Middle East and commands a premium of \$100-\$200/tonne over the floor price of \$900/tonne fixed by the Government for Basmati exports. Pusa-1121 - a variety pioneered and commercially launched by KRBL - today accounts for more than 50% of total Basmati exports from India.

India's Basmati export curve is likely to move further upward in the coming months, with China expected to allow India Basmati rice imports following recent breakthrough in talks on resolving the trade barrier between the two countries.

*Source: Agricultural and Processed Food Products Export Development Authority, Ministry of Commerce & Industry, Govt. of India*

# Management Discussion and Analysis

## Three Year Export Statement of APEDA Products

Qty. in MT, Value in Rs. Lacs

| Product          | 2007-08           |                   | 2008-09          |                   | 2009-10<br>(Apr. to Jan. provisional) |                   |
|------------------|-------------------|-------------------|------------------|-------------------|---------------------------------------|-------------------|
|                  | Qty.              | Value             | Qty.             | Value             | Qty.                                  | Value             |
| BASMATI RICE     | 1183355.74        | 434458.09         | 1556411.05       | 947702.98         | 1655912                               | 907894.15         |
| NON BASMATI RICE | 5285916.33        | 740979.43         | 931879.8         | 168737.41         | 121180                                | 33082.74          |
| WHEAT            | 237.27            | 23.94             | 1120.52          | 145.73            | 23                                    | 0.42              |
| OTHER CEREALS    | 3228051.73        | 300232.95         | 3999648.1        | 392057.69         | 2363343                               | 237422.61         |
| <b>TOTAL</b>     | <b>9697561.06</b> | <b>1475694.44</b> | <b>6489059.4</b> | <b>1508643.81</b> | <b>4140458</b>                        | <b>1178399.92</b> |

\* Source: DGCIS Annual Export

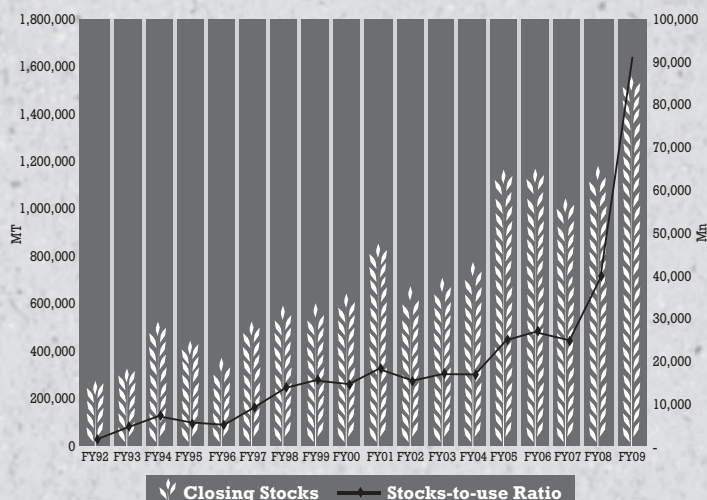
## Indian Export Statistics: Basmati Rice

Qty. in MT, Value in Rs. Lacs

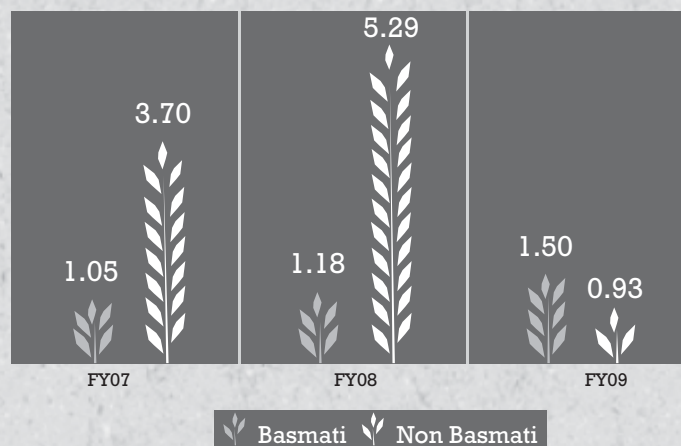
|                     | 2006-07           |                  | 2007-08           |                  | 2008-09           |                  |
|---------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
|                     | Qty.              | Value            | Qty.              | Value            | Qty.              | Value            |
| SAUDI ARABIA        | 499,584.76        | 124,095.96       | 543,530.24        | 203,834.60       | 524,401.67        | 310,280.84       |
| UAE                 | 104,998.09        | 30,521.18        | 193,102.03        | 68,983.28        | 456,146.51        | 278,620.50       |
| KUWAIT              | 109,067.36        | 30,687.29        | 113,066.57        | 40,168.30        | 111,547.25        | 73,393.68        |
| REST OF MIDDLE EAST | 87,428.44         | 23,883.02        | 101,933.15        | 32,165.44        | 262,137.85        | 153,483.87       |
| REST OF THE WORLD   | 244,636.30        | 70,093.42        | 231,723.75        | 89,306.47        | 202,177.77        | 131,924.09       |
| <b>TOTAL</b>        | <b>1045714.95</b> | <b>279280.87</b> | <b>1183355.74</b> | <b>434458.09</b> | <b>1556411.05</b> | <b>947702.98</b> |

