PROGRAMME - Master's Degree in Business Administration and Management (MBA)

Seasworth Exports – Basmati Rice Export Firm – India to Saudi Arabia

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Table of Contents

Executive Summary

This project presents a business plan for exporting basmati rice from India to Saudi Arabia. India's leadership in basmati rice production and Saudi Arabia's strong import demand make this trade route both viable and strategically attractive.

The study uses Markov Chain analysis and business strategy tools like PESTEL and Porter's Five Forces to identify Saudi Arabia as the priority export market due to its high trade stability and effective retained export value (EREV). The plan targets new and small-scale importers in Saudi Arabia, aiming to build long-term, relationship-based partnerships.

Operationally, the project proposes using bundled services from rice mills, customs agents, and freight forwarders to reduce complexity and keep the business lean. The marketing strategy focuses on digital engagement through B2B platforms and direct importer outreach, eliminating the need for a physical market presence.

The financial assessment shows healthy viability, with a projected 47.55% return on assets and 4.86% net profit margin, even at modest shipment volumes of four containers per month and a total of 40 containers per year, in the first year of operations. The projected total volume exported in the first year is forecasted to be 1000 Metric tons, rising to over 2.400 metric tons by the 5 year of operations.

Overall, the thesis offers a practical, financially sound, and socially impactful plan for launching a successful basmati rice export venture from India to Saudi Arabia.

Keywords

- Basmati Rice Export
- India-Saudi Arabia Trade
- Agricultural Commodity Export
- Markov Chain Analysis
- Export Business Plan

Introduction

International trade plays a pivotal role in driving economic growth, creating employment, and enhancing market access for producers worldwide. In a country like India, where agriculture forms a significant part of the economy, tapping into global markets through agricultural exports is both an opportunity and a strategic necessity. This business project explores the feasibility of establishing a basmati rice export business (operated from the city of Hyderabad – India), catering to Saudi Arabia, focusing on leveraging India's competitive advantage in rice production and capitalizing on the stable demand for premium rice varieties in global markets.

India has consistently held the position of the world's largest rice exporter, contributing nearly 40% of the global rice trade. Among the various types of rice produced in India, basmati rice stands out as a premium product due to its unique aroma, extra-long grains, and superior cooking quality. It holds strong consumer appeal across multiple high-value markets, particularly in the Middle East, Europe, and North America. The inherent characteristics of basmati rice, combined with India's favorable agro-climatic conditions, well-established milling infrastructure, and export-oriented policies, create a conducive environment for building a scalable rice export venture.

The selection of Saudi Arabia as the priority target market for this project is based on a combination of market size, demand stability, and historical trade patterns. Saudi Arabia remains one of the largest importers of basmati rice globally, with consistent demand supported by cultural consumption preferences and a significant South Asian expatriate population. Furthermore, the strong diplomatic and economic ties between India and Saudi Arabia—strengthened through the India-Saudi Strategic Partnership Council and its focus on agriculture and food security—enhance the reliability of this trade route.

This project employs structured analytical tools such as Markov Chain analysis for market selection, alongside PESTEL and Porter's Five Forces analyses to assess the external environment, industry competitiveness, and operational feasibility. Financial forecasts and projections are integrated into the plan to evaluate business viability, providing a realistic understanding of profitability, risks, and return on capital employed.

The project also highlights operational strategies that make it suitable for small business entrepreneurs, including the use of bundled logistics services, digital marketing methods, and direct importer engagement through B2B platforms. These approaches aim to reduce operational complexity and lower the barriers to entry for new exporters.

Beyond commercial objectives, the project aligns with key United Nations Sustainable Development Goals (SDGs), particularly SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), and SDG 17 (Partnerships for the Goals). By supporting rural livelihoods in India's rice-producing regions and promoting responsible international trade relationships, the business model contributes to inclusive economic development.

Overall, this thesis presents a comprehensive business plan for launching a basmati rice export venture from India to Saudi Arabia, combining data-driven market analysis with practical operational strategies. The goal is not only to establish a profitable export business but also to create a sustainable trade model that supports economic development across both the sourcing and destination markets.

Objectives of the TFM.

This business plan aims to verify the viability and feasibility of starting a agricultural commodity export business from India, focusing on exporting rice.

This project will investigate the following questions by examining relevant industry and business dynamics:

- Why is rice the commodity of choice for exports?
- What variants of rice are chosen to be exported?
- Which country market should be chosen to focus on?
- What opportunities and challenges will be encountered during the operation of this business?
- Is this a financially viable business?

PESTEL Analysis of India – Saudi Arabia.

Political Factors

Stable Bilateral Relations

India and Saudi Arabia enjoy strong diplomatic and political relations. This bilateral relationship has been elevated to a strategic partnership level, reflecting the growing cooperation between the two countries across multiple sectors, including energy, trade, investment, defense, and food security.

A key institutional framework that supports and enhances this relationship is the establishment of the India-Saudi Arabia Strategic Partnership Council (SPC), which was constituted in 2019. This council serves as a high-level mechanism to monitor and advance strategic cooperation between the two nations.

The Strategic Partnership Council operates through two main pillars: 1) Political, Security, Social, and Cultural Committee and 2) Economic and Investments Committee (Embassy of India, Riyadh, n.d.).

Within the Economic and Investments Committee, one of the working groups is dedicated to Agriculture and Food Security, highlighting the governments' priority in ensuring sustainable food supply chains between the two countries.

This Joint Working Group on Agriculture and Food Security creates a formal platform for dialogue, policy alignment, and trade facilitation in the agricultural sector, including the rice trade. This mechanism promotes mutual interests and works to resolve trade barriers, improve logistics cooperation, and ensure food stability for Saudi Arabia, which is heavily reliant on agricultural imports due to limited domestic production.

Saudi Arabia's long-term food security strategy also involves diversifying its food supply sources. India, as a leading exporter of basmati rice, is considered a critical partner in supporting this strategy. The alignment between India's export capabilities and Saudi Arabia's import needs is further strengthened by these institutional arrangements.

This structured cooperation enhances stability and trust in the trade relationship, reducing risks associated with political disruptions and fostering a conducive environment for long-term business partnerships.

Such diplomatic frameworks provide confidence in market access continuity and policy support for a new entrant to the India - Saudi Arabia basmati rice export trade.

Overall, through its focused working groups and bilateral initiatives, the India-Saudi Strategic Partnership Council contributes to reinforcing the agricultural trade relationship between the two countries, making Saudi Arabia a stable and strategically significant market for Indian basmati rice exports.

Geopolitical Risks

The Middle East region, including Saudi Arabia and its surrounding countries, is geopolitically sensitive, with recurring episodes of political unrest, military conflicts, and diplomatic tensions. Key regional issues, such as the ongoing conflict in Yemen, strained Iran-Saudi relations, and wider Gulf security concerns, can directly impact international trade routes and shipping logistics.

Risk mitigation strategies will include focusing on shipping terms (Incoterms) such as FOB (Free On Board), CFR (Cost and Freight), and CIF (Cost, Insurance, and Freight). Based on the shipping terms offered, the risk is limited by either transferring the risk to the buyers at a specific point or paying an insurance premium until the goods reach the destination port.

Export Policy in India

While the Indian government occasionally intervenes in the rice export market, basmati rice exports are generally free from bans. However, measures like the Minimum Export Price (MEP) may be imposed to stabilize domestic prices, as discussed earlier.

Import Regulations in Saudi Arabia

Saudi Arabia enforces strict quality standards and import regulations through the Saudi Food and Drug Authority (SFDA), ensuring food safety and compliance. To satisfy Saudi

Arabia's import regulations, Basmati rice must be sourced only from SFDA-compliant rice mills in India.

Economic Factors

Import Dependency

Saudi Arabia is almost entirely dependent on rice imports to meet domestic consumption, as its climatic conditions and scarce water resources make local rice cultivation virtually impossible. With limited renewable water resources, only around 1.5% of the country's land area is arable, Saudi Arabia cannot produce sufficient rice to meet its population's needs.

As a result, Saudi Arabia imports over 80% of its total food requirements annually (SIAL Paris, n.d.), including essential commodities like grains, rice, meat, dairy, and fruits and vegetables. This high level of import dependency extends to basmati rice, where Saudi Arabia is one of the largest importers globally.

Despite this heavy reliance on food imports, Saudi Arabia consistently ranks higher than India on global food security indices. For instance, according to the Global Food Security Index (GFSI) 2022, Saudi Arabia secured a better ranking than India due to its strong purchasing power, robust import infrastructure, and effective government-led food security strategies. Saudi Arabia is ranked 41, whereas India is ranked 68th out of 113 countries.

This scenario of strong import demand presents a stable and reliable market opportunity, as Saudi Arabia's import dependency guarantees consistent demand.

Diversification of food sources

In recent years, Saudi Arabia and other Gulf Cooperation Council (GCC) countries have adopted a proactive approach to secure their long-term food needs by diversifying their food sources. Recognizing their high dependency on food imports, these nations have increasingly invested in agricultural land and farming projects overseas, particularly across Africa, Southeast Asia, and Central Asia. This strategy, often referred to as "agricultural outsourcing" or "land leasing abroad", aims to reduce their vulnerability to global supply chain disruptions, price fluctuations, and geopolitical risks.

Saudi Arabia's Saudi Agricultural and Livestock Investment Company (SALIC), a subsidiary of the Saudi sovereign wealth fund (PIF), plays a leading role in these initiatives. SALIC has invested in farming operations in many countries globally in order to secure Saudi Arabia's long-term food requirements. A recent noteworthy development on these lines is SALIC acquiring a controlling stake in Olam Agri, an agribusiness enterprise with operations in Africa (Nanyang Technological University, 2024)

These efforts are often aligned with the broader GCC-wide strategy, as other Gulf states such as the UAE and Qatar pursue similar agricultural investments in Africa and beyond.

Saudi Arabia’s diversification of food sources and its implications for Indian Rice Exporters

This strategic shift toward overseas agricultural investments does present long-term challenges for traditional food-exporting countries like India, particularly in the commodity rice segment (non-basmati varieties). If Saudi Arabia succeeds in developing stable agricultural supply chains through its foreign investments, the volume of food imports from countries like India may gradually reduce in certain categories.

However, the impact of this diversification strategy on Indian basmati rice exports is expected to be limited for several reasons:

Unique Agro-Climatic Requirements of Basmati Rice.

Basmati rice cultivation requires specific climatic conditions, soil types, and water availability, which are found predominantly in the Indo-Gangetic Plains of India and Pakistan.

These unique geographical and agroecological conditions make it extremely difficult to cultivate true basmati rice outside this region, even with significant overseas investments.

Geographical Indication (GI) Protection.

India's basmati rice benefits from Geographical Indication (GI) certification, legally protecting its identity and branding.

This limits the ability of other producers to market long-grain aromatic rice as "basmati," helping maintain market exclusivity for Indian and Pakistani exporters.

Saudi Arabia’s Acquisition Strategy and Its Implications for Indian Basmati Rice Exporters

As part of its broader effort to strengthen food security and supply chain control, Saudi Arabia has actively engaged in international acquisitions within the agriculture and food processing sectors. A notable example of Saudi Arabia's diversification strategy with close ramifications to Indian basmati exporters was the acquisition of a 30% stake in LT Foods, one of India's leading basmati rice exporters — by the Saudi Agricultural and Livestock Investment Company (SALIC) in 2020 (Saudi Agricultural and Livestock Investment Company, 2020).

This acquisition was a strategic move by Saudi Arabia to secure direct access to its basmati rice supplies through ownership in processing and trading operations. The deal was fully executed, and SALIC held the 30% stake, reflecting the Kingdom's intention to reduce its reliance on external exporters by integrating into key points of the supply chain.

However, in 2022, LT Foods Ltd bought back the 30% stake from SALIC, regaining full ownership (just-food, 2022). This reversal marked a retreat from Saudi Arabia’s initial plan to maintain equity control in one of its major rice suppliers. Despite this, the acquisition and its subsequent reversal highlighted the Kingdom’s long-term strategy of securing food supplies through direct ownership and investment rather than depending solely on import relationships.

Implications for Indian Basmati Rice Exporters

The LT Foods episode serves as a clear indicator of the potential challenges facing Indian basmati rice exporters. If Saudi Arabia or its investment arms like SALIC successfully acquire stakes in rice processing or exporting entities — whether in India or Pakistan — they could:

- Bypass independent Indian exporters, weakening their bargaining power and potentially locking them out of direct supply agreements.
- Gain control over pricing, processing, and logistics, shifting from being purely buyers to supply chain owners.
- Secure rice volumes at preferential terms, thereby reducing market access for smaller or independent exporters.

