



REI AGRO LIMITED

Corporate Presentation

8 June 2009



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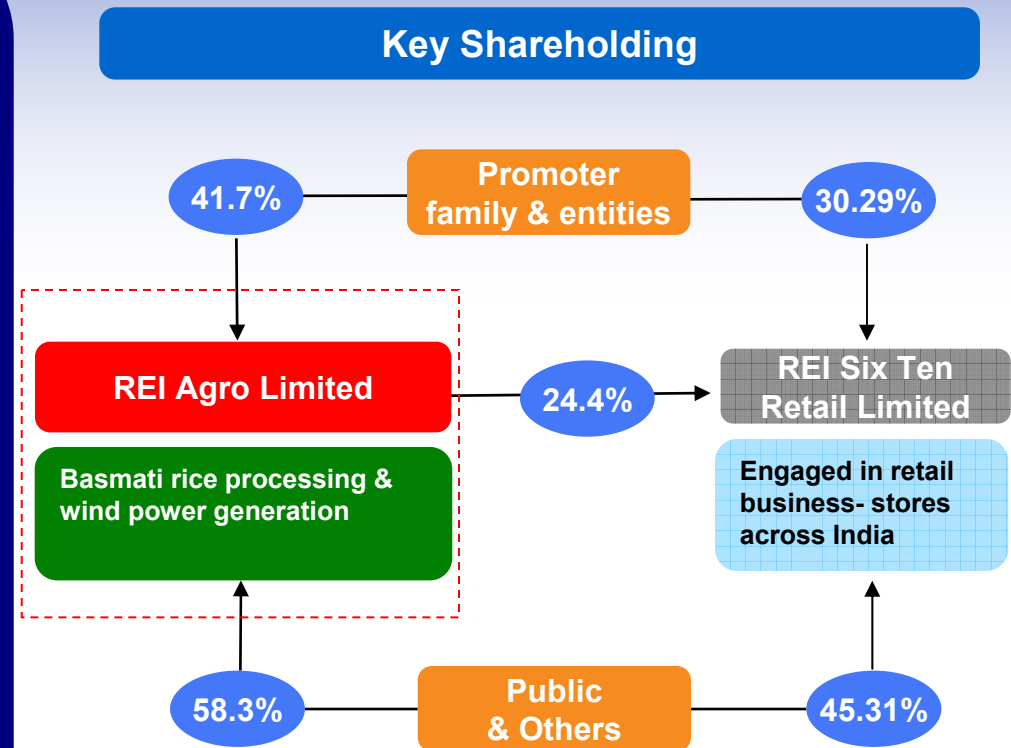


Company snapshot



- Started in 1994, REI Agro is a major player in the Basmati Rice market both in India and abroad
- Undertakes activities right from procuring, processing, packaging, branding, distribution of basmati rice
- Has a presence in key markets – India and the Gulf region
- Current processing capacity of 692,040 MTPA
- Operates one of the largest parboiling facilities globally with a capacity of 411,720 MTPA
- Raised capital in 2005, from international capital markets through FCCB and GDR issues
- Carried out a de-merger in September 2008, effective from August 2007, of the retail division to form a separate company - 'REI Six Ten Retail Ltd'
- The Company reported FY09 revenues USD521m, EBITDA of USD95.6m and net profit of USD13m

Key Shareholding



USD:INR = 47

Source: Company data, BSE

Industry overview



Basmati rice is a premium product

Basmati means “the queen of fragrance” or the “perfumed one”

Superior Cooking qualities

- Basmati is a long grain rice with fine texture
- It's unique qualities include a strong aroma, elongation and a non-sticky nature
- It is available as both white and brown rice
- Basmati loses moisture when stored unlike ordinary rice and therefore cooks better

Strong International Demand

- A majority of the basmati rice produced in India is exported
- Favourable import duties on Basmati rice in major consumer markets in the Gulf region

Regional Exclusivity & IPR Protection

- Basmati is exclusively grown in certain parts of India (75%) and Pakistan (25%)
- As per a WTO ruling, only certain varieties of rice grown in India and Pakistan can be labeled as Basmati

High Entry Barriers

- The best types of basmati rice are aged for 18-24 months before milling and selling
- Therefore, Basmati rice requires storing inventory – thereby necessitating huge capital requirements
- Knowledge & experience of Basmati procurement and processing required



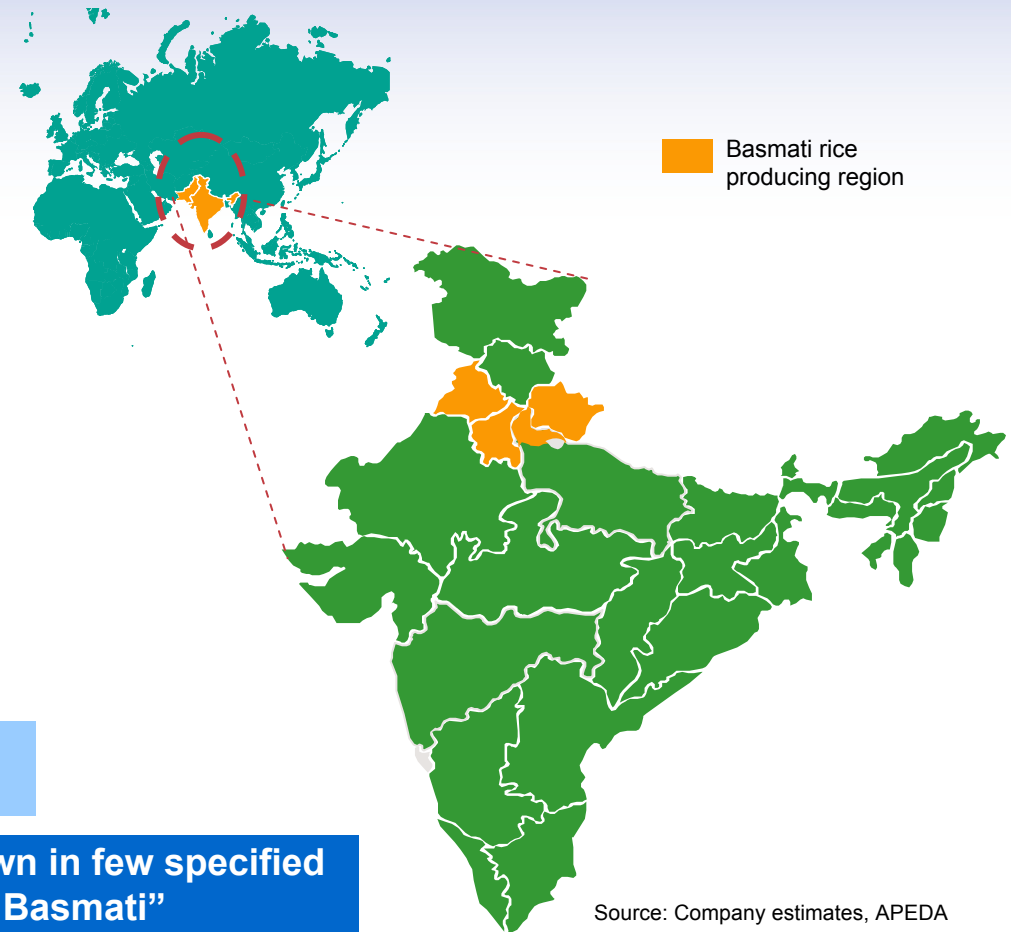
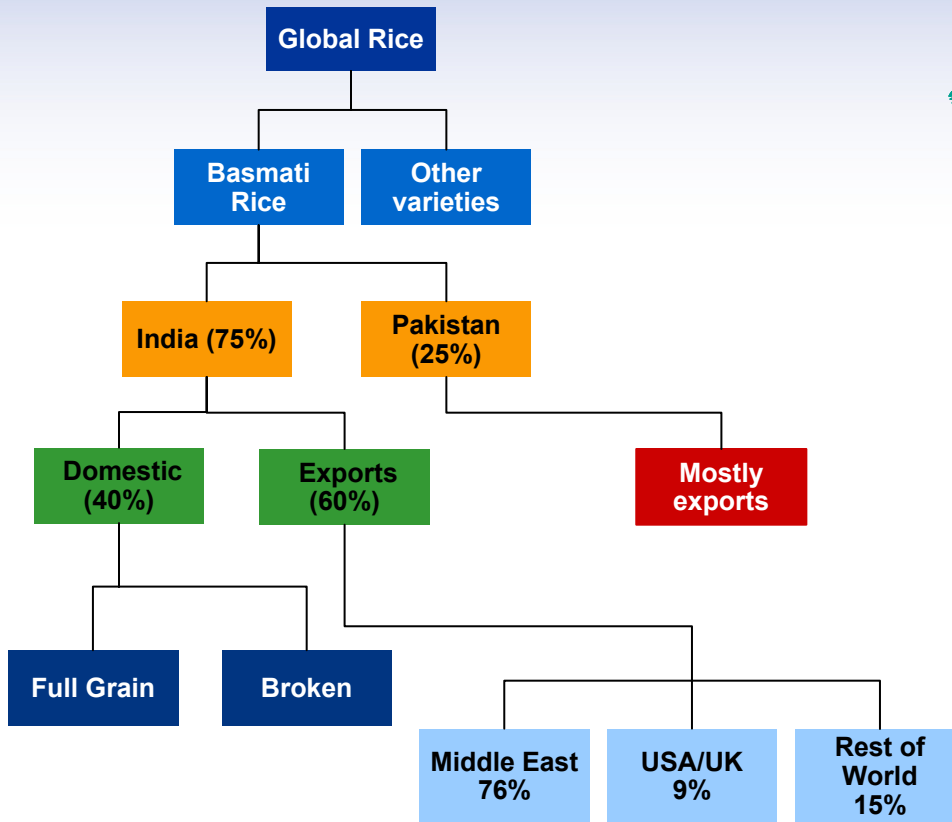
Source: Company data and estimates