\* Source: DGCIS Annual Export

## Basmati Rice Exports from India



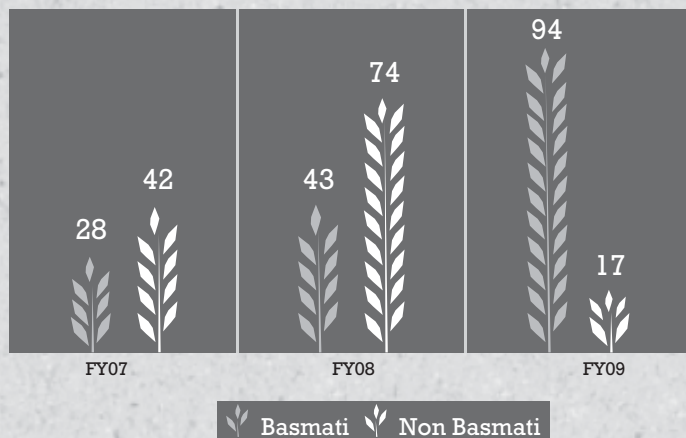
## Three Year Export Statistics (in million tonnes)





“By virtue of owning one of India’s most premium Basmati brands - ‘India Gate’ - it commands a significant premium over most other brands in the industry, with this brand garnering the highest market share in the export market since the past 3 years.”

Three Year Export Statistics (in Rs. billion)



The main varieties of Basmati rice produced in India are Pusa-1121 Basmati, Pusa Basmati-1, Basmati 386, Basmati 217, Ranbir Basmati, Karnal Local/Taraori Basmati, Kasturi Basmati, Type-3/Dehradun Basmati and Mahi Sugandh Basmati Rice.

Basmati is a staple food in Gulf, with Saudi Arabia and UAE being the largest importers of Indian Basmati rice. Iran has also increased its Basmati imports from India, importing more than 98,000 MT of Basmati rice during FY10.

### Basmati Outlook

Basmati rice demand is expected to grow at 20%-25% in the next few years, while the supply of Basmati rice is increasing at a lower pace as compared to demand. The international market consumption of Basmati rice is increasing owing to a rise in demand from countries like Saudi Arabia, UAE, Kuwait, UK, USA and the Yemen Republic, along with the addition of new countries.

At the same time, domestic demand is also on the rise due to a spurt in the mall culture and growth of hotels and restaurants. Going ahead, this will affect the suppliers of Basmati rice directly through sales of branded products or indirectly through private sales. The widening gap of demand and supply is expected to create room for an increase in the premium.

KRBL, by virtue of owning one of India’s most premium Basmati brands - ‘India Gate’ - commands a significant premium over most other brands in the industry, with this brand garnering the highest market share in the export market since the past 3 years.

### Company Overview

#### Background

Incorporated in 1993, KRBL ranks as the world’s largest rice miller with the largest manufacturing capacity in the world. Armed with the pioneering status of being India’s first integrated rice Company, KRBL also enjoys the distinction of being the world’s largest Basmati exporters. The Company is credited with demonstrating innovation and thought leadership across the rice value chain – right from seed development and multiplication (QSDIP program) to contract farming and marketing.

From embracing notable milestones in its illustrious journey spanning a century and a quarter, the Company has also touched new echelons of success in its financial performance. This was manifest by the Company clocking its highest ever total revenue of Rs. 1,600.65 crores as of 31st March 2010, a 21% increase over the previous fiscal.