While the buyback by LT Foods restored control to the Indian parent company, this event demonstrated the viability and intent of such acquisition strategies from buyer countries like Saudi Arabia. Similar future acquisition attempts, especially if successful, could create structural shifts in the basmati rice trade, limiting the role of independent Indian exporters in favor of vertically integrated supply chains controlled by buyers.

Monitoring investment activities of major buyer countries like Saudi Arabia will be crucial since equity stake sales of that kind can alter the dynamics of the basmati rice exports significantly.

India's Trade Deficit with Saudi Arabia and Its Influence on Basmati Rice Exports

An important dimension of the economic factors in the PESTEL analysis of India-Saudi Arabia trade relations is India's persistent trade deficit with Saudi Arabia. This deficit primarily arises from India's heavy dependence on crude oil and petrochemical imports from Saudi Arabia, which form a significant portion of India's overall energy needs. Saudi Arabia consistently ranks among India's top oil suppliers, and oil constitutes the bulk of India's imports from the Kingdom.

For example, in the financial year 2023–24, India's imports from Saudi Arabia were valued at approximately USD 32 billion, with crude oil accounting for the majority. In contrast, India's total exports to Saudi Arabia, including goods such as rice, stood at about USD 11,6 billion, leaving a substantial trade gap of over 20 billion USD (BusinessWorld, 2024).

This asymmetrical trade relationship places India in a position where it seeks to diversify and increase its non-oil exports to Saudi Arabia as part of a broader strategy to reduce the trade imbalance. Among the various export products, agricultural commodities like basmati rice are recognized as strategic export items that can contribute meaningfully to this effort.

Given the scale of the trade deficit, the Indian government is incentivized to:

- Promote agricultural and food product exports, especially those where India holds a competitive advantage, such as basmati rice.
- Leverage platforms like the India-Saudi Strategic Partnership Council, which includes a Joint Working Group on Agriculture and Food Security, to facilitate market access.

The government's focus on export promotion schemes, including benefits under the Remission of Duties and Taxes on Exported Products (RoDTEP) and support from agencies like APEDA (Agricultural and Processed Food Products Export Development Authority), further reflects its commitment to boosting rice exports as part of this strategy.

Basmati rice is well-positioned to help balance the deficit because:

- It is a high-value export commodity with strong demand in Saudi Arabia, driven by consumer preference for premium rice varieties.
- India remains the largest producer and exporter of basmati rice, giving it a unique leverage point.
- Unlike lower-value commodities, basmati rice contributes more significantly in terms of value per metric ton, making it an effective product for improving export figures without requiring proportionally large volumes.

In addition, Saudi Arabia's growing population (World Health Organization, n.d.), high dependency on rice imports, and premium segment focus make basmati rice an ideal product to support India's export goals in this bilateral trade relationship.

Social Factors

Cultural Preference for Basmati Rice

Basmati rice is integral to Saudi Arabian cuisine, particularly in traditional dishes such as Kabsah, Mandi, and Biryani (U.S. Department of Agriculture, Foreign Agricultural Service, 2024). Its long grains, distinctive aroma, and superior cooking qualities make it the preferred choice among consumers, especially during special occasions and in higher-income households.

Significant South Asian Expatriate Population

Saudi Arabia hosts a substantial number of migrant workers from South Asia, including India, Pakistan, and Bangladesh. According to the 2022 census (Argaam, 2023), the expatriate populations from these countries are as follows:

- Indians: Approximately 1.88 million
- Pakistanis: Approximately 1.48 million
- Bangladeshis: Approximately 2.12 million

These communities constitute a significant portion of Saudi Arabia's workforce, particularly in sectors such as construction, services, and domestic work.

Expatriate Consumption Patterns

South Asian expatriates maintain their traditional dietary habits, with basmati rice being a staple in their daily meals. This consistent consumption pattern contributes significantly to the steady demand for basmati rice imports, supplementing the demand from the local Saudi population.

Preference for Aged and Quality Rice

Both the local Saudi population and South Asian expatriates exhibit a preference for aged basmati rice, valued for its enhanced aroma, non-sticky texture, and superior cooking properties. Importers often strategically stock aged rice varieties to meet these consumer preferences.

Role of Market Familiarity in Trade Sustainability

Another important factor contributing to the sustainability and stability of the basmati rice trade between India and Saudi Arabia is the extensive knowledge and understanding that Saudi importers have developed of India's rice farming, processing, and export sectors. The long-standing trade relationships and the accumulated market knowledge of Saudi importers about India's rice ecosystem represent a key pillar of sustainability in the India-Saudi basmati rice trade. This familiarity is a result of several decades of consistent bilateral trade, where Saudi importers have directly engaged with Indian exporters and rice millers.

This market knowledge has allowed Saudi importers to:

- Make well-informed purchasing decisions based on quality grades, pricing trends, and availability.
- Plan procurement schedules strategically, especially for aged basmati rice, which requires storage for several months to enhance aroma and cooking characteristics.
- Navigate regulatory compliance requirements smoothly, including documentation, certifications, and food safety testing mandated by Saudi authorities like the Saudi Food and Drug Authority (SFDA).
- Establish long-standing relationships with reliable Indian exporters and rice mills, fostering mutual trust and reducing the risk of supply chain disruptions.

Such mature buyer-seller relationships contribute significantly to the resilience of the trade ecosystem.

Technological Factors

Several key technological factors support the production side (agriculture and processing) and the trade and marketing side of the industry.

1. High-yield and Disease-Resistant Basmati Rice Varieties

The development of high-yielding, disease-resistant basmati rice varieties through has substantially improved the productivity and sustainability of basmati rice cultivation in India (Press Information Bureau, 2022).

The high-yield varieties offer:

- Higher yield potential compared to traditional basmati crops.
- Resistance to major rice diseases like bacterial blight and blast, reducing crop loss and pesticide dependence.
- Consistency in grain quality, aroma, and length, which are critical factors for premium pricing in the Saudi market.

These advancements in agricultural technology ensure stable production volumes, enabling exporters to meet large international orders reliably and maintain consistency in supply, a key requirement for sustaining long-term buyer relationships.

2. Internet and Digital Platforms for Marketing and Client Acquisition

The widespread availability of the internet and digital communication tools has transformed how exporters engage with buyers and market their products.

Key technological enablers include:

- Company websites, e-commerce platforms, and B2B portals (e.g., Alibaba, TradeIndia, Go4WorldBusiness) that allow exporters to showcase their products globally.
- Use of social media platforms like LinkedIn and WhatsApp Business for direct communication with importers, agents, and distributors.
- Online participation in virtual trade fairs and webinars, expanding outreach without geographical constraints.

These tools enable cost-effective marketing, help exporters connect with new importers, and facilitate negotiation and relationship-building with buyers globally, including Saudi Arabia.

3. Remote Business Management and Operational Efficiency

Digital technologies, including supply chain management software, real-time shipment tracking, and cloud-based documentation systems, allow exporters to operate their businesses efficiently from a single office location.

Exporters no longer need to be physically present at:

- The rice mill to oversee procurement or processing.
- The shipping port to manage every shipment.

Instead, they can:

- Remotely coordinate quality checks, loading, and dispatch operations through video calls, live streaming, and digital inspections.
- Manage shipping documentation, invoicing, and regulatory compliance online.
- Track shipment status through real-time logistics dashboards provided by freight forwarders or customs brokers.

Additionally, the process of collecting payments against delivery of the shipment from the importer is also streamlined, not requiring both parties to meet physically. The exporter can release the Bill of Lading (the document proving ownership of goods), electronically through the process of "electronic cargo release" (Maersk, 2023).
This enables smaller exporters and new entrepreneurs to reduce operational costs, improve business scalability, and maintain control over processes without heavy investment in physical infrastructure or frequent site visits.

Overall, the integration of agricultural technology (high-yield varieties) and digital communication technologies significantly enhances the efficiency, productivity, and global reach of Indian basmati rice exporters. For small and medium exporters primarily, these technological factors lower entry barriers, support lean operations, and enable effective market access to key buyers in Saudi Arabia without the need for large physical networks or travel.

By leveraging these technological advancements, exporters can expand market presence internationally and operate with flexibility and agility, which is crucial for competing with larger established players.

Environmental Factors

Water-Intensive Cultivation

Basmati rice production in India requires substantial water resources, raising sustainability concerns, especially in regions like Punjab and Haryana.

Adverse weather events - Monsoon variability

One of the critical environmental factors influencing the basmati rice export sector is the growing impact of climate change, which manifests in the form of variability in monsoon patterns. The climatic disruption poses significant risks to production volumes, crop quality, and supply chain reliability, ultimately affecting India's capacity to fulfil export commitments, particularly to key markets like Saudi Arabia.

Basmati rice cultivation in India is highly dependent on the Southwest Monsoon, which provides the essential rainfall required during the planting and early growth stages. Monsoon irregularities directly impact yields and grain quality, both of which are critical for maintaining India's position as the world's leading basmati rice exporter.

Legal Factors

Compliance with SFDA Regulations

Saudi Arabia enforces strict food safety standards, requiring lab testing, documentation, and certifications for all food imports, including rice.

Geographical Indication (GI) Protection

The GI tag for Indian basmati rice helps protect its identity and prevents mislabeling, adding value to exports.

Labelling and Packaging Laws

Saudi regulations mandate clear labelling of product origin, shelf life, halal certification, and other essential product details.

PESTEL Summary

PESTEL Factor	Key Insights	Key Implications
Political **(Favourable)**	Strong India-Saudi ties, Strategic Partnership Council, and working groups on agriculture and food security.	Stable bilateral framework ensures policy continuity and reduces market access risk for basmati rice exporters.
Geopolitical Risks **(Potential Risk)**	Regional instability in the Middle East region could affect logistics and trade routes.	The business must adopt risk-mitigating Incoterms (e.g., FOB, CIF) and secure marine insurance to manage geopolitical risks.
Economic **(Favourable)**	Saudi Arabia relies on imports for over 80% of food needs, including rice. India has a trade deficit with Saudi Arabia.	Consistent demand presents a reliable export opportunity; government support likely to promote rice exports to reduce deficit.
Food Source Diversification **(Medium Risk)**	Saudi Arabia is investing in overseas agriculture via SALIC but cannot grow basmati due to unique agro-climatic needs.	Indian basmati remains irreplaceable due to GI status and unique geography—exporters retain long-term strategic relevance.
Social **(Favourable)**	Strong cultural preference for basmati rice, large South Asian diaspora maintains consistent consumption.	Demand is sustained year-round; aged and high-quality rice are especially preferred—position products accordingly.
Technological **(Favourable)**	Advances in high-yield rice varieties, remote export operations, and digital platforms for global reach.	Lowers entry barriers and operational costs for SMEs; enables tech-enabled scale-up and remote customer acquisition.
Environmental **(Potential Risk)**	Basmati cultivation is water-intensive and sensitive to monsoon disruptions.	The business must monitor climate trends and diversify sourcing regions to manage production risks.
Legal **(Medium Risk)**	Strict SFDA import regulations, GI protection for basmati rice, Arabic labelling requirements.	Ensure compliance with SFDA and labeling laws; GI certification strengthens brand protection and marketing leverage.

Porter's Five Forces Analysis

1. Competitive Rivalry (High)

- The basmati rice export market to Saudi Arabia is highly competitive, with numerous established exporters from India and Pakistan holding long-standing relationships with major importers.
- The major rice exporters from India include Shree Krishna Exports, KRBL Limited, LT Foods Limited and Kohinoor Foods Limited (Shree Krishna Exports, 2024). LT Foods is the leader amongst its competitors; it's annual global revenue for 2024-25 should 1 Billion USD (The Economic Times, 2024), while next in line was KRBL with 600 million USD of global revenue during the same period (KRBL Limited, n.d.).
- These established companies have vertically integrated supply chains spanning operational areas such as farming, milling, packaging, and international distribution of basmati rice.
- The largest Pakistani rice exporter has comparatively lower annual revenue, clocking in 100 million USD for the year 2023-24 (The Wall Street Journal, n.d.).
- Price competition is intense, as buyers often compare offers across multiple suppliers.
- Basmati rice is a premium product, but within it, basic varieties often face commoditization, making price a dominant factor.