Regional exclusivity ensures that Basmati is a niche product

India produces and sells the majority of Basmati rice in the world

Basmati is grown exclusively in the foothills of the Himalayas

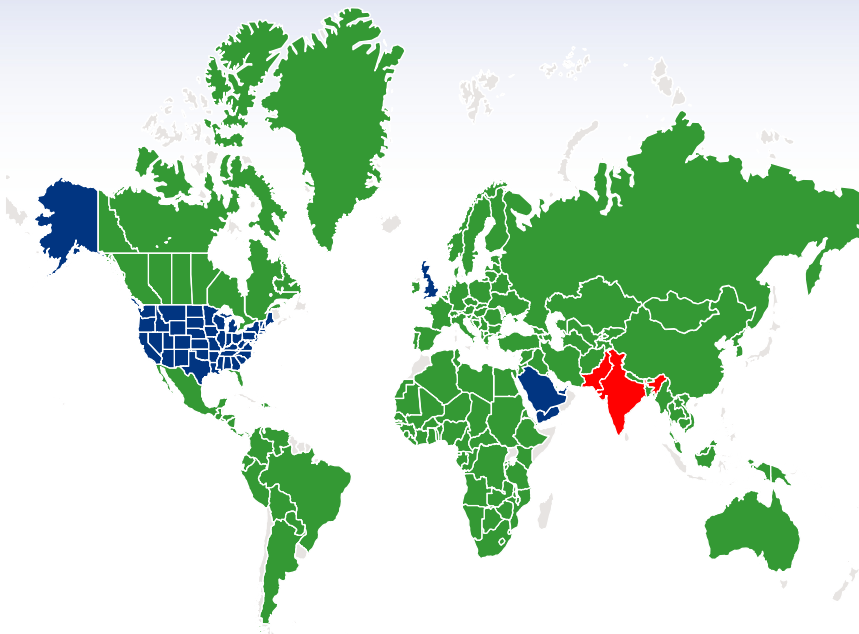


As per a WTO ruling only a certain type of rice grown in few specified regions of India & Pakistan can be referred to as “ Basmati”

Source: Company estimates, APEDA

Basmati – a key export product from India

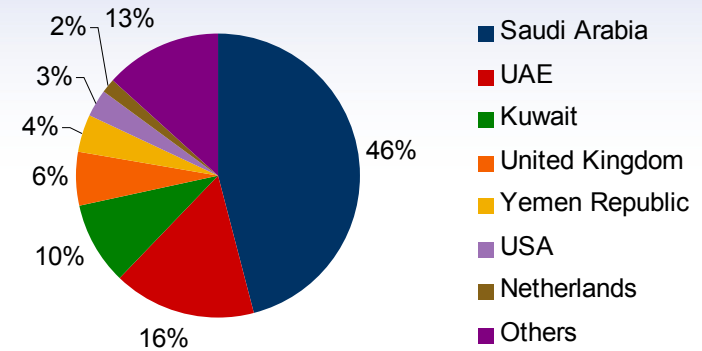
The World's key largest importers of basmati rice



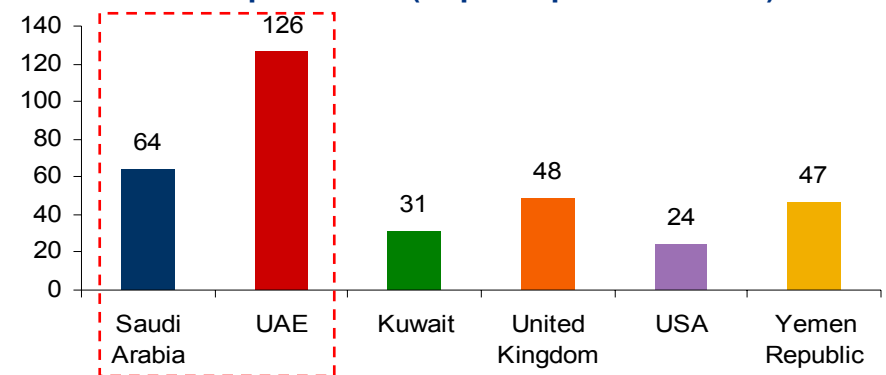
■ Importers
■ Exporters

Saudi Arabia and UAE are the two largest markets for basmati globally

Market Share in 2007-08 (% of total Exports)



% Growth in export value (Top 6 export countries)