Having firmly cemented its principal player positioning in the domestic market with the creation of a bouquet of popular brands such as India Gate, Taj Mahal, Doon, Nurjahan, etc., the Company has continuously and consistently enhanced its presence in the international market through successful collaborations with top global retail chains. Being the largest exporter of Basmati rice in India (Basmati sales account for 95% of KRBL’s total revenues and exports constitute 57% of the total revenues), the Company’s packaged Basmati products enjoy excellent brand equity and loyalty.

The aggressive and persevering brand building and enhancing initiatives embarked by the Company over the years, coupled with the intention of providing exceptional product offering, have more than paid off. Today, KRBL commands sizeable share in Basmati exports from India. It enjoys a strong presence in key Basmati consuming

# Management Discussion and Analysis

markets, such as Saudi Arabia, Kuwait, US & Middle East, which constitute a significant part of the Company's total export revenues.

Fuelled by high brand recall and a superior product, the Company garners higher realizations, almost 20% higher than the industry average, from these key export markets. Endorsing its principal positioning further is its numero uno ranking in Saudi Arabia – the largest Basmati rice market in the world.

Along with its excellent performance in the export market, the Company enjoys a 30% market share in the domestic branded Basmati space. The Company's relentless efforts in branding and marketing, combined with an extensive distribution network and retail presence, have helped it create a leading Basmati rice brand in the country. In a recent survey conducted in NCR cities namely Delhi, Noida, Faridabad and Gurgaon by an independent agency - Texperts Corporate Advisory Service (T-CAS), India Gate emerged as the most popular brand in the Basmati rice segment. Findings also indicated that India Gate brand awareness level stood at an outstanding 99% and presence of retail packs at 70% of modern retail chains, significantly above that of its peers.

## Year 2009-10

Having come through the difficult times of 2009 and riding on the intrinsic strengths of robust & integrated operations, huge milling capacities, extensive R&D initiatives, comprehensive contract farming programme, demonstrated marketing prowess and a strong brand portfolio, the Company reported a robust all-round performance.

The Company recorded its highest ever total revenue, profit before tax and profit after tax of Rs. 1600.65 crores, Rs. 149.98 crores and Rs. 124.55 crores respectively - 21%, 63% and 90% higher than the performance clocked in the previous fiscal. During the year under review, the Company's net worth also surged to Rs. 536 crores, a 28% increase over Rs. 421 crores reported in the earlier year. EPS stood at an all time high of Rs. 5.11, 90% higher than the Rs. 2.69 clocked in FY10. The Company, as of March 31, 2010,

reported a healthy order book of more than US\$ 34.50 million.

The Company's excellence performance also earned it prestigious rankings from Dun & Bradstreet, the world's leading provider of global business information, knowledge and insight. In its list of India's Top 500 Companies for 2009, Dun & Bradstreet ranked KRBL 7th as per the total income in the Food & Agro Processing sector, 87th (previous year 101) as per exports and 33rd in the Northern region of the country. With the rankings computed and evaluated on the basis of various financial parameters, such as income, net profit and net worth, etc, this recognition underpins the revolutionary efforts undertaken by the Company over the years.

## Key Highlights

- ✎ Export revenues spiraled up 24% in value terms to Rs. 910 crores in 2009-10 from Rs. 737 crores in 2008-09 and 46% in volume terms from 95908 MT in 2008-09 to 139822MT in 2009-10
- ✎ Domestic revenues increased 16% in value terms to Rs. 668 crores from Rs. 575 crores in 2008-09, primarily on the back of improved realizations
- ✎ Basmati rice sales increased 27% from Rs. 1190 crores in 2008-09 to Rs. 1509 crores in 2009-10
- ✎ Average domestic realization of Basmati rice increased from Rs. 30 in 2008-09 to Rs. 31 in 2009-10
- ✎ Contract farming operations expanded to cover 2,30,000 acres, with Punjab contributing most to farming of Basmati paddy
- ✎ Sale of packaged Basmati rice has grown at a CAGR of 22% over the last 3 years
- ✎ Sale of "India Gate", the flagship brand of the Company, accounted for 60% of total domestic sales in 2009-10, as compared to 54% in 2008-09
- ✎ Sale of premium brands, such as India Gate Classic, India Gate Super, India Gate White Organic, India Gate Golden and Doon Premium, grew attractively at an average rate of 22% per annum

Source: Crisil Research