2. Threat of New Entrants (Medium to High)

- Low capital requirements and relatively simple logistics make entry feasible for new businesses.
- However, regulatory compliance (MEP, SFDA approvals) and establishing trust with buyers are entry barriers.
- Relationship-building and a track record of timely delivery are key to long-term success.

3. Bargaining Power of Buyers (High Overall, but Segmented)

Large Established Importers / Distributors (High Bargaining Power):

- These buyers typically import in bulk quantities and have established supplier networks across India, Pakistan, and other regions.
- They possess substantial leverage to negotiate prices, payment terms, and delivery schedules.
- Long-standing relationships make it harder for new exporters to displace their existing suppliers.
- Their strength comes from their ability to purchase Basmati rice in high volumes.

New Small-Scale Importers (Low to Medium Bargaining Power):

- Small-scale or newly established Saudi importers do not have the same level of volume or negotiating power as larger distributors.
- These buyers may be more flexible, open to newer suppliers, and willing to accept smaller shipment quantities.
- They will also likely seek better service and responsiveness rather than the lowest price.

4. Bargaining Power of Suppliers (Medium)

- Suppliers (rice mills) may have bargaining power during high-demand seasons or years of low production.
- However, India's large production base of basmati rice helps balance supplier power.
- Small exporters may initially face less favourable procurement terms due to lower purchase volumes.

5. Threat of Substitutes (Medium)

- Substitutes include non-basmati long-grain rice, parboiled rice, and similar varieties from other countries.
- However, for certain premium Saudi dishes like Kabsah, basmati rice is preferred for its aroma, grain length, and cooking quality.
- Substitution is more likely among price-sensitive segments rather than premium consumers.

Conclusion – Focus on new and small business entrants

Business strategy will focus on new entrants in the basmati rice import market of Saudi Arabia. The focus will be on new and small-scale importers who are entering the Saudi Arabian rice import market. Unlike large, established importers who often have fixed supplier networks and strong bargaining power, new entrants are actively seeking reliable suppliers and long-term partnerships to support their growth.

Targeting these new or emerging importers provides an opportunity to establish mutually beneficial relationships from the outset. These importers could possibly be more open to working with smaller, flexible exporters who can offer personalized attention and responsive service.

By focusing on relationship-building the newly formed export business can position itself as a trusted partner. This approach encourages customer loyalty and repeat business, as new importers are more likely to maintain stable sourcing relationships with suppliers who support them through their growth phase.

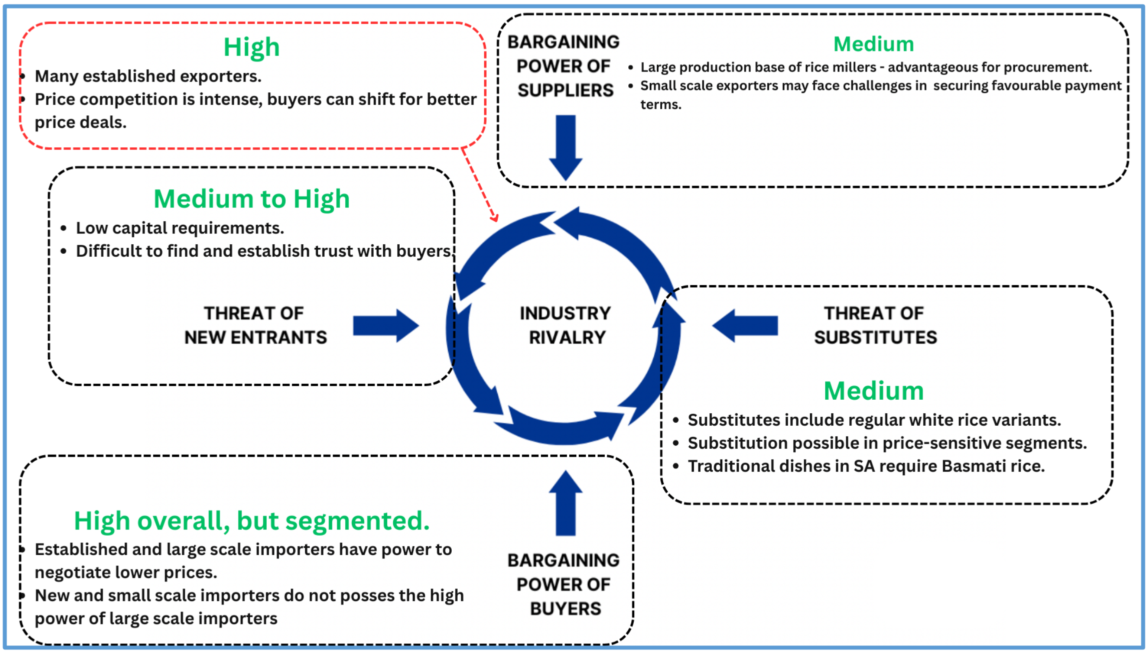
Additionally, nurturing these relationships early on provides a strategic advantage when these small importers scale up their operations over time. As these businesses grow, a consistent trade relationship will long-term stability in export volumes and business continuity.

This strategy also reduces the risks associated with the high competition and price pressure from large importers, where switching costs are low, and loyalty is minimal.

Additionally, the business relationship can be strengthened by providing education and product information (such as aging benefits, quality certifications like GI-tag, etc) to help the new importers sell confidently in their markets.

The focus on new and small sized importers allows for scaling exports alongside the growth of the importer, providing sustainable business development.

Five forces – Summary diagram



SWOT Analysis of the Basmati Rice Export Opportunity from India to Saudi Arabia

A strategic analysis of the Indian basmati rice export opportunity to Saudi Arabia, informed by both PESTEL and Porter's Five Forces frameworks, reveals a business environment with distinct internal capabilities and external market dynamics. The following SWOT analysis outlines the key strengths, weaknesses, opportunities, and threats associated with a new export venture targeting small and medium-sized importers in the Saudi market.

Strengths

India's established diplomatic and trade relationship with Saudi Arabia, reinforced through institutional mechanisms such as the Strategic Partnership Council (SPC), provides a stable and supportive policy environment for agricultural trade. Basmati rice holds a unique geographical indication (GI) status, limiting its cultivation to specific regions in India and Pakistan, thereby offering a product that cannot be easily substituted or replicated elsewhere. Furthermore, the proposed business model offers key advantages in terms of agility and customization, including the ability to serve small-scale importers through low minimum order quantities (MOQs), white-label packaging, and personalized service. These factors are complemented by access to digital tools for communication, order tracking, and client relationship management, which enhance operational efficiency and global reach.

Weaknesses

Despite these strengths, the business may encounter several internal challenges. As a new entrant, it will lack brand recognition and established relationships with major importers, which are often critical in the rice trade sector. Limited economies of scale may restrict pricing flexibility and access to favorable procurement and logistics rates. Regulatory compliance—including securing Saudi Food and Drug Authority (SFDA) certification, Arabic labeling, and documentation—can be resource-intensive for a small or medium-sized enterprise. Additionally, heavy dependence on monsoon-dependent agricultural regions introduces risk related to climate variability and crop yield volatility.

Opportunities

The Saudi Arabian market presents considerable opportunities for a differentiated export strategy. The country relies on imports for over 80% of its food needs, with basmati rice being a staple among both the local population and a significant South Asian expatriate community. There is a growing segment of emerging importers and ethnic grocery chains that are underserved by larger exporters. These clients are increasingly seeking reliable supply partners who can offer flexibility, custom branding, and smaller shipment volumes. Moreover, ongoing digital transformation and the rise of B2B platforms create cost-effective channels for customer acquisition and relationship building. Indian government incentives aimed at boosting agricultural exports and reducing the trade deficit with Saudi Arabia also present favorable policy support.

Threats

However, several external threats must be considered. The competitive intensity in the Saudi rice import market is high, with dominant players such as KRBL Limited, LT Foods, and Matco Foods controlling a substantial share. New entrants may also face increasing competition from other SME exporters operating in similar niches. In addition, geopolitical instability in the Middle East and fluctuations in global shipping costs may disrupt logistics and increase overall supply chain risk. Policy interventions, such as the imposition of a Minimum Export Price (MEP), can impact profitability and forecasting. Furthermore, Saudi Arabia's long-term agricultural investment initiatives, such as those spearheaded by the Saudi Agricultural and Livestock Investment Company (SALIC), may gradually reduce reliance on rice imports, although this impact is likely to remain limited in the short to medium term. Furthermore, foreign currency fluctuations add to the uncertainty, presenting possible financial downsides.

Description of Business Opportunity

One of the core advantages of the export business is that it is primarily business-to-business (B2B) in nature. Exporters usually deal with importers, distributors, or wholesalers—entities that buy in bulk and operate with long-term contracts or repeat orders. This inherently creates a more efficient transaction model. Compared to retail businesses, exporters are free from many common cost burdens—such as customer service infrastructure and constant marketing.

Additionally, since exporters do not sell directly to end consumers, they can avoid the costly trappings of premium commercial real estate. There is no need to operate showrooms, retail stores, or high-footfall outlets in prime locations. Instead, financial resources can be redirected towards warehouses for storage, logistics coordination, and back-office operations in cost-effective, non-premium locations. In some cases, exporters don't even need to maintain physical inventory. Products can be shipped directly from the supplier or point of production to the port of export, reducing the need for warehousing entirely. This makes the export business especially attractive for those seeking a financially lean operational model.

Another unique strength of the export business is the structural insulation from competitive threats between buyer and seller. Due to geographic and logistical complexities, it is difficult for an exporter to move downstream in the value chain and sell directly to the end customer in a foreign market. Similarly, importers or foreign buyers will find it challenging to move upstream toward sourcing directly from producers in another country. These nation-state firewalls reduce the risk of your customer becoming your competitor, a common concern in many B2B industries. This mutual dependency strengthens long-term business relationships.

Exporting also provides the ability to earn in foreign currencies such as USD, Euro, or Pound Sterling. This is a significant benefit for a business operating in a country like India, whose economy experiences fluctuations due to its weak or volatile currency. When the Indian rupee depreciates, Indian exporters often see a boost in income without increasing their export volume, improving profit margins through exchange rate differences.

Moreover, by tapping into global markets composed of many high-demand countries, exporters can diversify risk and reduce dependence on demand from one market. If sales slow in one country, they can still develop revenue streams in others. This multi-market reach is a key factor in the resilience and scalability of export businesses.

The export business becomes highly scalable once the necessary infrastructure—logistics, compliance systems, supplier relationships, and buyer networks—is established. An export-focused company can expand its product range or enter new countries, providing multiple paths to business diversification and, in the process, sources of revenue diversification.

The issues of international regulations, shipping logistics, quality standards, and sometimes cultural or language differences will exist. However, with increasing digitization, trade facilitation platforms, consulting services, and government support, among other export-focused solutions, the business can effectively manage these challenges.

Furthermore, the Indian government actively supports export trade through incentives, tax reliefs, and export financing schemes. Programs like the RoDTEP (Remission of Duties and Taxes on Exported Products) and the ECGC (Export Credit Guarantee Corporation of India) scheme strongly support exporters, making Indian export businesses competitive and sustainable.

Rational for Rice as the Preferred Agricultural Export from India

Bilateral trade statistics for 2019 to 2024 show India's agricultural exports span multiple commodities like spices, tea, coffee, fruits, and vegetables (Ministry of Commerce and Industry, n.d.), but rice emerges as the best export option for various reasons. Key factors are its non-perishable nature and high global demand.

1. **Longer Shelf Life and Easy Storage**

- Non-Perishable Nature: Unlike fruits, vegetables, or even commodities like tea and coffee, rice has a significantly longer shelf life. Properly milled and stored rice can remain consumable for 12-24 months without quality deterioration.
- Ease of Storage: Rice requires less stringent storage conditions than perishable items like fruits or vegetables, which need cold chains and constant temperature monitoring. Rice can be stored in warehouses or silos with basic pest control measures.
- Reduced Risk of Spoilage: The long shelf life minimizes the risk of spoilage during transit or delays, making rice exports less logistically complex and less risky.

2. **Easier to Find Alternate Buyers**

- Universal Demand: Rice is a staple food consumed globally, especially in Asia, Africa, and the Middle East. If an original buyer rejects a consignment at the destination port, alternate buyers can be found quickly in the same port, region or nearby countries.
- High Versatility in Usage: Rice is not limited to specific cuisines or cultures, which broadens its market appeal. Rice is part of cuisines across the world.