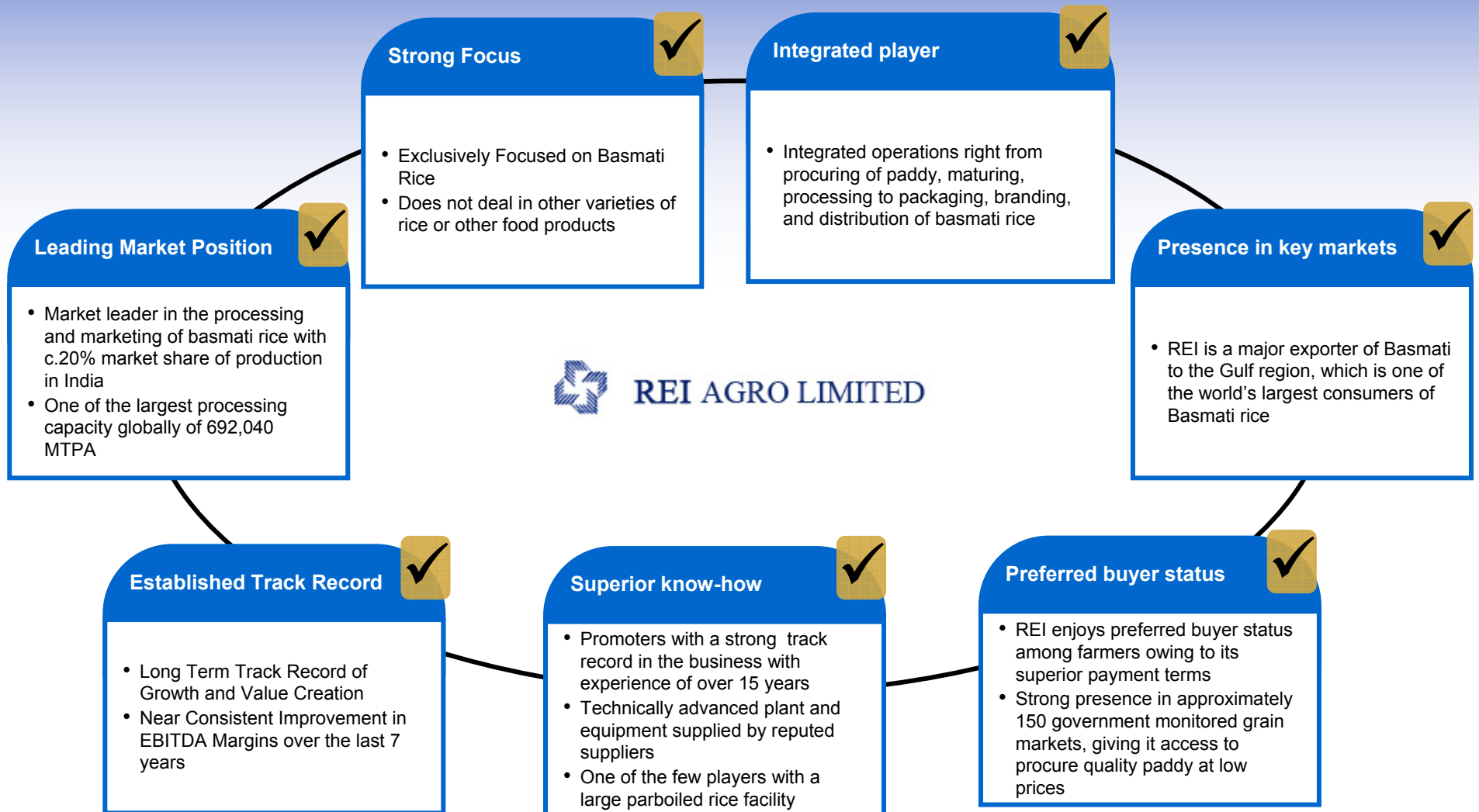


Source: APEDA, Company data and estimates

Business overview



REI Agro – Key highlights

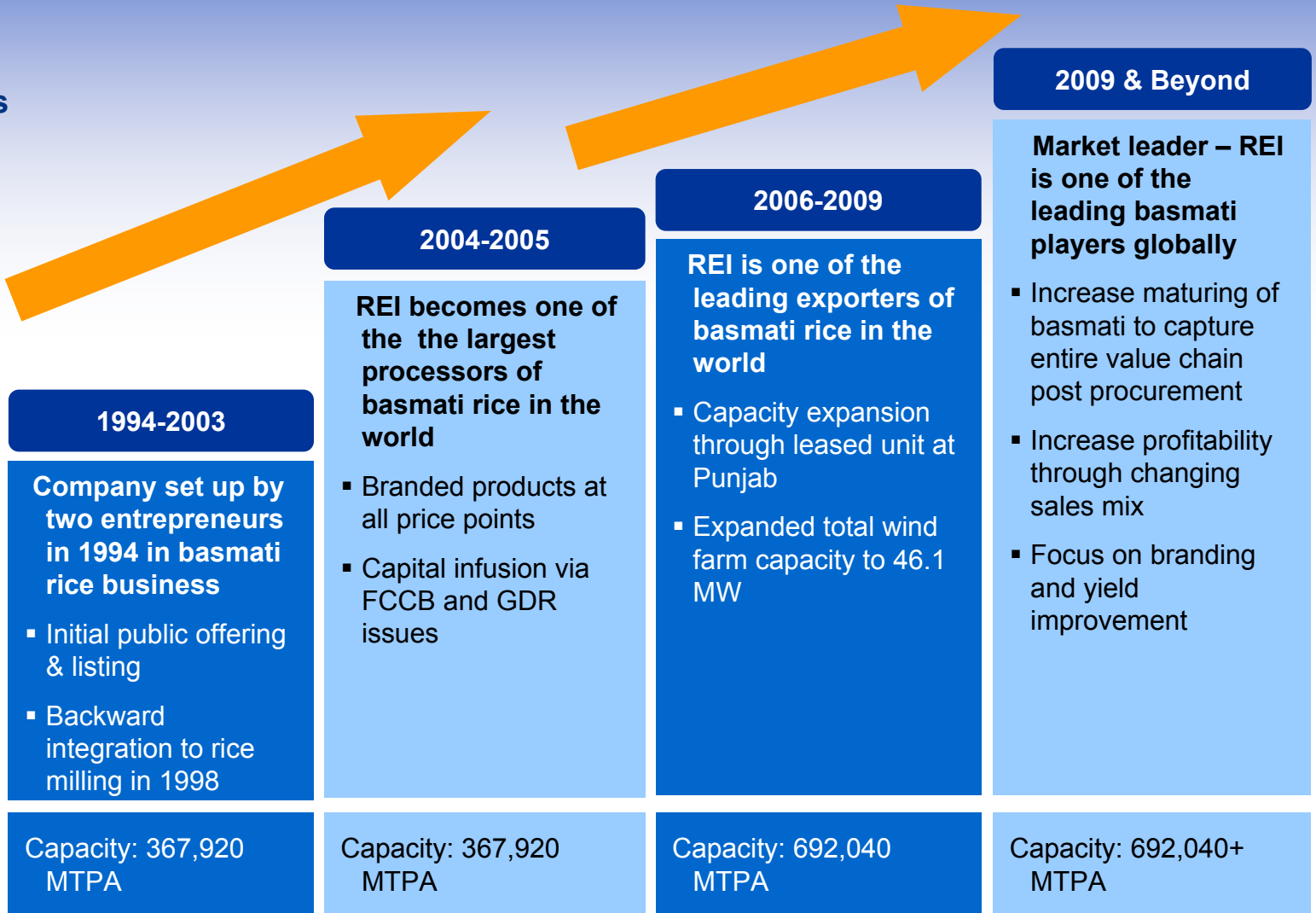


Source: Company estimates and data

Company history – track record of growth

Over the last 15 years, REI Agro has established itself as a global leader in basmati rice and has grown through increasing processing capacity

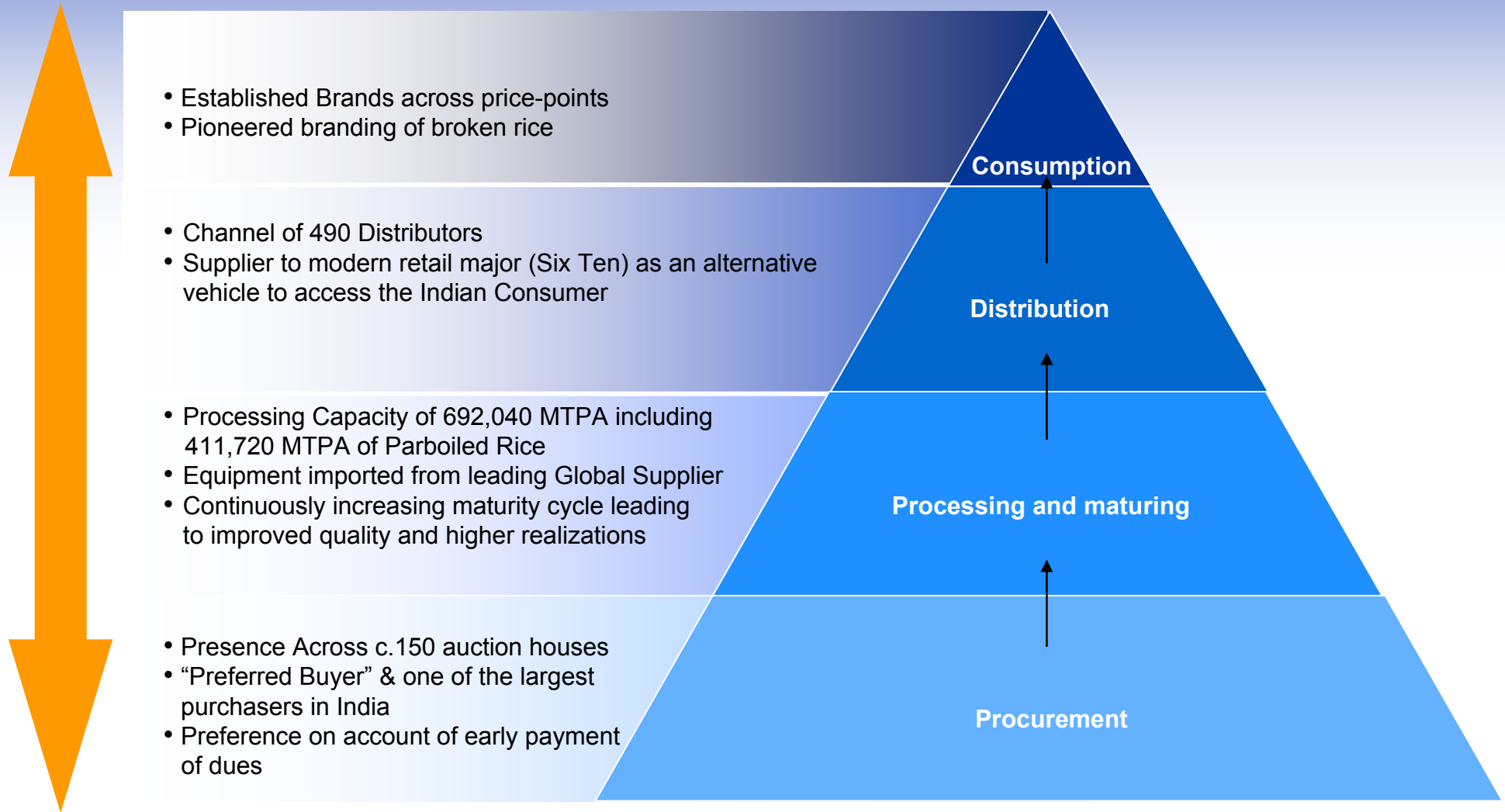
REI Agro has increased its capacity to mature basmati over longer periods of time and is therefore able to realise higher margins



