**Business Overview**

* Iran big buyer post 2007-08 and exports went up from 1.5 million tonnes to 4 million tonnes
* Capacities were getting added up and production also increased manifold along with profits
* Post all capacity addition REI Agro, Lakshmi Energy have performed poorly and Kohinoor has not done well
* The company stopped adding capacity during these times. Iran which was once giving good profits had become one of the worst markets to do business with
* One big player from Iran with Rs 1500 crores business stopped making payments. They are not paying at all
* This company is not doing business with Iran since last 5 years
* The company has added 107 new customers in the international market in 2018. They are small customers and small consignments and hence nonpayment by these players won’t have a very big impact
* The player from Iran who has defaulted has done it with 40-45 companies which are not listed in the market
* The company is operating since 1974 and in 1980 when exports opened started exporting since 1982 and got listed in 1995

**Funds**

* Cressida Investments
* Kotak Asset Management
* Mittal & Co
* Equirus Portfolio Management Services
* Unifi Capital
* ICICI Securities
* Edelweiss
* Pantomath Fund Managers

**QnA**

* To take a customer the company can also sell at break even prices
* Since the turnover was stagnant over last three years the company took a choice of sacrificing margins over growth and adding newer customers
* The company keeps a margin of around Rs 1 for its cost of paddy. There is always forward booking for exports in the short term for 35-40% and hence it is not always a win-win situation
* Starting online sales for its brand Maharani on Amazon and the own portal of the company
* The aim is to keep prices lower so that they are able to reach out to more people
* Only one buyer bought 50% of the whole of Iran’s business from India which has now got out of the market
* The company is the only manufacturer of dry heat barbered rice. This was being done by UP farmers 50 years ago and the company has set up an automated plant to manufacture this rice
* Currently with effective R&D the company has come up with this rice and it has very good properties and the company has begun selling this rice in market
* The margins on this product is high and it is a monopoly product and it is a big product for Iranian and Afghanian buyers
* The company is exporting to 83 countries
* The year’s in which production is higher and procurement cost is lower the margins are automatically higher
* In the current year prices jumped by 20% just at the start of the season and hence margins got affected
* The company no longer has any debt on books. The debt was as on March due to the sales and hence it now no longer remains
* The supermarkets in global markets don’t purchase directly from manufacturers. They purchase from distributors who place these products in these supermarkets and smaller markets
* Apart from Maharani brand sells few other brands to these markets as well
* Three moving parts for margins
  + Procurement
  + Production capacity
  + Customer
* The company provides private label packaging in all sizes and not just in big bags
* The company provides an opportunity to smaller people who can have their own brand of rice and sell to their customers. This model works perfectly as it provides the sellers their own brands and this is why the company feels they will not change their supplier
* The management would never want to project sales growth of more than 20%
* Cost of procurement of paddy is the most important factor in the margins
* The wholesale markets are not responding well to brander rice because of the GST difference. They are ready to pay more price for the unbranded rice just to avoid the paperwork associated with selling under GST
* India Gate & Daawat are winners in the branded rice markets
* The company is currently focusing more on the international markets rather than the domestic markets
* Currently there is a lot of spare capacity in the market and hence the company is not going ahead with capex. Currently the company has only added a packaging unit
* The current optimal capacity in a year for production of rice is 400 tons
* The company appreciates the working of India Gate and they are making very good money from aged rice and how they have developed their brand
* KRBL sells its rice at USD 300-400 per ton premium than all other players in the market