3. **High Global Demand**

- Rice is the primary food source for over half the global population, ensuring steady and robust demand year-round (U.S. Department of Agriculture, 2023).
- As of 2022, rice accounted for 17% of the calorie intake globally, but in select regions of Asia and Africa, it averages around 25% and over 40%, respectively (Glauber & Mamun, 2024).

4. India's Competitive Advantages in Production

- Ideal Conditions: India's fertile plains, tropical climate, and river systems are naturally suited for rice cultivation.
- Cost Efficiency: Low labor costs, high-yield varieties, and government subsidies (e.g., for irrigation and fertilizers) reduce production costs, making Indian rice competitively priced.
- Surplus Production: India produces more rice than it consumes domestically, ensuring a consistent supply for export.

5. Lower Logistical and Financial Risks

- Resilience to Delays: Unlike fresh fruits, vegetables, or dairy products, rice shipments are not time-sensitive. Delays in transit or customs clearance rarely result in significant losses.
- Minimal Cold Chain Requirements: Unlike perishable exports such as mangoes or seafood, rice does not require expensive cold chain infrastructure, reducing logistics costs and complexity.
- Fewer Losses from Rejection: Rejected shipments of rice can often be sold to other buyers without significant depreciation in value caused , unlike perishable commodities, which lose marketability quickly.

6. Well-Established Export Ecosystem

- Processing and Packaging: India has a mature rice processing and milling industry, which ensures export-grade quality with standardized polishing, grading, and packaging. This would positively impact the Porter's diamond evaluation of the industry.

- Logistics and Port Infrastructure: Major ports of India are equipped for bulk grain exports, making it easy to handle large rice consignments.
- Trade Networks: Decades of experience in exporting rice have established strong trade relations with countries like Saudi Arabia, UAE, and African nations.

7. Government Support and Policies

- Export Incentives: Financial assistance, reduced export duties, and trade facilitation, and tax refund schemes from the Indian government make rice exports profitable.
- Minimum Support Price (MSP): Assures farmers of stable income and motivates large-scale rice production, ensuring ample exportable surplus.
- Balanced Regulation: While the government occasionally imposes restrictions (e.g., export bans or minimum export prices) to ensure domestic food security, rice exports remain a key focus area for trade policy.

8. Challenges in Competing Commodities

- Perishability Issues:
    - Fruits, vegetables, and dairy products are perishable and require cold storage, which increases logistics costs and risks.
    - Rejected shipments of perishables are often unsellable due to rapid spoilage.
- Limited Demand: Commodities like tea, coffee, and spices cater to niche markets and have limited scalability compared to rice.
- Stiff Competition: Tea and coffee face significant competition from other global producers like Sri Lanka, Kenya, and Brazil, while rice enjoys India's unique advantage with its basmati variety which is predominantly cultivated in India and Pakistan.

9. Preliminary study of export statistics

India has seen constant growth in its agricultural products exports in the last ten years, with the total export value more than doubling from almost 23 billion US dollars in 2013-14 to more than 48 billion US dollars in the year 2023-24 (Press Information Bureau, Government of India, 2024).

Amongst the agricultural commodities, the export value of rice stands out. During 2023-24, the combined value of rice (basmati and non-basmati variants) stood at over 10 billion US dollars (Directorate General of Commercial Intelligence and Statistics, 2024). The export value of rice stands at over 20% of total agricultural commodity exports from India.

Rice exports from India are forecasted to rise to over 34 million metric tonnes for the year 2026 from the current level of 24,5 million metric tonnes (Sesharao, Kumar, Ramesh, & Nagabhushana Rao, 2024).

Selection of Priority Product – Basmati Rice

India is one of the largest rice producers, coming a close second only to China and producing roughly one-fourth of the total global production (United States Department of Agriculture, Foreign Agricultural Service, 2024). Although it is ranked second in production, it is ranked number 1 for exports. Indian rice exports of 24,5 million metric tons account for 40% of the total rice exported, with Vietnam and Thailand coming a distant second with an equal share of 7,5% each (United States Department of Agriculture, Foreign Agricultural Service, 2024). India thus supplies a significant portion of global demand.

Multiple rice Varieties Grown in India

India enjoys a geographical advantage with varied climatic conditions, allowing a wide range of rice varieties to be cultivated. Different regions, from the Himalayan foothills to the southern plains, produce rice depending on their local climatic conditions.

Basmati vs. Non-Basmati: The Two Broad Categories

Although many different rice varieties exist, trade statistics and overall market segmentation classify rice into two broad categories - basmati rice and non-basmati rice.

- Basmati Rice: This premium variety is characterized by its unique fragrance, extra-long slender grains, delicate texture, and superior cooking quality. It often fetches higher prices in the international market and is generally perceived as a luxury food product. Due to its positioning as a luxury commodity, the demand for this type of rice is highest in the regions of Middle East, Europe, and the United States.
- Non-Basmati Rice: This includes all other varieties of rice apart from basmati. Non-basmati rice covers a vast spectrum of rice types, including parboiled, white, brown, red, and black rice. It usually serves everyday consumption markets, particularly in African, Asian, and Latin American regions.
- Niche varieties: Brown, red, and black rice are classified under the category of non-basmati due to their limited export market appeal.

Secondary study of rice export statistics from India

Data collected from the Directorate General of Commercial Intelligence & Statistics (2024) for the last three financial years provides valuable insights into India's rice export trends. The data in the table below clearly shows that non-basmati rice consistently accounts for a significantly higher export volume than basmati rice.

However, despite this higher volume, a closer analysis reveals that the price per ton of basmati rice has been substantially greater than that of non-basmati rice in all three years. Specifically, the export price of basmati rice has ranged from approximately 2.5 to 3 times higher than that of non-basmati rice across different years.

This considerable price difference is one of the primary reasons for choosing basmati rice as the preferred commodity for export. The higher price per ton will allow the business to achieve greater revenue with smaller quantities, which can be particularly advantageous when managing logistics, storage, and supply chain complexities.

The higher pricing of basmati rice also offers greater flexibility in managing cost fluctuations associated with procurement, transportation, and foreign exchange volatility.

When operating at smaller initial volumes — as is typical for new exporters — the ability to maintain healthy profit margins becomes essential, and basmati rice's higher unit price facilitates this.

	Basmati Rice			Non- Basmati Rice		
Year	Quantity (tons)	Value (USD Billions)	Export price per ton (USD)	Quantity (tons)	Value (USD Billions)	Export price per ton (USD)
2021 - 22	3.943.717	3,54	898	17.288.961	6,13	355
2022 - 23	4.561.211	4,79	1.050	17.792.144	6,36	357
2023-24	5.242.182	5,84	1.114	11.116.703	4,57	411

Source: Directorate General of Commercial Intelligence & Statistics (2024)

Another critical factor supporting this choice is the consistent upward trend in basmati rice prices year after year, reflecting strong global demand for premium aromatic rice. This steady price increase provides greater revenue stability and growth potential, making basmati rice an attractive long-term product.

Additionally, from a policy standpoint, non-basmati rice exports have frequently been subject to sudden government interventions in India, including export bans and restrictions aimed at stabilizing domestic rice prices and ensuring food security. Such interventions create regulatory uncertainty and trade disruptions for non-basmati rice exporters. The fall in export quantity of non-basmati rice for the year 2023-24 can be attributed to the export ban of the Indian government. The ban resulted in a drop of 38,5% of export volume of non-basmati rice.

In contrast, although the Indian government has occasionally intervened in the basmati rice export market, it has generally limited its involvement to setting a minimum export price (MEP) as a price floor rather than imposing outright bans. This approach provides a more predictable and stable policy environment for basmati rice exporters.

Moreover, the purchasing countries for basmati rice exports tend to have stronger economies, higher purchasing power, and more stable political and financial systems compared to the typical buyer markets for non-basmati rice, which often include low-income or food-insecure nations. Basmati rice is primarily exported to regions such as the Middle East, Europe, and North America, where buyers are generally less sensitive to price fluctuations and more consistent in their demand for high-quality rice.

In summary, the combination of higher price points, steady demand growth, lower regulatory risk, and financially stable buyer markets makes basmati rice a strategically sound choice for export — especially for new exporters.

Selection of Priority Market – Saudi Arabia

Data from the Directorate General of Commercial Intelligence & Statistics (2024) shows the top 10 countries importing Indian Basmati rice. The data is presented in a tabular format below.

Top 10 Countries - Basmati rice imports from India		
S No	**Country**	**Exports in USD Millions (2023-24)**
1	Saudi Arabia	1.253
2	Iraq	886
3	Iran	680
4	Yemen	342
5	UAE	333
6	USA	305
7	UK	219
8	Kuwait	202
9	Oman	181
10	Qatar	124

Source: Directorate General of Commercial Intelligence & Statistics (2024)

From this list of 10 countries, countries with high political risk will be excluded from the process of identifying priority markets. These are Iran, Iraq, and Yemen Republic. The remaining seven countries will need to be assessed to determine the priority markets.

Markov Chain analysis to determine priority market for basmati rice exports

I have relied on Markov Chain Analysis as a quantitative approach to identify and justify the choice of priority market for basmati rice exports. Specifically, I have utilized the findings from the Markov Chain analysis presented in the research conducted by Sidhu, Kaur, Arora, and Kingra (2024), which examines the export dynamics of Indian basmati rice to its key international markets. This method gave me a data-backed rationale for prioritizing Saudia Arabia over others based on historical trade patterns and future market stability.

What is Markov Chain Analysis?

Markov Chain Analysis is a probabilistic modelling technique used to study systems that move between different states over time. In the context of trade and economics, each "state" represents a market or destination country, and the analysis estimates the likelihood (probability) of exports shifting from one country to another across successive periods. This is achieved by calculating the transitional probability matrix, where each element represents the probability that exports to a particular market in one period will either remain in that market or move to another in the next period.

The main question that Markov Chain Analysis tries to answer in this context is:

"If India exported rice to a certain country this year, what is the probability that the export flow will remain with the same country or shift to another country next year?"

Assumptions of Markov Chain analysis.

The key assumption behind the Markov Chain is the "memoryless" property — meaning that the probability of moving to the next state depends only on the current state and not on the sequence of past states. This feature allows the model to simplify the forecasting process while still providing quantitatively robust insights into trade dynamics.

In simpler terms - Suppose India exported rice to Saudi Arabia this year. In that case, the probability of continuing to export to Saudi Arabia next year depends only on this year's relationship and trade conditions with Saudi Arabia — not on whether the exports to Saudi Arabia were stable or unstable five years ago.

How Markov Chain Analysis Helps in Forecasting Trade Flows

In international trade, market dynamics often fluctuate due to changes in political relations, economic policies, demand preferences, and competition. Understanding which markets consistently import a product and which ones are volatile is crucial for exporters planning long-term strategies. Markov Chain analysis helps by:

- Estimating Retention Probabilities: It identifies the probability that a particular market will continue to import from India, indicating the market's stability and reliability.
- Measuring Market Volatility: It shows how likely it is for trade to shift from one country to another, helping exporters assess risk and identify emerging opportunities.
- Forecasting Future Export Distribution: By applying the transitional probability matrix to current trade data, the model predicts the expected share of exports to each destination in future periods.

In the study by Sidhu et al. (2024), the Markov Chain analysis of Indian basmati rice exports revealed that countries like Saudi Arabia, Iran, and the UAE exhibit high retention probabilities, suggesting these markets are relatively stable and likely to remain key buyers of Indian basmati rice in the future. This statistical evidence directly supports my decision to prioritize Saudi Arabia as my target export market.

By using Markov Chain analysis, my selection of priority markets is not based on assumptions alone but is grounded in quantitative evidence reflecting actual trade behaviour over time. This approach enhances the reliability of my market selection decision.

In the following sections, I will present the quantitative data further and explain why I have chosen to focus only on Saudi Arabia and not Iran and UAE despite all three markets having high market retention probabilities.

Quantitative data of Markov Chain analysis from the study conducted by Sidhu et al. (2024).

- Basmati rice export projections from India for the years 2023 to 2028.