Source: Company data



Dominant & integrated player across the Basmati rice value chain



Market-maker in procurement in India

Largest Procurement Network

Leading presence

- Dominant presence in India via a Procurement network spread across approximately 150 auction houses (**mandis**) in India

First Mover advantage

Located in key markets

- Extremely well placed in strategic locations in rural areas and localized mandis providing access to cheaper paddy

Strong Relationships

Access to reliable supply of paddy

- Strong linkages with farmer based on ability to remunerate farmers on time

Preferred Buyer

Proven track record

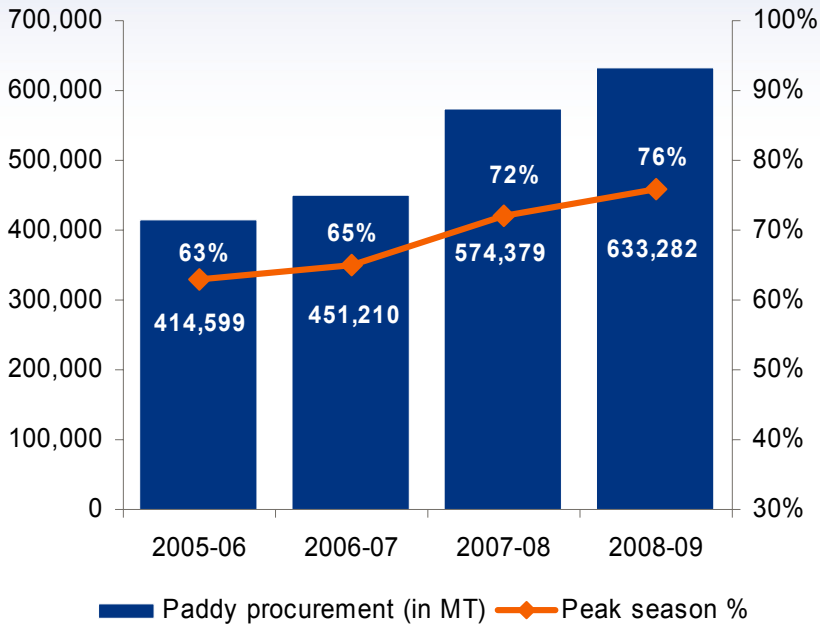
- Upfront payments and consistent purchase policies- farmers give “preferred buyer status” to REI

One of the Largest Purchasers

Market maker

- REI is the one of the largest purchasers of Basmati paddy in India

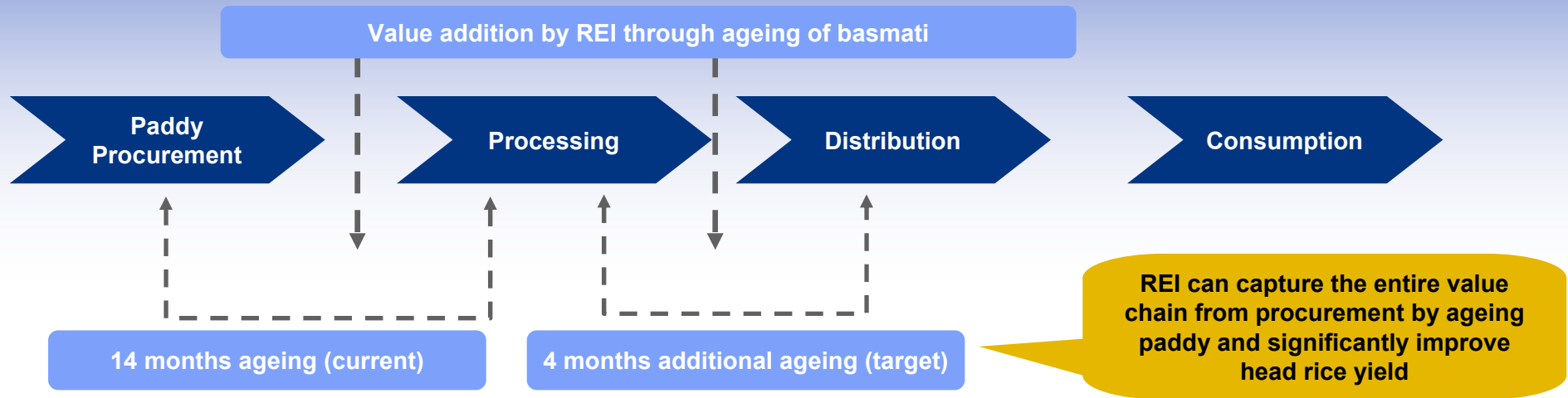
REI has consistently improved its procurement abilities



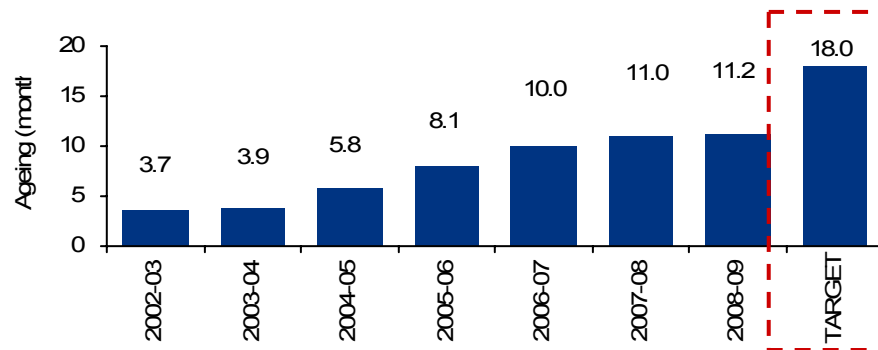
REI has built a significant competitive advantage on account of Wider Presence across Mandis as well as the financial muscle to pay the farmers on time

Source: Company data

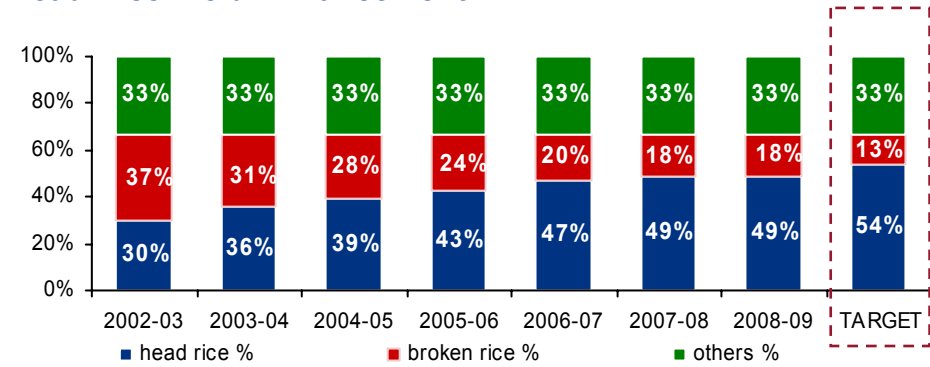
Maturing – contributing to increased head rice output



