

## KRBL Q4FY21

### Financial Results & Highlights

#### Brief Company Introduction

KRBL is the world's leading basmati rice producer and has fully integrated operations in every aspect of basmati value chain, right from seed development, contract farming, procurement of paddy, storage, processing, packaging, branding and marketing. It is also the owner of the famous basmati rice brand INDIA GATE.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	977	1072	-8.86%	1128	-13.39%	4014	4521	-11.21%
PBT	187	201	-6.97%	195	-4.10%	751	759	-1.1%
PAT	139	150	-7.33%	146	-4.79%	560	559	0.18%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	977	1072	-8.86%	1128	-13.39%	4015	4522	-11.21%
PBT	186	201	-7%	194	-4.12%	749	758	-1%
PAT	138	150	-8%	145	-4.83%	559	558	0.18%

#### Detailed Results:

1. The company had a dismal quarter with a 8.9% fall in consolidated revenues and an 7% fall in PAT at a consolidated level.
2. PAT fell 8% YoY.
3. EBITDA in Q4 fell 10.7% YoY.
4. EBITDA margin rose 133 bps YoY to 21.2% in FY21 while gross margin rose 256 bps to 31.45%.
5. FY21 performance was mixed with a 11% YoY revenue decline and flat PAT growth. This was mainly due to bad performance in Q1. KRBL also had its best EPS of Rs 23.8 in FY21.
6. Net debt to equity is now at 0.04 in Q4 from 0.14 a year ago. The interest Coverage ratio improved by to 25.88 times from 11.9 a year ago.
7. Sales volumes in Q4 have risen 15% YoY with India sales rising 19% YoY and export volumes rising 11% YoY. Total sales volumes in Fy21 have risen 1% YoY and export volumes have risen 8% YoY in the year.
8. Book value per share has risen to Rs 157 per share. The company also announced a final dividend of Rs 3.5 per share for FY21.
9. The overall market share of KRBL was at 38%.
10. Bulk pack sales have stabilized and are better than Pre-Covid Levels by the year end.
11. Consumer pack sales were at their highest ever levels in Q4.
12. GT channel grew 13% YoY in FY21 while modern trade channel grew 9% YoY.

13. Market share in modern trade across basmati & popular categories was at 44% and 41% respectively registering a YoY rise of 400 bps. Health foods also saw market share rise of 200bps to 44% in modern trade channel.

**Investor Conference Call Highlights:**

1. KRBL's net bank debt as of 31st March 2021, stood at Rs 53 Cr.
2. The announced increase in MSP for non-basmati rice and industry dynamics should help enhance the value of the current inventory for KRBK according to the management.
3. Around 5-% of sales came from consumer packs, which are all pack sizes of 5 kg and below.
4. The company launched 2 new health foods in FY21 which were India Gate Chia Seeds and India Gate Flax Seeds.
5. During FY21, KRBL added 1.5 million households to the consumption basket of India Gate.
6. The industry still has only a 40% share of branded products with 60% coming from the unorganized sector.
7. KRBL is going to undertake the end-to-end digitization of its channel partners. It is already seeing 30% of business flowing through the Salesforce automation software.
8. KRBL is planning to double its sales team.
9. Ecommerce now accounts for 4% of sales in FY21 from 0.3% of sales in FY20 showing a 13x YoY growth.
10. The dominant market for basmati export remains the Middle East with 70% of India basmati exports going to the region.
11. The management has stated that KRBL has lost almost 50% of its market share in brown rice in the EU due to the pesticide residue problem and it will take at least a year to comply and resolve the issue and regain the lost market share.
12. KRBL holds an inventory of 2.34 million tons of paddy valued at Rs 27374 per ton and 445,000 tons of rice valued at Rs 42920 per ton. The total inventory value comes to Rs 2841 Cr.
13. KRBL is also able to command 60% higher realization from exports as compared to the rest of the industry due to its strong brand image.
14. KRBL is looking to open regional distribution centers where it can reach directly to retailers or e-com players and bring in cost savings and operational efficiency.
15. The company has 45% capacity utilization at the Dhuri plant and 90%+ utilization at the Ghazia plant.
16. The management has stated that KRBL doesn't need any capex towards capacity expansion and only needs some capex of Rs 100-150 Cr to be done to expand warehousing capacity.
17. COGS was down 17% YoY in FY21 while realization was down 12% YoY. The management states that the realizations were lower due to cheap inventory.
18. In the Unity brand, the company made sales of Rs 400 Cr in FY21 where Rs 325 Cr was from HoReCa. The management expects to reach sales of Rs 1000 Cr from this brand in the next 2-3 years.
19. The company is targeting an increase in revenues to Rs 8000 Cr in the next 3-4 years after adding on the growth from both the rice and non-rice segments.
20. The management has stated that it is keeping a lot of liquidity due to inventory requirements and KRBL is also open to any possible acquisition opportunities.
21. The market price of basmati has remained subdued by almost rs 10-15 due to the issue of exporting to Iran. If these issues get resolved, then the entire industry would benefit from the rise in demand.

22. Any price inflation in basmati will be beneficial for KRBL as it already holds a lot of inventory procured at cheap prices.
23. KRBL has gotten 16 new samples from Pusa institute of which it has cleared 6 samples for commercial production. These new variants will see commercial production from next year.
24. KRBL has a production share of 9-9.5% of basmati in India, and it is aiming to reach 12.5% of production in the next 4-5 years.
25. Basmati consumption in India is at 2.2-2.4 million tons while the consumption of specialty rice like gobindbhog, sona masoori and others is at 15-18 million tons. Thus, the specialty rice segment should help KRBL expand its addressable market by a lot.

#### **Analyst Views:**

KRBL is one of the biggest sellers of basmati rice in the world. It has built up a long-standing legacy of more than 120 years and enhanced it using modern technology to make the process from grain to pack as efficiently as possible. The company has had a down quarter with an 8-9% YoY decline in sales & profits while all margins have risen YoY. Consumer pack sales were at their highest ever with around 50% of the top line coming from this segment. The health portfolio has seen the launch of India Gate Chia Seeds and India Gate Flax Seeds. The company has been marred by controversy due to the detention of Mr. Anoop Kumar Gupta, Joint Managing Director of the Company, by the Enforcement Directorate while cooperating with the investigation in the Augusta Westland case. But the company continues to show good performance and a resilient balance sheet that has enabled it to almost eliminate net debt from the company. It remains to be seen how the company will navigate this PR crisis and what roadblocks it will face in its quest to reach Rs 8000 Cr sales in 3-4 years. Nonetheless, given the company's long-standing brand image, its resilient operations and export structure, and its focus on maintaining its strengths and developing new avenues, KRBL may turn out to be a prime wealth creator in the next few years.

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