2. Projected export volume

Table 6. Projected export of Indian basmati rice to major importing countries

(₹crore)

Years	Saudi Arabia	Iran	Iraq	UAE	Yemen	USA	Kuwait	UK	Others
2023-24	7650.9 (19.9)	9528.7 (30.9)	3827.1 (12.4)	2597.5 (8.4)	2081.1 (6.7)	1920.7 (6.2)	1434 (4.6)	1255.5 (4.1)	8228.7 (26.7)
2024-25	7920.1 (20.6)	9375.4 (30.6)	3688.3 (12.1)	2488.9 (8.1)	1848.5 (6.0)	1666.1 (5.4)	1564.4 (5.1)	1154.9 (3.8)	8817.5 (28.8)
2025-26	7974.3 (20.7)	9309.7 (24.2)	3771.9 (9.8)	2494.5 (6.5)	1875.3 (4.9)	1684.5 (4.4)	1604.8 (4.2)	1196.8 (3.1)	8612.4 (22.4)
2026-27	7975.3 (20.7)	9262.8 (24.0)	3781.5 (9.8)	2511.2 (6.5)	1850.9 (4.8)	1667.8 (4.3)	1616.5 (4.2)	1195.6 (3.1)	8662.5 (22.5)
2027-28	7961.6 (20.7)	9253.6 (24.0)	3790.8 (9.8)	2521.4 (6.5)	1851.1 (4.8)	1669.3 (4.3)	1618.1 (4.2)	1196.8 (3.1)	8661.4 (22.5)

Figures in parentheses are percentages of the total basmati rice export.

Source: Sidhu et al. (2024).

- Market Retention Probability [RP] (derived from Transitional probability matrix of the Markov Chain analysis).

1. Retention probability

Table 5. Transitional probability matrix of Indian basmati rice export, 2012-13 to 2022-23

Country	Saudi Arabia	Iran	Iraq	UAE	Yemen	USA	Kuwait	UK	Others
Saudi Arabia	0.485	0.000	0.214	0.130	0.000	0.000	0.044	0.102	0.026
Iran	0.381	0.344	0.000	0.000	0.035	0.000	0.067	0.012	0.162
Iraq	0.000	0.000	0.252	0.000	0.000	0.043	0.000	0.000	0.705
UAE	0.203	0.126	0.056	0.480	0.000	0.000	0.043	0.009	0.082
Yemen	0.000	0.582	0.000	0.000	0.200	0.218	0.000	0.000	0.000
USA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000
Kuwait	0.000	0.000	0.000	0.175	0.000	0.000	0.333	0.000	0.492
UK	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Others	0.007	0.402	0.114	0.000	0.134	0.127	0.000	0.029	0.187

Source: Sidhu et al. (2024).

  - The **diagonal values** highlighted in the image above (e.g., 0.481 for Saudi Arabia → Saudi Arabia) represent the probability that exports will remain in the same market in the next period.
  - The **off-diagonal values** represent the probability that exports will shift from one market to another in the next period. E.g., 0.381 for Iran → Saudi

Arabia suggests there is a 35% probability that exports currently going to Iran will shift to Saudi Arabia in the next period.

- The probability is measured on a scale from 0 to 1.

- **Effective Retained Export Value [EREV]** (derived by multiplying the export projections with the Retention Probability).

S No	Country	Projected Trade Volume (₹ Cr, 2025-2028)	Retention Probability (%)	Effective Retained Export Volume [EREV] (₹ Cr)	EREV Rank
1	Saudi Arabia	₹23,911	48	₹11,597	1
2	Iran	₹27,826	34	₹9,572	2
3	Iraq	₹11,344	25	₹2,859	4
4	UAE	₹7,527	48	₹3,613	3
5	Yemen	₹5,577	20	₹1,115	6
6	USA	₹5,022	0	₹0	7
7	Kuwait	₹4,839	33	₹1,612	5
8	UK	₹3,589	0	₹0	7
9	Others	₹25,936	19	₹4,850	N/A

- Notes:

  1) Projected trade volume is the sum of projection for the years 2025 to 2028.

  2) Source data includes data from 2023 to 2028.

  3) USD INR exchange rate is 85 in the calculation.

Summary of Findings from Markov Chain Analysis

The selection of the priority export market for basmati rice from India has been supported by quantitative reasoning through the application of Markov Chain analysis. One of the key outcomes of this analysis is the calculation of the Effective Retained Export Volume (EREV), which considers not just the current volume of exports but also the retention probabilities of these markets over time. The EREV helps identify how much of the current export volume is expected to be retained by each market in the future, factoring in the probabilities of trade flows shifting between markets.

Key findings are summarized below:

1. **Ranking of Markets Based on EREV:**
   - The analysis ranked the destination markets according to their EREV.
   - Saudi Arabia emerged as the top-ranked market (Rank 1), with the highest expected retained export volume of Rupees 11.597 crores (USD 1,35 Billion USD).
   - Iran was ranked a close second, followed by the United Arab Emirates (UAE), which was a distant third.

2. **Strategic Decision to Avoid Iran Despite High Ranking:**
   - Although Iran ranked a close second in EREV, the decision has been made to avoid prioritizing Iran as an export destination due to a combination of factors:
     - High geopolitical risk, which could include sanctions, payment delays, and political instability.
     - Critically, the retention probability for Iran was calculated at 34%, while the probability of Iran's exports shifting to Saudi Arabia stood at 35%.
     - This implies that Iran’s ability to retain its current imports is effectively equal to the probability of losing those exports to Saudi Arabia. In other words, Iran’s retention capability is fragile, making it a risky market despite its high current volume.

3. **UAE as Third-Ranked Market**
   - The UAE was ranked third, but with significantly lower EREV compared to Saudi Arabia. The EREV of Saudi Arabia was found to be almost four times higher than that of the UAE which has an EREV of Rupees 3.613 crores (423 million USD).
   - The large gap between Saudi Arabia and UAE’s EREV indicates that even the third-best option offers substantially lower market potential and in terms of export volume stability.

4. **Justification for Choosing Saudi Arabia as the Priority Market**
   - Based on the retention probabilities and EREV calculations, Saudi Arabia stands out as the most reliable and strategically sound market for basmati rice exports from India.

Marketing Plan

Objectives of the Marketing plan

- To establish a direct and consistent customer base of Saudi rice importers, distributors, and wholesalers.
- To use online tools, digital marketing strategies, and B2B platforms to generate buyer leads and secure export orders.
- To build brand visibility and credibility without the need for a large sales team or physical presence in Saudi Arabia.
- Target market: small to medium-sized rice importers, food wholesalers, distributors, and supermarket chains in Saudi Arabia.
- Unique Selling Proposition (USP): personalized service with direct exporter-to-importer communication.

Differentiation Strategy - Catering to Small and Medium-Sized Importers

In a competitive export market dominated by large corporations and saturated with small and medium enterprises (SMEs), a new entrant must establish clear strategic differentiation to gain market traction. Leading basmati rice exporters such as KRBL and Matco Foods benefit from strong brand recognition, economies of scale, and extensive global distribution networks. However, their operations are typically designed to serve high-volume buyers, such as major importers and retail chains, with a focus on bulk trading and brand control.

This emphasis on volume creates structural limitations for smaller importers. Large exporters often impose high minimum order quantities (MOQs), which are impractical for small businesses—particularly new or emerging importers in Saudi Arabia who may lack the capital or storage capacity to handle large consignments. This rigidity in operational and branding strategy presents a valuable opportunity for smaller exporters to differentiate themselves.

In addition, these major firms focus heavily on promoting their proprietary brands, offering limited flexibility in packaging, labeling, or identity customisation. For example, KRBL of India markets its own brand – *India Gate*, and Matco Foods of Pakistan markets its brand – *Falak*. As a result, small and mid-sized importers who wish to create their own brand presence in the local market often find it difficult to access tailored solutions from large exporters.

To address this gap, the proposed business will differentiate itself through *white label services*—exporting basmati rice under custom branding and packaging specified by the importer. This approach enables small importers to:

- Develop and promote their own brand within the Saudi market;
- Build consumer loyalty under a distinct identity;
- Position themselves as independent players, rather than resellers of established brands.

Custom branding is particularly valuable for emerging Saudi importers seeking to establish a unique market identity. It allows for localised design, language, and packaging preferences that resonate with regional consumers and niche demographics.

Moreover, white label partnerships foster long-term relationships, as importers become reliant on the exporter for consistent supply and quality. This interdependence leads to greater customer retention, recurring orders, and reputational growth for the exporter through brand association.

Beyond branding, the business will further distinguish itself by offering:

- Low Minimum Order Quantities (MOQs): Lowering entry barriers for small importers;
- Personalised service and responsiveness: Enabling direct communication and flexible support.

This differentiation strategy aligns well with current market dynamics in Saudi Arabia, where the grocery retail sector is experiencing trends of differentiation and personalisation (Consultancy-me, 2024). As a result, small-scale buyers will seek manageable quantities and cultural relevance in branding — needs that larger exporters under-serve.

By catering specifically to these importers, the business aims to develop a defensible niche—one insulated from the competition with faced from large volume-focused firms. Over time, this model supports organic growth, driven by repeat business and customer satisfaction.

4 Ps Marketing Strategy

The marketing strategy for the business is structured around the traditional 4Ps framework—Product, Price, Promotion, and Place—tailored specifically to meet the demands of small and medium-sized importers in Saudi Arabia. This framework ensures alignment with the business's positioning as a flexible, service-oriented exporter offering white-label solutions.

Product

The core offering is white label packaged basmati rice, customised to suit the branding, packaging, and quality requirements of the buyer. Unlike larger firms that emphasise their own branded products, this business will focus on delivering product specifications adapted to the importers need. This will be done through:

1. White Label Branding
    a. Basmati rice will be packaged and labeled under the client's brand.

b. Full customisation of design, colors, logos, and language (including Arabic) will be facilitated.
c. Optional design support will be offered through freelance designers, with associated costs added to the buyer's invoice.

2. Variety

India produces multiple varieties of Basmati rice, and the demand in Saudi Arabian market is not limited to a single variety. Some of the popular variants are: 1121 Creamy Sella, 1509 Steam, and Traditional Basmati. Samples will be shared in advance for quality verification and selection by the buyer.

3. Packaging Options

There is a growing trend in the Saudi retail segment for smaller-size bags (1–2 kg), although demand in volume is increasing overall (Dang, 2024). And therefore, packaging will be available in multiple size variants: 1 kg, 2 kg, 5 kg, 10 kg, 20 kg, 25 kg, and 50 kg.

4. Certification and Compliance
    a. All rice exported will be SFDA-certified, ensuring compliance with the Saudi Food and Drug Authority.
    b. Labelling will meet Saudi import standards, including Arabic language labelling, nutritional information, country of origin, and expiry date.

Price

Since this is, in essence, a commodity business, the price will depend on individual trade negotiations performed. However, as an estimate, the average price charged per kilogram of basmati to be exported will be USD 1150 in the year 2025. This price point has been determined based on the study conducted of the last three years of the export data. Additional information is presented in the appendix section (ii).

Deeper elements of the price include:

1. Pricing structure - Quotation will be provided on FOB (Free on Board) terms from major Indian ports.
2. Payment Terms - A minimum 25% advance payment will be required prior to shipment processing. The remaining balance is to be settled before the release of the Bill of Lading (B/L) at the destination port.

Promotion

A targeted promotional strategy will be employed, focusing on digital channels and direct outreach to reach small and medium-sized importers in Saudi Arabia. The elements of the promotional strategy are:

1. Digital Presence - A professional company website will serve as the primary touchpoint, featuring an inquiry form and live chat utilising chatbots and WhatsApp integration to gather client interest and collect basic customer details and order requirements.
2. B2B Engagement Channels - Presence on B2B platforms such as Alibaba, Tradekey, and Go4WorldBusiness. India mart, etc.
3. Participation in virtual trade shows focused on rice and agro commodities. - such as gulf food expo, Saudi food, and APEDA virtual trade fair.
4. Direct Marketing - Email campaigns and LinkedIn outreach targeting Saudi-based importers and procurement managers through trade data sourced from platform such as Volza.
5. Lead Management and follow-up - Outreach data will be managed through CRM platforms such as Zoho. This system will track and manage the client relationship cycle through:
    a. Notifying follow ups after initial contact, and number of days in contact with a potential client.
    b. Recording stage of deal process.
    c. Closing deals and gathering feedback.
6. Performance Monitoring - Key promotional activities will be tracked using KPIs such as lead conversion rate, website traffic, and customer acquisition cost.