Maturity period



Head Rice Yield Enhancement



The Company has increased the maturing period of its basmati over the years by holding greater inventory, leading to an increase in yield of head (wholegrain) rice from paddy

Source: Company data and estimates

Higher margins due to increasing maturity period

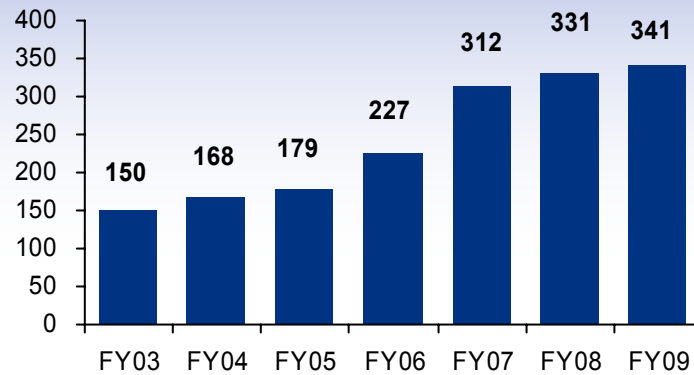
The margins realised are on an increasing trend due to the increase in maturity period for the rice

The increase in working capital needed for maturing the basmati has been funded primarily through debt

Increase in the maturing period has led to an increase in the EBITDA margins

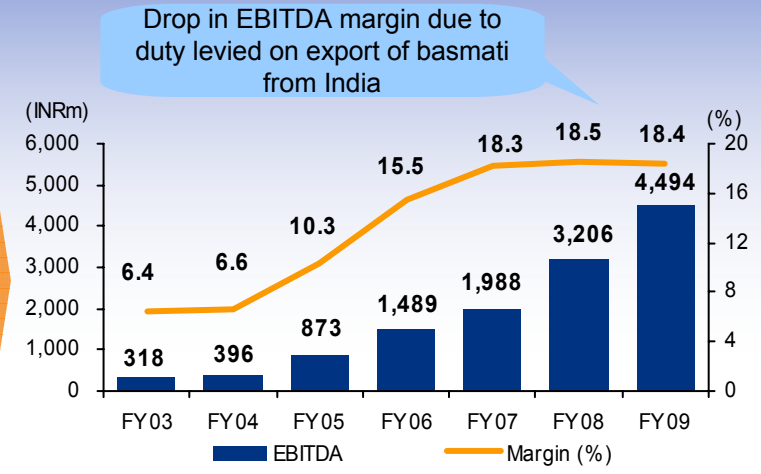
However, this has also increased REI Agro's financial leverage ratio

Raw material* (Days of RM consumed)

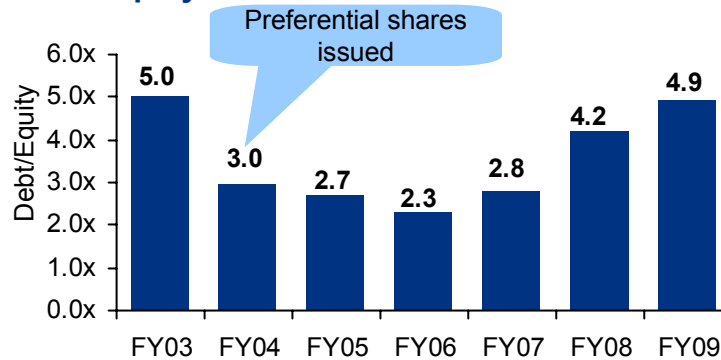


* Raw material consists of paddy and unprocessed rice

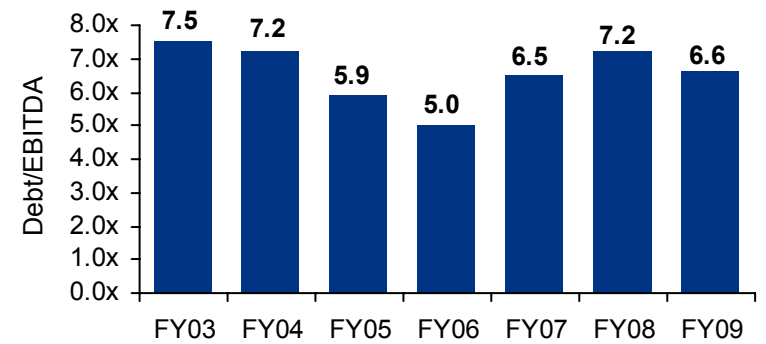
EBITDA and EBITDA margin



Debt/Equity



Debt/EBITDA

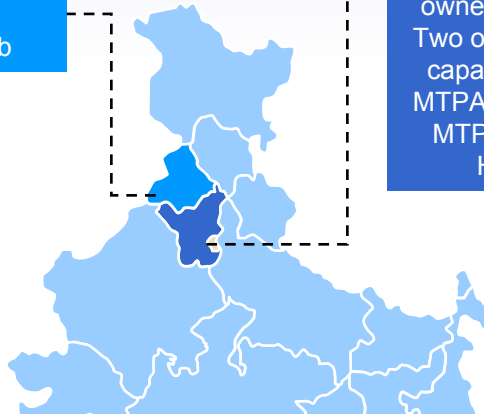


Source: Company data

Most advanced rice processing units globally

REI operates one of the most advanced rice processing units globally

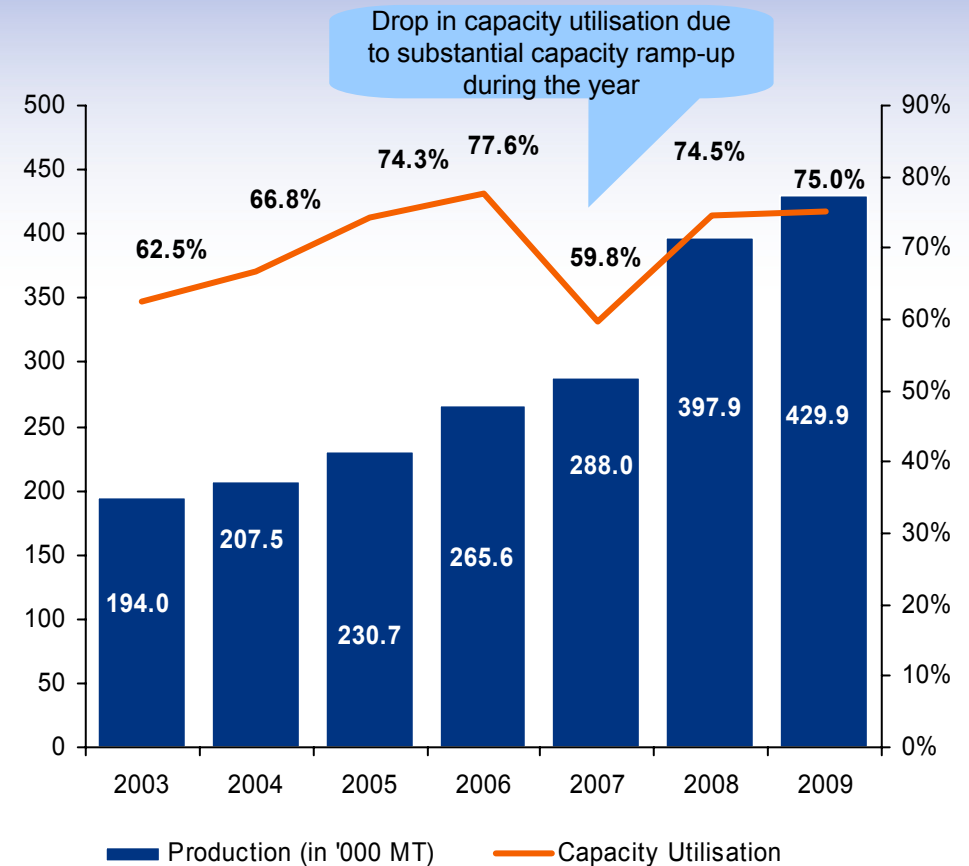
One leased unit of 157,680 MTPA capacity in Punjab



