

# Our growth strategy is based on volume expansion & better utilization of resources

If there is an example of a company that has grown by leaps and bounds in recent times, only on the basis of sheer business acumen and farsighted leadership, then it is none other than Lakshmi Energy and Foods Limited (LEAF). Started as a small entrepreneurial set up way back in 1981, LEAF has now grown to become a 1200 crore entity with interests in food and energy, two of the fastest growing sectors of the economy.

Needless to say, the man behind this fascinating achievement is Balbir Singh Uppal, who is a far cry from the glitzy image that most chairmen like to project. Simple and unassuming yet sharp and intelligent, Uppal has risen from the ground to single-handedly catapult his company to success, making it the country's largest integrated food conglomerate.

In a free-wheeling chat here, Balbir Singh Uppal, Chairman, LEAF talks about LEAF, its achievement and growth potential in the future and the advantages of going 'green' with biomass energy.

*Excerpts from the interview:*

**What are the different markets that your produce addresses and which markets are the new potential markets for you?**

Punjab is the fourth largest rice producing state in India and rice and wheat are the two staple crops that are grown in Punjab. While Punjab constitutes only 3 percent of total land area and population of India, it produces paddy for almost 40% of the people of the country.

Globally, LEAF is the largest producer of non-basmati rice and related products. The paddy processing

industry is highly fragmented and more than 90% have capacity less than 60,000 MT p.a. However, LEAF processes 1.35 million MT of rice annually, a chunk of Punjab's total crop of 15 million MT as against many of our counterparts who process less than 60,000 MT per year.

Our primary customers include government agencies, i.e. FCI where-in 75% of production of non-basmati rice and the rest include wholesale traders. We are already supplying long grain white rice in retail markets since February 2008.

In the next three months, we are going to offer '1121 Pusa Basmati Rice' under brand name of 'Lakshmi Foods'. We have tested this rice in India and we have also started exporting this long grain par boiled rice in international market since April this year. But in the next 90 days we are going to launch it in a big way worldwide. This rice is going to be refined in a unique way and it will be good for diabetics and heart patients. We have already commissioned a plant producing steam rice and an additional par boiling capacity of 800 MT/day is also underway. We have already initiated packaging premium quality products, including basmati rice, for exports and retail markets. These will drive the earnings growth for LEAF.

**Your growth rate has been phenomenal. How long do you think you will be able to sustain this growth and why?**

Our growth strategy is based on volume expansion and increasing exportable varieties of rice as well as better utilization of resources. We have integrated processors and we



Balbir Singh Uppal, Chairman, LEAF

have successfully harnessed an entire value chain of products, bringing about significant economies of scale and size and higher margins than standalone rice mills. We are generating considerable incremental revenues from downstream processing of by-products. Nothing goes waste in our processing units. Besides producing long grain non-basmati rice and wheat flour, we also produce rice bran oil, husk-based biomass power, de-oiled cake (DOC), cattle feed and numerous other products. For instance, one of the significant by-products is rice bran oil which is highly correlated to the price of crude palm oil – a commodity that

has experienced significant uptrend recently. Optimum utilization of resources has resulted in a phenomenal growth rate for us with our net profits increasing ten-fold, net sales going up to four-fold and market capitalization growing by 120 times, all in a matter of five years.

In the days ahead, we plan on increasing our production capacities of both rice and wheat; broaden our horizons in the Indian retail markets and international arena. I am confident that we will be able to sustain this rate of growth for a long time. Soon we will further grow and automate the existing integrated paddy processing plant and increase the

production of Pusa 1121 basmati for branded and export markets and this is going to help us increase grow faster than the current rate of growth. We plan to achieve 15% volumes from packaged products and exports in FY2009 and 30% in FY2010. Additionally, we have plans to strengthen operations of our subsidiary, Punjab Greenfield Resources Limited, in marketing, procurement, domestic and international trading.

**Do you plan to expand beyond the Punjab region or is the industry going to limit its operations to the Punjab region?**

Yes indeed. While our plants remain confined to Khambano in Punjab, starting January 2010 we plan to open and create a stronger distributor network in all states of the country so that our customers don't have to buy straight from Punjab. We plan to open new distribution networks in Kolkata, Chennai, Hyderabad and other cities and states as well.

You have started tapping into renewable source of energy by generating biomass from husk. How are you benefitting from generating power from biomass?

Biomass is a crucial source of energy for us. Currently, we have 2 units of 15 MW each power generation plants using bio waste husk in operation. We are using this 30 MW for supplying energy to our processors and factories which had to be otherwise supplied by the government from Ludhiana to Khambano. This in turn has helped government save money and energy that is wasted in transmission losses.

Power generation business also provides major upside in profitability

due to persistent power deficiency in the country and fiscal incentives provided by the government. There are numerous tax incentives on non-conventional power generation. Biomass power enjoys tax exemption and 80% depreciation benefit in the first year. Then, we are also selling power through Power Trading Corporation at remunerative prices and we are eligible to earn carbon credits under CDM mechanism. Further, the company is also planning to install an additional 50MW power generation capacity in a span of 2 years.

**Your superior waste management technology is in line with the present emphasis on best environmental practices, is there any kind of govt. support or participation in this? If not, then what is the kind of support you seek from the government?**

We are using the best international technology for all our production and processes. As far as renewable resources of energy is concerned, the government of India has to generate 16000 MW of green energy from biomass in the next five years out of which 1000 MW has to be generated in Punjab. Therefore, we are in talks with the government to fix the rates of biomass green energy just as they have fixed rates for wind and solar energy. The government can further help in installing plants that would produce energy from biomass and would help in addressing the issue of deficiency of electricity within the state. This will also help in generating employment opportunities for people who could collect biomass husk and supply it to these plants.