Place

- The logistics model will focus on direct exports from Indian ports to Saudi Arabian ports, with flexibility to meet the buyer's preferred delivery destination.
- The major Indian ports for basmati rice export are located on the west coast of India. These are Mundra Port (Gujarat), Kandla Port (Gujarat), and Nhava Sheva (JNPT, Maharashtra).
- The major receiving ports in Saudi Arabia are Jeddah Islamic Port, Dammam (King Abdulaziz Port), and Riyadh Dry Port for inland customs clearance.

4Ps Summary

Pillar	Key Components	Key Impact
Product	White label Basmati rice Custom branding & design (Arabic, logo, etc.) Multiple rice varieties (1121, 1509, Traditional) Flexible packaging (1–50 kg) SFDA-certified, compliant labeling	Enables importers to launch their own brand, tailor products to local tastes, and comply with Saudi regulations.
Price	Average price: \$1150/MT (2025) FOB terms from Indian ports Payment: 25% advance, balance before B/L release	Competitive pricing for a commodity product, with financial structure suited for small-to-mid-sized importers.
Promotion	Website with inquiry/chat tools Presence on B2B platforms (e.g., Alibaba, Tradekey) Participation in trade expos (e.g., Gulfood, APEDA) Direct outreach via email/LinkedIn CRM-based lead tracking & KPI monitoring	Focused on digital and B2B promotion to reach niche Saudi buyers and track performance efficiently.
Place	Export from Mundra, Kandla, Nhava Sheva (India) Delivery to Jeddah, Dammam, Riyadh (Saudi Arabia)	Streamlined logistics for direct-to-importer delivery, offering flexibility on shipping ports and routes.

Online Marketing Strategy

1. **Website Development**

Build a professional, mobile-optimized website showcasing:

- Product catalog with images (types of basmati rice, packaging options).
- Inquiry form and contact details.
- Section for buyer FAQs, shipment process explanation, and available Incoterms (FOB, CIF, etc.).
- SEO (Search Engine Optimization) with keywords relevant to basmati rice export from India
- WhatsApp integrated contact funnel with AI chat bot functionanility.

2. **Use of B2B Online Marketplaces**

Listing the business, the products, and the contact details on major B2B export-import platforms such as:

- Alibaba.com (target buyers from Saudi Arabia and GCC).
- TradeIndia.com.
- ExportersIndia.com.
- Indiamart.com

Subscription to premium listings on these platforms will be taken for higher visibility, depending on the available budget

3. **Social Media and Networking (LinkedIn Focus)**

LinkedIn company page will be setup to directly connect with import managers, procurement officers, and food distributors in Saudi Arabia.

4. **Direct Outreach via Email**

Reaching out to potential buyers via email with my company profile and product catalogue. The email list of potential buyers will be sourced from B2B platforms.

5. Participation in Virtual Trade Shows

Virtual trade shows allow for the opportunity to be present at trade without attending them physically. These virtual trade shows help both in time and monetary savings. Some of the virtual trade show organisers are listed below:

- APEDA (Agricultural and Processed Food Products Export Development Authority).
- Gulfood Virtual Platform.
- FIEO (Federation of Indian Export Organisations) virtual buyer-seller meets focused on the Middle East.

6. Lead Management and Follow-up

CRM systems (like HubSpot Free CRM or Zoho CRM) will be used to track buyer inquiries. Following the initial enquiry, the CRM system will help manage

- Follow-ups after initial contact.
- Sharing samples and product specifications.
- Closing deals and gathering feedback.

7. Success Metrics (KPIs)

In order to measure growth and performance of the marketing efforts, the following metrics (KPIs) will be tracked on a monthly basis.

- Number of inquiries generated via website and B2B platforms.
- Conversion rate from inquiries to confirmed orders.
- Buyer retention rate and repeat orders.
- Website traffic (monthly unique visitors).
- Growth in LinkedIn connections with Saudi importers.

In summary, the objective of the marketing plan will be to leverage cost-effective online methods to penetrate the Saudi Arabian market without establishing a sales force or physical office presence in Saudi Arabia. Focusing on digital presence, targeted outreach, and relationship-building with importers through online platforms will be the goals in order to achieve scalability and sustainability for the export business.

Costs of the marketing initiatives are presented in section (iii) of the appendix under the heading - “sources of financial estimates”.

Sourcing and Operations Plan

Objective of the Operations Plan

- To ensure consistent sourcing of high-quality basmati rice from reliable rice mills in India.
- To establish a smooth and cost-effective logistics workflow, from procurement to final shipment to Saudi Arabia.
- To optimize operations by working with agents, freight forwarders, and shipping companies for hassle-free execution without needing heavy capital investment.
- To operate an “asset light” model by not holding onto inventory, and avoiding associated costs.

Basic overview of sourcing and operations.

Step 1. Procure basmati rice from rice mills

Step 2. Inland transport of rice via trucks from rice mill to port

Step 3. Shifting rice bags from truck to shipping container

Step 4. Customs clearance

Step 5. Shifting filled and sealed containers onto a shipping liner

Step 6. Container shipped to destination port

Step 7. Shipment released to importer after payment process completed

The multi-step process involved in exporting rice is an operationally complex process. Each stage requires a different set of skills, resources, and service providers. Each step demands specialized handling from procurement at the rice mill to inland transport, customs clearance, container stuffing, freight forwarding, and final shipping. Traditionally, exporters would have needed to coordinate individually with multiple service providers, increasing the possibility of delays and operational friction.

However, over the years, the export ecosystem has become significantly more streamlined due to the rise of bundled service offerings by key players within the supply chain. This has led to a considerable reduction in the operational burden on exporters.

Bundled Services by Rice Mills

A notable example of this operational streamlining is the practice by many rice mills of offering end-to-end delivery services up to the shipping port. Instead of simply selling the rice at the mill gate and leaving the exporter responsible for arranging inland transport, these mills now handle:

- Bagging and packaging.
- Loading rice onto transport trucks.
- Delivering the cargo directly to the designated container freight station (CFS) or port.

This service eliminates the need for the exporter to manage separate agreements with truckers or handle the logistical coordination of moving rice from the mill to the port. It also reduces risks related to cargo handling damage, loading delays, or scheduling conflicts.

Customs House Agents (CHAs) Offering Integrated Export Solutions

Similarly, Customs House Agents (CHAs)—key facilitators in the export process—have expanded their service portfolios far beyond basic customs clearance. Many CHAs now provide comprehensive export logistics packages, which typically include:

- Pre-shipment inspection for both quality and quantity.
- Supervision of container stuffing and sealing.
- Customs documentation and clearance.
- Loading of sealed containers onto the shipping liner.
- Freight forwarding and booking of shipping space with shipping lines.

By offering these integrated services, CHAs act as a single point of contact for multiple critical stages in the export process. This not only reduces the exporter's workload but also minimizes coordination gaps that could lead to compliance issues or shipment delays.

Cost Implications and Competitive Pricing

While these bundled services may come at an added cost compared to sourcing each service independently, the operational convenience and risk reduction they provide justify the expenditure. Moreover, due to intense competition among service providers, and economies of scale enjoyed by mills, CHAs, and freight forwarders, these bundled services are often competitively priced.

Operational Efficiency through Simplification

The traditional multi-step export process could have involved several disconnected service providers:

- Truckers for inland transport.
- Independent container handlers.
- Third-party inspectors.
- Separate customs agents.

- Freight forwarders.

Coordinating among so many entities increases the likelihood of operational friction, including delays and financial inefficiencies.

By contrast, with the emergence of bundled service offerings, the process has been simplified into a more integrated and efficient supply chain solution. Exporters benefit now from:

- Lower transaction costs.
- Faster turnaround times.
- Reduced paperwork and coordination effort.
- Enhanced reliability and accountability, as service providers are responsible for multiple linked stages.

Final step - release of shipment against payment

The process of collecting payment from the importer involves the Bill of Lading (B/L). The B/L is the document of title, meaning whoever holds the original B/L legally owns the goods.

The B/L is generated by the shipping line at the port of origin and handed over to the exporter. The exporter holds the B/L until the importer fulfils the agreed payment terms.

Release of Bill of Lading After Payment

The exporter waits until the importer completes the payment per contract terms (such as a Letter of Credit, advance payment, or other mutually agreed payment methods).

Once payment is confirmed, the exporter transfers the B/L to the importer via a “Telex Release” or “Express Bill of Lading”, where the shipping line confirms electronically that the cargo can be released.

Costs of the sourcing and operation initiatives are presented in section (iii) of the appendix under the heading - “sources of financial estimates”.

Human Resource Plan

The business will operate from a fully furnished office in Hyderabad, India. The city has been chosen primarily due to the residence of the founder, which allows for operational convenience and cost efficiency during the initial phase of the business.

A small office space will be rented at an estimated monthly cost of ₹35,000, offering a professional environment for managing documentation, communication, and coordination with buyers, suppliers, and logistics partners. The office will be equipped with essential utilities such as high-speed internet, basic furnishings, and adequate storage for sample packaging and printed materials.

The business will adopt a lean operational model, wherein no full-time employees will be hired. Instead, the founder will handle all core business functions—including procurement coordination, customer relationship management, marketing oversight, and order fulfillment—with the support of freelancers and specialized service providers for specific tasks. This includes:

- Graphic designers for packaging and white-label branding;
- Digital marketing consultants for B2B outreach and CRM setup;
- Export documentation and customs clearance agents;
- Freight forwarding partners for logistics and delivery coordination.

This outsourced service model ensures flexibility and cost control while accessing high-quality professional expertise on a per-project basis.

To enable efficient operations, a laptop will be procured within a budget of $1,500 USD, for tasks such as design review, CRM management, financial tracking, and international communication.

Financial Plan

Single container shipment financials and operating margin metrics

Single container shipment of 25 Metric tons		
	Amount (USD)	**Amount (INR)**
Sales Revenue	$ 28.750,00	₹ 2.443.750,00
Procurement (from rice mill and delivered to Mundra port)	$ 21.250,00	₹ 1.806.250,00
Shipping	$ 4.000,00	₹ 340.000,00
CHA, Inspection, and Freight Forwarding		₹ 50.000,00
Insurance		₹ 50.000,00
Operating Profit		**₹ 197.500,00**
Operating Margin		**8,08%**
Notes: Single ton procurement cost - $850 Sale price per ton - $1150 Capacity of FEU container - 25 Metric Tons 1 USD = 85 INR		

- Single ton procurement cost is sourced from SKRM India. (n.d.). Rationale from fixing sourcing price at 850 USD per ton is provided in the appendix section (i).
- Sale price charged to importer is estimated to be 1.150 USD per ton in the first year of operation. Rationale and price data sources are provided in the appendix section (ii).
- Cost estimate data along with relevant sources is provided appendix section (iii) and (iv).

Operating margin metrics for monthly target of 4 containers shipped

Monthly 4 container shipment of 25 Metric tons each		
	Amount (USD)	**Amount (INR)**
Sales Revenue	$ 115.000,00	₹ 9.775.000,00
Procurement (from rice mill and delivered to Mundra port)	$ 85.000,00	₹ 7.225.000,00
Shipping	$ 16.000,00	₹ 1.360.000,00
CHA, Inspection, and Freight Forwarding		₹ 200.000,00
Insurance		₹ 200.000,00
Operating Profit		**₹ 790.000,00**
Operating Margin		**8,08%**

Notes:
Single ton procurement cost - $850
Sale price per ton - $1150
Capacity of FEU container - 25 Metric Tons
1 USD = 85 INR

Profit and Loss statement for the first month

Monthly Income Statement (exporting 4 container shipment of 25 Metric tons each)		
	Amount (USD)	**Amount (INR)**
Sales Revenue	$ 115.000,00	₹ 9.775.000
Procurement (from rice mill and delivered to Mundra port)	$ 85.000,00	₹ 7.225.000
Shipping	$ 16.000,00	₹ 1.360.000
CHA, Inspection, and Freight Forwarding		₹ 200.000
Insurance		₹ 200.000
Marketing & Advertising		₹ 50.000
Office overheads		₹ 50.000
Buyer Engagement & Sample Dispatch		₹ 15.000
Professional Fees		₹ 15.000
Total expenses		₹ 9.115.000
Gross profit		₹ 660.000
Estimated Income Tax (25%)		₹ 165.000
Net profit after tax		**₹ 495.000**
Profit Margin		**5,06%**

- Total expenses for the first month operations total to a little over 9,1 million Indian rupees, equivalent to 106.000 USD.
- The working capital required for the launching this business will be 10.000.000 Indian rupees, equivalent to 117.130 USD, which will be contributed by the founder through his personal savings.
- The first month's net profit is forecasted to be 495.000 INR with a profit margin of 5,06%.