534,360 MTPA of owned capacities- Two owned units of capacity 324,120 MTPA and 210,240 MTPA in Bawal, Haryana

- Plants strategically located in the vicinity of basmati producing regions of Northern India
- Production equipment imported from world class suppliers such as Buhler in Germany and Satake in Japan

Significant increase in processing capacity over the years



Source: Company data

Note:1] Fall in capacity utilisation in 2007 is on account of expansion of capacities during the year
2] The capacity utilisation has been calculated on annualised basis

Branded basmati – sales across all price points

REI Agro is present across all price-points in the branded basmati market



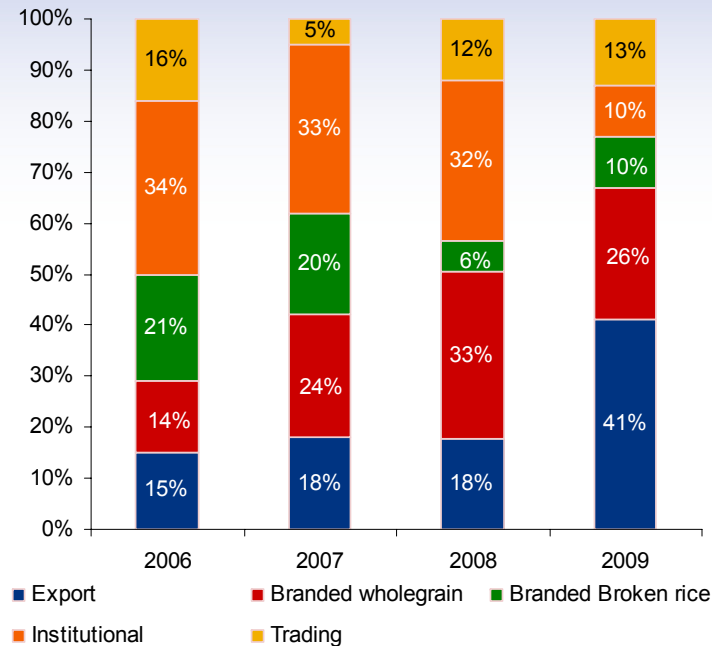
*% breakup by domestic branded sales by value as of FY09

Source: Company data

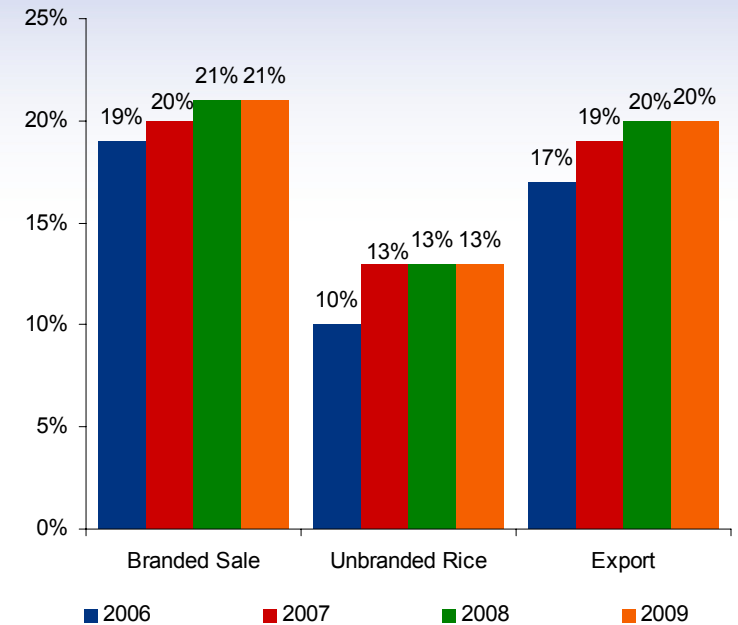
Changing sales mix – leading to higher profits

There is an increasing shift in focus towards exports and branded wholegrain sales as these provide the highest margins

Change in product mix over 2006-2009



EBITDA margin per product category (2006-2009)



Source: Company data

Ability to maintain higher inventory maturing period and stronger distribution network have helped increase revenues from exports and branded wholegrain sales

Key strategies

- 1 **Increasing branding and distribution**
- 2 **Increase exports to capture high growth and volume markets with higher margins**
- 3 **Increase maturity holding period thereby increasing profitability**
- 4 **Deeper penetration and stronger linkages to increase procurement access**
- 5 **Reduce debt to improve bottom-line and Improving Sales mix for higher realisations**



Strong management and execution track record

Overview

- 13 years of experience; market leaders in their fields
- Professional and experienced management
- In-depth understanding and knowledge of the market and customer behavior
- Significant ability to procure and build strong linkages
- Proven track record of operating and processing basmati rice plants at optimum levels

Employees

- 500 full time staff
- Over 2,000 temporary staff
- Cordial industrial relations –no strikes/lockouts
- Negligible senior management turnover

Experienced and stable senior management team

Board of Directors

Mr. Sanjay Jhunhunwala	Chairman
Mr. Sandip Jhunhunwala	Vice Chairman and Managing Director
Dr. ING N K Gupta	Independent Director
Mr. A Chatterjee	Independent Director
Mr. K D Ghosh	Independent Director

Management Team Experience (yrs)

Mr. Ajay Sharma President	32 years
Mr. Atul Saxena General Manager - Operations	15 years
Mr. Sarad Buchasia Financial Controller	16 years
Mr. Rajesh Pandey General Manager - Production	16 years
Mr. Danish Beg Asst. Finance Controller	15 years



Entry barriers across the value chain ensure sustainable competitive advantage

Procurement

- **Critical Success Factor:**
 - Widespread reach across Mandis
 - Ability to pay the seller (farmer) on time-access to working capital

- **Advantage REI**
 - ‘Market Maker’ kind of status on account of financial wherewithal and extensive broker network
 - ‘Preferred Buyer Status’ on account of ability to ensure early payment

Storage and Maturing

- **Critical Success Factor:**
 - Financial wherewithal to be able to maintain higher levels of inventory on account of longer maturity cycle

- **Advantage REI**
 - Continuously increasing maturity cycle from 4 months in 2003-04 to 11 months in 2008-09

Processing

- **Critical Success Factor:**
 - Access to Scale and Technology

- **Advantage REI**
 - Equipment imported from Global leaders like Buhler, Germany and Satake, Japan
 - Large production facilities with capacity of up to 692,040MTPA