Annual Profit and Loss statement – first year

Annual Income Statement (exporting 4 container shipment of 25 Metric tons each per month for 10 months)		
	Amount (USD)	Amount (INR)
Sales Revenue	$ 1.150.000,00	₹ 97.750.000
Procurement (from rice mill and delivered to Mundra port)	$ 850.000,00	₹ 72.250.000
Shipping	$ 160.000,00	₹ 13.600.000
CHA, Inspection, and Freight Forwarding		₹ 2.000.000
Insurance		₹ 2.000.000
Marketing & Advertising (12 months)		₹ 600.000
Office overheads (12 months)		₹ 600.000
Buyer Engagement & Sample Dispatch (12 months)		₹ 180.000
Professional Fees (12 months)		₹ 180.000
Total expenses		₹ 91.410.000
Gross profit		₹ 6.340.000
Estimated Income Tax (25%)		₹ 1.585.000
Net profit after tax		**₹ 4.755.000**
Profit Margin		**4,86%**

- Sales have been estimated in 10 cycles per 12 months.
- Marketing and office overheads continue for 12 months, round the year.
- The annual net profit is forecasted to be 4.755.000 INR, equivalent to 55.695 USD.
- The annual profit margin for the first year is 4,86 %
- Although the annual profit margin is 4,86% - the annual return on assets (ROA) is an impressive 47,55 %.
- The high ROA is because the capital churns every month – the capital invested in the first month, comes back by the beginning of the second month to restart the financial cycle of each month.
- Total annual volume forecasted to be exported is 1000 metric tons.

Return on Assets	= Net Income / Total Assets
	= 4.755.000 / 10.000.000
	47,55%

Profit and Loss Forecasts for 5 years

Assumed annual increases (YoY)	Profit and Loss Forecasts	Year 1	Year 2	Year 3	Year 4	Year 5
		Amount (INR)	Amount (INR)	Amount (INR)	Amount (INR)	Amount (INR)
25% and 3%	**Sales Revenue**	₹ 97.750.000	₹ 125.853.125	₹ 162.035.898	₹ 208.621.219	₹ 268.599.820
3%	**Procurement (from rice mill and delivered to Mundra port)**	₹ 72.250.000	₹ 93.021.875	₹ 119.765.664	₹ 154.198.292	₹ 198.530.302
5%	**Shipping**	₹ 13.600.000	₹ 17.850.000	₹ 23.428.125	₹ 30.749.414	₹ 40.358.606
5%	**CHA, Inspection, and Freight Forwarding**	₹ 2.000.000	₹ 2.625.000	₹ 3.445.313	₹ 4.521.973	₹ 5.935.089
5%	**Insurance**	₹ 2.000.000	₹ 2.625.000	₹ 3.445.313	₹ 4.521.973	₹ 5.935.089
15%	**Marketing & Advertising (12 months)**	₹ 600.000	₹ 690.000	₹ 793.500	₹ 912.525	₹ 1.049.404
10%	**Office overheads (12 months)**	₹ 600.000	₹ 660.000	₹ 726.000	₹ 798.600	₹ 878.460
15%	**Buyer Engagement & Sample Dispatch (12 months)**	₹ 180.000	₹ 207.000	₹ 238.050	₹ 273.758	₹ 314.821
10%	**Professional Fees (12 months)**	₹ 180.000	₹ 198.000	₹ 217.800	₹ 239.580	₹ 263.538
	Total expenses	₹ 91.410.000	₹ 117.876.875	₹ 152.059.764	₹ 196.216.114	₹ 253.265.309
	Gross profit	₹ 6.340.000	₹ 7.976.250	₹ 9.976.134	₹ 12.405.105	₹ 15.334.511
	Estimated Income Tax (25%)	₹ 1.585.000	₹ 1.994.063	₹ 2.494.034	₹ 3.101.276	₹ 3.833.628
	Net profit after tax	**₹ 4.755.000**	**₹ 5.982.188**	**₹ 7.482.101**	**₹ 9.303.829**	**₹ 11.500.883**
	Profit Margin	**4,86%**	**4,75%**	**4,62%**	**4,46%**	**4,28%**

Source: own estimations.

Assumptions:

- Sales volume growth of 25%, year on year. This will result in sales volume rising from 1.000 tons in the first year to over 2.400 tons in the fifth year of operations.
- Increase in sales price of 3%, year on year.
- Increase in basmati rice procurement cost of 3%, year on year. The rise in procurement cost has been transferred onto importers.
- Increase in shipping, CHA, and insurance costs of 5%, year on year.
- Marketing and sample dispatch costs, increase 15% year on year.
- Office overheads and professional fees rise 10%, year on year.

Balance sheet forecasts – 5 years

Balance Sheet Forecasts	Year 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Cash	10.000.000	10.000.000	14.755.000	20.737.188	28.219.288	37.523.117
Cash Increase from RE	0	4.755.000	5.982.188	7.482.101	9.303.829	11.500.883
Total Assets	**10.000.000**	**14.755.000**	**20.737.188**	**28.219.288**	**37.523.117**	**49.024.000**
Liabilities	-	-	-	-	-	-
Contributed Capital	10.000.000	10.000.000	10.000.000	10.000.000	10.000.000	10.000.000
Retained earning (RE)	0	4.755.000	10.737.188	18.219.288	27.523.117	39.024.000
Total Owners Equity	**10.000.000**	**14.755.000**	**20.737.188**	**28.219.288**	**37.523.117**	**49.024.000**

Figures in INR. Source: own estimation.

Social Impact

This proposed business project goes beyond commercial viability and holds meaningful potential for positive social impact. While the primary objective of the project is to establish a sustainable and profitable export venture, the operational structure and market selection indirectly contribute to multiple United Nations Sustainable Development Goals (SDGs), particularly:

- SDG 1 (No Poverty).
- SDG 8 (Decent Work and Economic Growth).
- SDG 17 (Partnerships for the Goals).

The implementation of this project can contribute toward achieving these global development objectives by improving livelihoods and fostering international trade partnerships.

Contribution to SDG 1: No Poverty

The sourcing strategy in this project involves procuring basmati rice directly from rice mills that work closely with farming communities in India's northern agricultural regions, including Punjab, Haryana, Uttar Pradesh, and Madhya Pradesh. These regions are home to a significant number of smallholder farmers who rely on rice cultivation as their primary source of income.

By creating stable demand for premium basmati rice, the export venture indirectly contributes to income stability and improved livelihoods for these farmers. The export business is focused on sourcing quality rice grains as mandated by the Saudi Food and Drug Administration (SFDA). This focus on quality encourages mills and farmers to adopt better agricultural standards, leading to enhanced productivity and profitability.

Contribution to SDG 8: Decent Work and Economic Growth

The project supports inclusive economic growth by creating employment opportunities across the export supply chain. This includes jobs in:

- Rice milling and processing.
- Logistics and inland transportation.
- Customs clearance and freight forwarding.
- Quality inspection and packaging services.

By leveraging bundled services offered by rice mills and customs house agents, the project promotes formal employment and capacity building in these sectors. Additionally, focusing on small and medium-sized importers in Saudi Arabia encourages trade diversification and strengthens entrepreneurial ecosystems on both sides of the supply chain.

Contribution to SDG 17: Partnerships for the Goals

The export venture inherently relies on cross-border cooperation between Indian exporters, Saudi importers, and various service providers, including logistics companies and inspection agencies. This model promotes international trade partnerships, knowledge-sharing, and mutual economic benefit.

By focusing on relationship-building with new and small-scale Saudi importers, the project fosters a collaborative approach to trade, in line with SDG 17.11, which aims to significantly increase the exports of developing countries, especially in the agricultural sector.

Overall, while the primary focus of this project is the profitable export of basmati rice from India to Saudi Arabia, its structure and operational design contribute meaningfully to the broader social good. The project advances key elements of the United Nations Sustainable Development Goals, specifically SDGs 1, 8, and 17, by supporting rural livelihoods, promoting decent work, encouraging responsible production practices, and fostering international partnerships.

Conclusion

This project set out to explore the viability of establishing a basmati rice export business from India to Saudi Arabia. Through a comprehensive business plan supported by structured analytical tools—including Markov Chain analysis, PESTEL framework, and Porter's Five Forces—the thesis has successfully identified a pathway for entering the competitive basmati rice export market with data-driven confidence.

The research demonstrates that while non-basmati rice dominates export volumes from India, basmati rice offers significantly higher unit value and price stability, making it an ideal product for a new exporter seeking operational scale and higher profitability per shipment. Moreover, basmati rice's luxury positioning, and consistent global demand, especially in Saudi Arabia, strengthens its attractiveness as the chosen commodity for this export venture.

The selection of Saudi Arabia as the priority market is well-supported through quantitative analysis using the Effective Retained Export Value (EREV) model based on Markov Chain probabilities. Saudi Arabia's high retention rate, strong demand for premium basmati rice, and stable diplomatic and trade relations with India provide an optimal environment for launching and growing this business. In contrast, other high-volume markets like Iran were excluded due to geopolitical risks and trade volatility.

Operational challenges commonly associated with multi-step export processes—including procurement, inland logistics, customs clearance, and freight forwarding—have been addressed through the strategy of leveraging bundled services from rice mills, customs house agents (CHAs), and freight forwarders. This approach reduces operational friction, lowers entry barriers for a new exporter, and provides a lean operational model that enhances efficiency.

The financial feasibility assessment conducted within this project shows that the business, even at modest shipment volumes of four containers per month, can achieve a healthy return on assets (ROA of approximately 47,55% in the first year) due to fast capital turnover. Although the profit margin per cycle of monthly shipment remains relatively slim at around 4.86%, the high capital efficiency and scalable business model contribute to the attractiveness of the venture. Over the five-year time period, company assets are forecasted to rise by almost 5 times.

The project also highlights potential risks, including currency fluctuation, shipping disruptions, and policy interventions. However, these risks are mitigated through the selection of basmati rice (which is less prone to government export bans), sound operational planning, and focusing on new and small-scale importers who are more likely to prioritize long-term relationships over aggressive price negotiations.

The marketing strategy designed in this project emphasizes cost-effective digital outreach using online B2B platforms, a company website, and direct engagement with Saudi importers. This approach eliminates the need for an expensive physical presence in the target market while enabling the exporter to build credibility and market penetration.

Overall, the project aligns well with India’s broader export promotion strategy and responds effectively to the economic dynamics of the India-Saudi trade relationship.

In conclusion, the findings of this project indicate that with strategic market selection, operational efficiency, and relationship-driven marketing, a small-scale Indian exporter can successfully establish and sustain a profitable basmati rice export business to Saudi Arabia. The structured, research-backed approach presented here provides a strong foundation for real-world implementation and future business growth.

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Appendix

i. Reference basmati price chart from rice mill supplier.