Marketing & Distribution

- **Critical Success Factor:**
 - Scale
 - Access to Distribution Channels

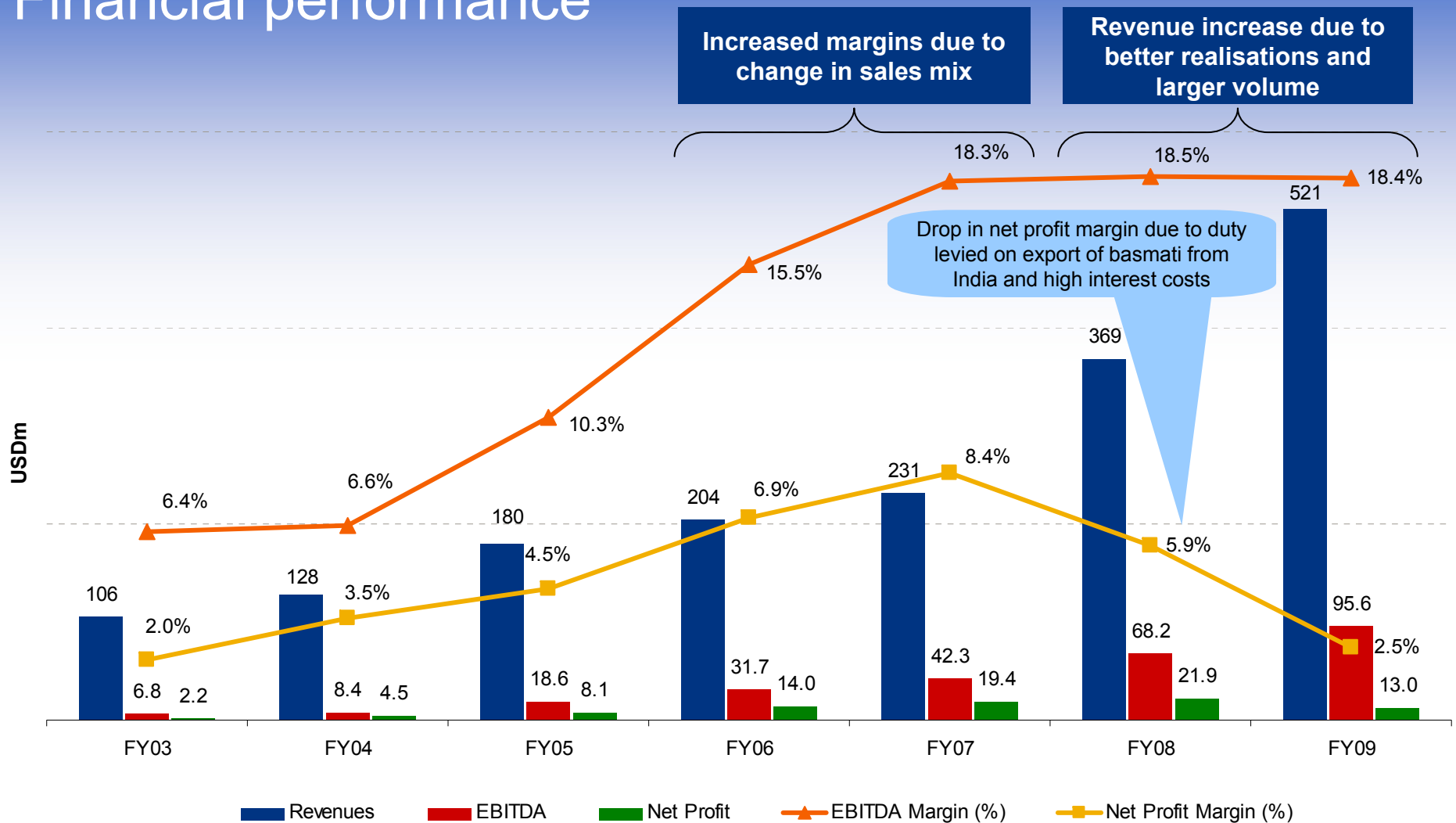
- **Advantage REI**
 - Presence across retail, wholesale and export market
 - Widespread distribution network
 - Ability to tap multiple price points



Financial summary



Financial performance



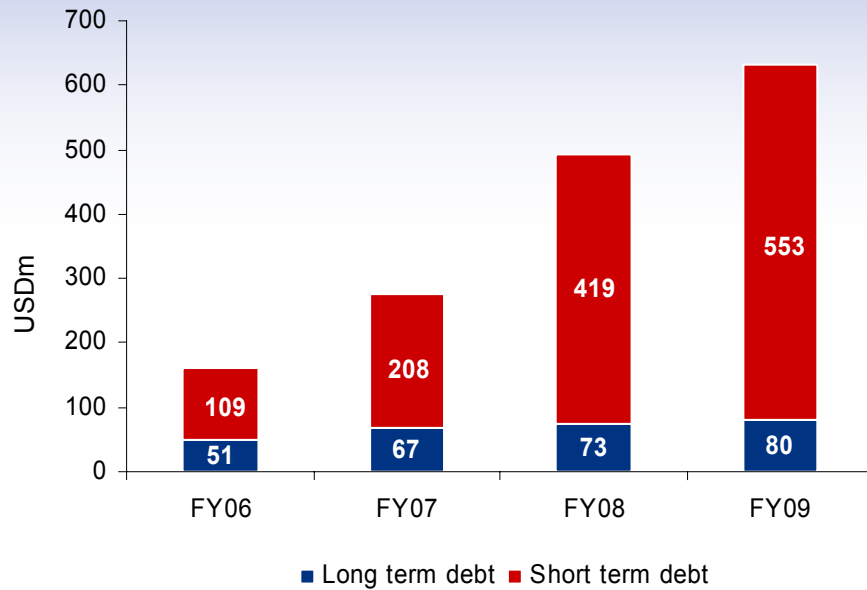
Source: Company data

Note: USD:INR = 47

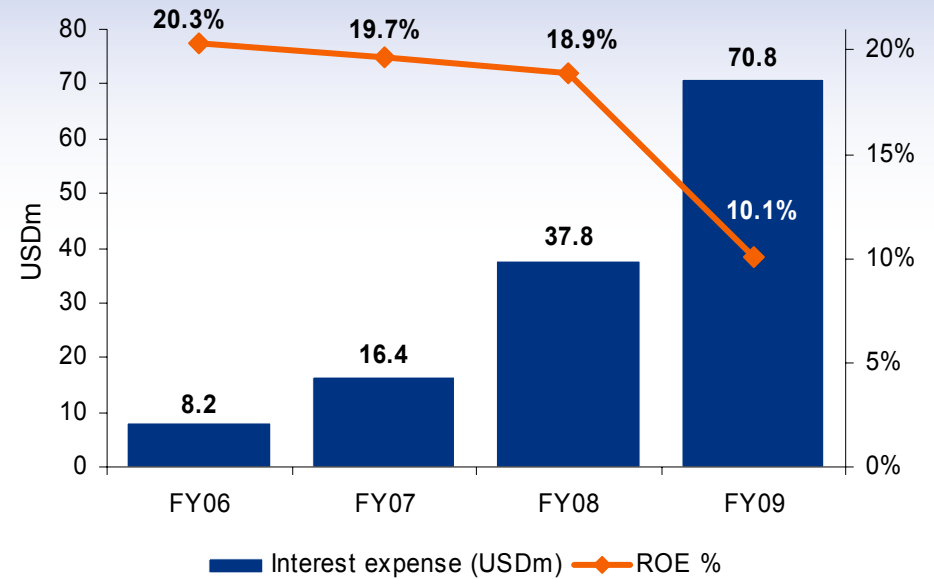


Financial performance (cont'd)

High dependence on short term working capital



High interest expense has led to fall in ROE



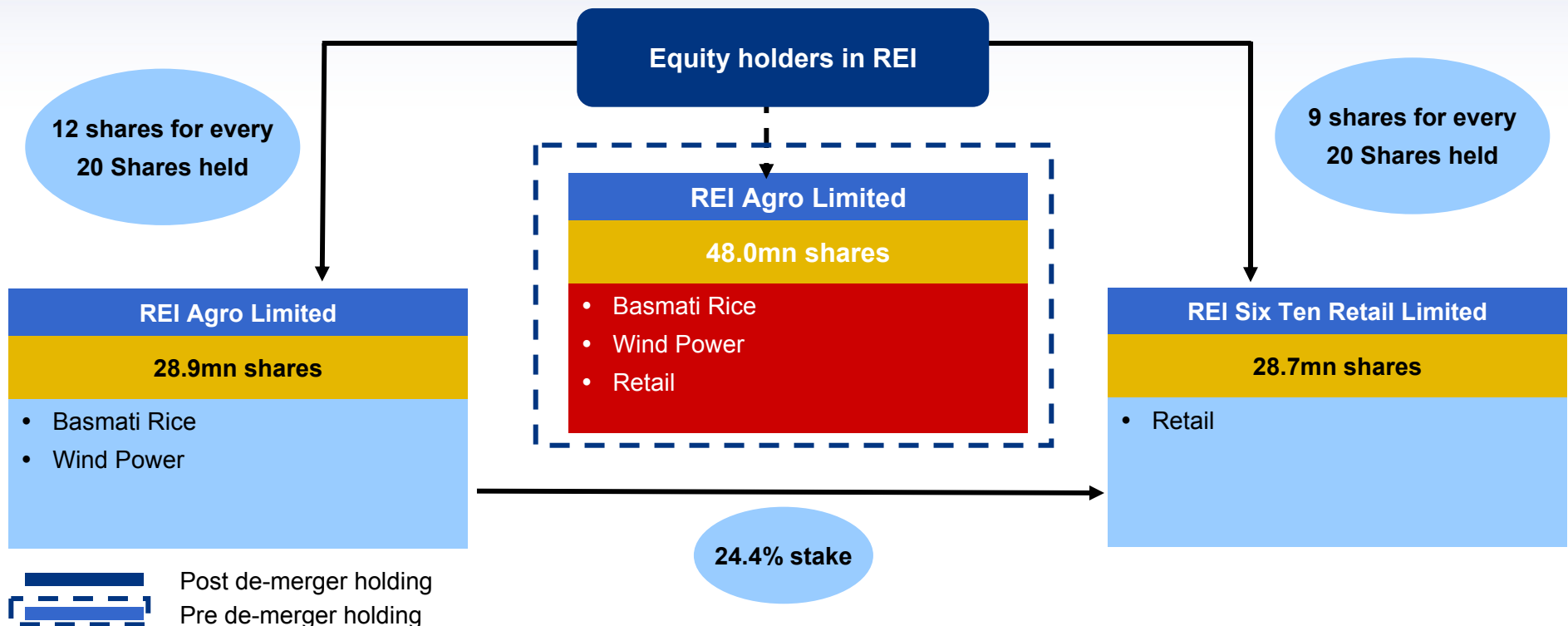
Source: Company data
USD:INR = 47

Other businesses



The REI Six Ten de-merger : capturing value

In order to focus on each of its business segments, the company effective August 2007, de-merged its retail business (REI Six Ten Retail Limited)



Source: Company data

REI Six Ten – an overview

REI Six Ten Retail Limited is a ZERO debt company

Leading chain

- **Neighbourhood convenience stores** format
- **One of the leading retail brands** in fresh vegetables & fruits
- **Strong private label** strategy in food and non food consumer products

Strong Infrastructure

- **385 stores** currently
- **350,000 Sq ft** leased and occupied
- **Wet Grocery focus** - Wet Grocery and Private Label constitute majority of the sales

Key advantages

- **Existing farmer relations** provide first mover advantage
- **Geographical reach** focus
- **Efficient supply chain** network
- **Close customer proximity** via stores locations
- **High margins** product sales

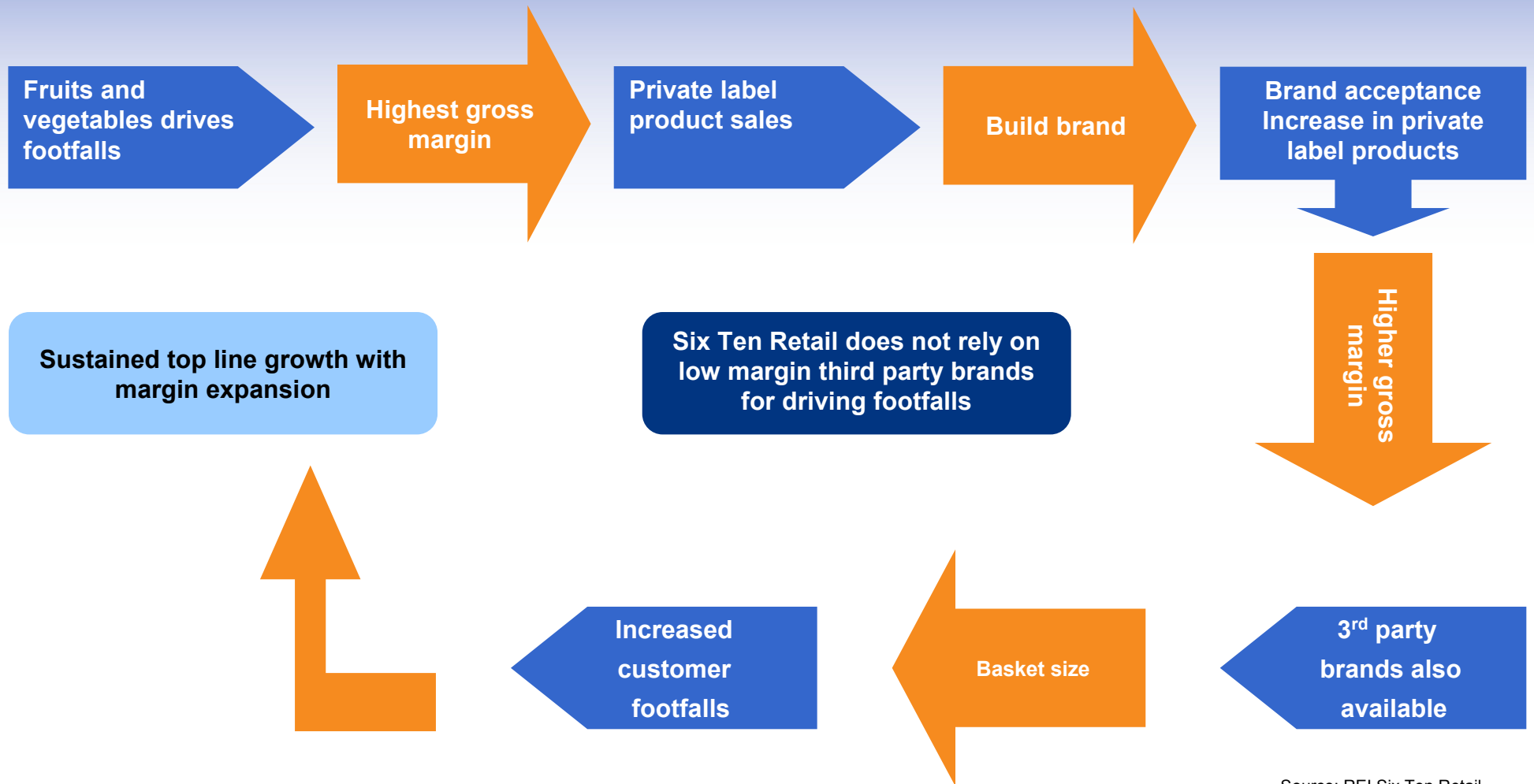
Growth strategy

- **Supply chain infrastructure** expansion planned
- **Location increased** to enable frequent footfalls
- **Product mix** to drive footfalls, sales and margins
- **Reduced dependence** on FMCG brands

Source: REI Six Ten Retail



Six Ten Retail – Growth plus margin expansion



Source: REI Six Ten Retail



Key Highlights



REI Agro – A dominant player in an attractive industry

Strong International Demand

- A majority of basmati produced in India is exported
- Favourable import duties in major consumer markets in the Gulf region

High Entry Barriers

- The best types of basmati rice are aged for 18-24 months before milling and selling-Basmati rice requires storing inventory
- Knowledge & experience of Basmati procurement and processing required

Regional Exclusivity & IPR Protection

- Basmati is exclusively grown in certain parts of India (75%) and Pakistan (25%)
- As per a WTO ruling, only certain varieties of rice grown in India and Pakistan can be labeled as Basmati

Superior Cooking qualities

- Basmati is a long grain rice with fine texture
- It's unique qualities include a strong aroma, elongation and a non-sticky nature
- It is available as both white and brown rice
- Basmati loses moisture when stored unlike ordinary rice and therefore cooks better

Integrated player

- Integrated operations right from procuring of paddy, maturing, processing to packaging, branding, and distribution of basmati rice

Strong Focus

- Exclusively Focused on Basmati Rice
- Does not deal in other varieties of rice or other food products

Leading Market Position

- Market leader in the processing and marketing of basmati rice with c.20% market share of production in India
- One of the largest processing capacity globally of 692,040 MTPA

Established Track Record

- Long Term Track Record of Growth and Value Creation
- Near Consistent Improvement in EBITDA Margins over the last 7 years

Presence in key markets

- REI is a major exporter of Basmati to the Gulf region, which is one of the world's largest consumer of Basmati rice

Preferred buyer status

- Enjoys preferred buyer status among farmers owing to superior payment terms
- Strong presence in approximately 150 government monitored grain markets, giving it access to procure quality paddy at low prices

Superior know-how

- Promoters with a strong track record in the business with experience of over 15 years
- Technically advanced plant and equipment supplied by reputed suppliers
- One of the few players with large parboiled rice facility

Source: Company data and estimates



Thank you