REGULAR/ CONVENTIONAL INDIAN RICE PRICES

Rice Varieties	Rice Form	Average Length	Crop	Packing	FOB Mundra (USD)
1121	Raw/White	8.35 + MM	2024	50 KG PP BAG	US$ 1080 Per Ton
	Steam	8.35 + MM	2024	50 KG PP BAG	US$ 970 Per Ton
	White/Creamy Sella	8.35 + MM	2024	50 KG PP BAG	US$ 875 Per Ton
	Golden Sella	8.35 + MM	2024	50 KG PP BAG	US$ 960 Per Ton
1718	Raw/White	8.40 + MM	2024	50 KG PP BAG	US$ 910 Per Ton
	Steam	8.40 + MM	2024	50 KG PP BAG	US$ 900 Per Ton
	White/Creamy Sella	8.35 + MM	2024	50 KG PP BAG	US$ 770 Per Ton
	Golden Sella	8.35 + MM	2024	50 KG PP BAG	US$ 840 Per Ton
1509	Steam	8.40 + MM	2024	50 KG PP BAG	US$ 850 Per Ton
	White/Creamy Sella	8.40 + MM	2024	50 KG PP BAG	US$ 730 Per Ton
	Golden Sella	8.35 + MM	2024	50 KG PP BAG	US$ 805 Per Ton

Source: SKRM India. (n.d.). *Indian rice price: Daily price list of basmati and non-basmati rice*. SKRM India. https://www.skrmindia.com/indian-rice-price.html

ii. Sale price charged to importer

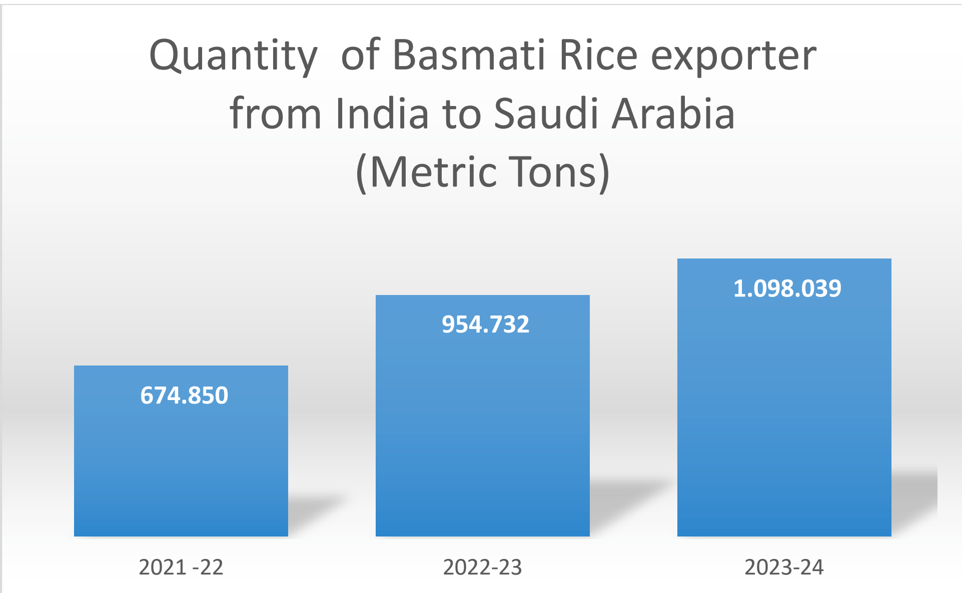
Data sourced from All India Rice Exporters' Association (n.d.) shows a constant growth in quantity of basmati rice exported from India to Saudi Arabia for the last three years from 2021 to 2024. The data also shows an increase both in total value of these exports as well as the average price of the basmati rice exported. The average price has been deduced by dividing the total price value of each year by the quantity exported for each year. The data along with the average price results are shown in the table below. The graphs further along demonstrate the growth of both total price value and rise in year-on-year average price per 1000 kilograms. The average price per 1000 kilograms of basmati rice for the year 2023-24 stood at USD 1.1141,12.

This rise in average dollar price has been achieved despite the strengthening of the US Dollar of the against the Indian rupee. The chart below shows the price movement of the USDINR currency pair.

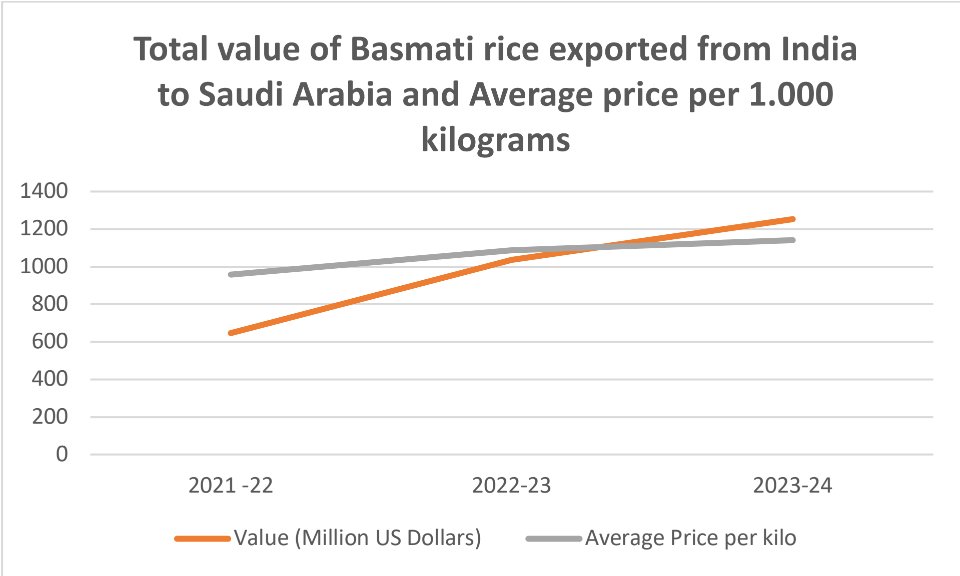
Therefore, for the reason of rise in average dollar value of per kilo of basmati rice in the face of strengthening USDINR, the average per 1000 kilograms export price of the basmati rice has been assumed to be USD 1150 for the year 2025. This represents a less than 1% increase from the year 2024.

Year	Quantity (Metric Tons)	Value (Million US Dollars)	Average Price per 1000 kilos (In US Dollars)
2021 -22	674.850	646,32	957,72
2022-23	954.732	1036,72	1.085,88
2023-24	1.098.039	1252,99	1.141,12

Source: All India Rice Exporters' Association (n.d.)



Source: All India Rice Exporters' Association (n.d.)



Source: All India Rice Exporters' Association (n.d.)

Source: (Investing.com, n.d.)

iii. Sources for financial estimates

1. Sale price of basmati rice is estimated to be 1.150 USD per ton in the first year of operations, 2025-2026. The reasons for this estimated is provide in the appendix section – a note on price.
2. Procurement cost of basmati rice, which will be delivered at origin ports, is estimated to be 850 USD. Price list sourced from a vendor's rice mill has been included in the

appendix. The listed prices range from 730 USD to 1080 USD per ton. It is assumed that the final price will be a result of further negotiations based on the listed prices.

3. Shipping costs – shipping costs sourced from a shipping line aggregator shows that the base price of a forty-foot equivalent unit (FEU) container (which has a capacity of 25 tons of rice) is priced in the range of 924 USD to 1500 USD, for shipping between India Saudi Arabia. This base price excludes shipping and handling and other hidden charges. For reasons of conservative estimation, the shipping price is assumed to be 4000 USD since overall price can fluctuate and additional charges can be incurred due to delays. A 3-month historical price estimate chart has been included in the appendix -
4. CHA, Inspection, and Freight forwarding costs AND Insurance costs – price quotes sourced from Freightos (n.d.), an online shipment market place, estimates typical freight forwarding costs, including transportation, documentation, customs, and handling fees to be in the range of 4100 USD to 4300 USD. This price estimate includes the shipping costs stated above in point 3.
5. Marketing & Advertising costs

Summary of Marketing costs		
S No	**Expense Head**	**Annual Costs (INR)**
1	Website*	115.000
2	SEO*	100.000
3	Whatsapp Business and Chatbot	100.000
4	CRM (Zoho)	50.000
5	Email outreach*	107.000
6	Trade data Portal (VOLZA)	128.000
7	**Total**	**600.000**
*Own estimation		

- Website development costs in India start from as low as 3.000 INR annual fee, including hosting (Lathiya Solutions, n.d.). However, to make an appealing and customer friendly website with integrations such as contact form and WhatsApp integration, the annual cost has been estimated to be 100.000 INR, annually.
- A WhatsApp Business account with an AI chatbot is planned. The costs estimated for the AI chatbot are sourced from AiSensy (n.d.), and the total cost of the

WhatsApp business account along with the AI chatbot is estimated to be 100.000 INR, annually.

- CRM management costs for end to customer journey management are sourced from Zoho Corporation (n.d.). These costs amount to 50.000 INR, annually.
- Trader / importer data will be sourced from Volza.com. The cost for an annual startup plan is 1.500 USD (Volza, n.d.). This translates to 128.000 INR at the current exchange rate.
- SEO and email outreach budgets are derived from own estimation. These costs are budgeted to be 100.000 INR and 107.000 INR respectively.

6. Office overheads

Summary of Office overheads		
S No	**Expense Head**	**Monthly Costs (INR)**
1	Rent (Fully furnished)*	35.000
2	Internet	3.000
3	Electricity*	3.000
4	Miscellaneous*	9.000
5	Total	50.000
*Own estimation		

- Rent is budgeted to be 35.000 INR, monthly, based on the own estimation. Since the business does not require a physical space to meet clients, the space requirements are limited.
- Internet costs are budgeted to be 3.000 INR monthly, based on the price quotation from Jio (n.d.).
- Electricity and miscellaneous costs are based on own estimation.

7. Sample dispatch costs

Sample dispatch costs have been estimated to be 180.000 INR annually. This is based on the quote provided by Shoppre, n.d., for a 5kg 1 cubic feet box. The price offered is 6.122 INR. The budgets allows for 30 dispatches of samples based on these rates.

Shipping Rates Weight: 5.0 , L: 12.0 , H: 12.0 , W: 12.0 , Volumetric Weight: 5.665574 Sort

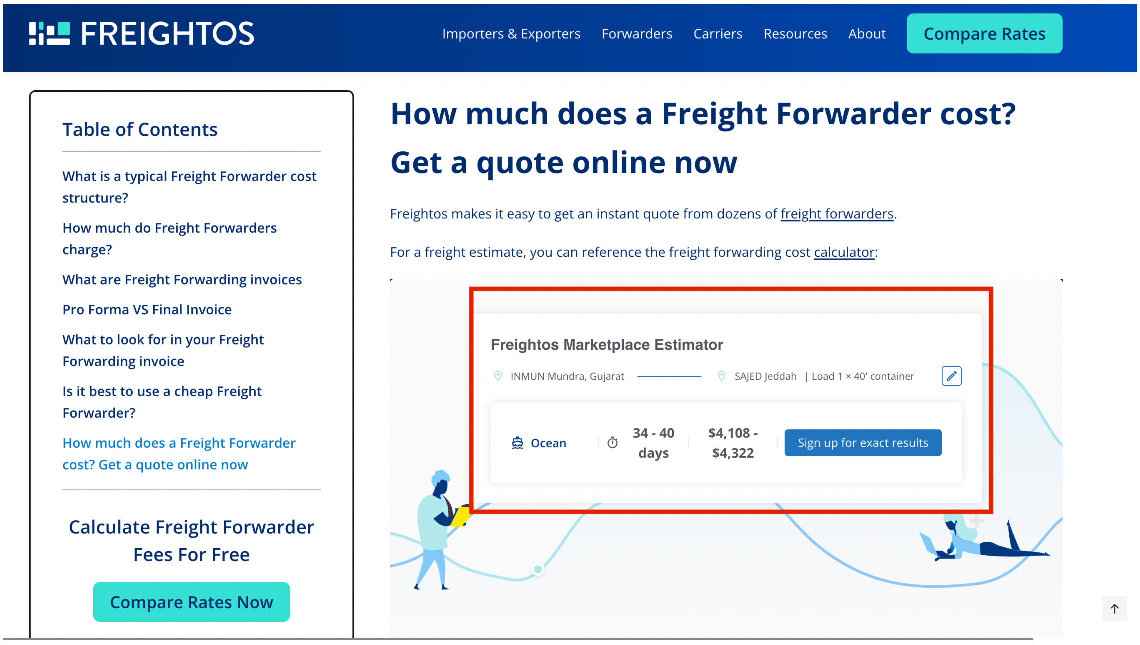
Carrier	In Transit Time	Basic Price	Member Price (5% Extra Off)
Shoppre Trusted Carrier - Express Shipping	3-6* Business Days Express	₹ 6444	₹ 6122

Source: Shoppre, n.d.

8. Professional fees related to tax returns and government compliance have been budgeted at 180.000 INR. While there is no static price for any of these professional services, MargBooks (n.d.) has provided some ranges and estimates. It has listed estimates for tax compliance starting from 2.000 INR to prices over 15.000 INR, with a caveat that prices can exceed these depending on the complexity and quantity of professional services provided. Therefore, an estimation of 180.000 INR has been made.

iv. Reference shipping freight price chart from freight aggregator.

Source: (GoComet, n.d.)



v. Primary characteristics of basmati rice

According to India's Agricultural and Processed Food Products Export Development Authority (APEDA), the primary determinant in classifying rice as a Basmati variant is if its pre-cooked grain length exceeds 6.61 mm (Agricultural and Processed Food Products Export Development Authority, n.d.)