Chaman Lal Setia Exports Ltd.

(A Govt. Recognised Star Export House)
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CIN No. : L51909PB1994PLCO15083

An ISO 22000 : 2005 Certified Co.

Dated : 06.04.2023

To

The Manager,
Bombay Stock Exchange Limited
Floor 25, P.J. Towers
Dalal Street
Mumbai-400001

Scrip Code: 530307

The Manager,
National Stock Exchange of India Limited
"Exchange Plaza" Plot No. C/1, G. Block
Bandra-Kurla Complex, Bandra (E)
Mumbai - 400051

Symbol: - CLSEL Series: EQ

Ref :- Chaman Lal Setia Exports ltd. ("the Company")

Sub: - Intimation regarding Credit Rating for bank facilities

Dear Sir,

This is with reference to Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015. We hereby inform you that Company has received credit ratings from **CRISIL LIMITED** which are as follows:

Total Bank Loan Facilities Rated	**Amount (Rs. in Crore)**	**Rating**
Long -Term Rating	Rs. 165 Crore	CRISIL A/Stable (reaffirmed)

This is for your information and record.

Thanking You,

Yours Faithfully,

For Chaman Lal Setia Exports Ltd.

Kanika Nevtia Digitally signed by Kanika Nevtia
Date: 2023.04.06 17:23:11 +05'30'

(Kanika Nevtia)
Company Secretary & Compliance Officer
ACS:- 29680

Rating rationale

Chaman Lal Setia Exports Ltd

Rating reaffirmed; rated amount enhanced

Rating action

Total bank loan facilities rated	**Rs 165 crore (enhanced from Rs 125 crore)**
Long-term rating	**CRISIL A/Stable (reaffirmed)**

Note: None of the Directors on CRISIL Ratings Ltd's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million
Refer to annexure for details of instruments and bank facilities

Detailed rationale

CRISIL Ratings has reaffirmed its '**CRISIL A/Stable'** rating on the long-term bank facilities of Chaman Lal Setia Exports Ltd (CLSEL).

The rating factors in steady improvement in the business risk profile, as indicated by revenue growth of more than 45% to around Rs 1,400 crore in fiscal 2023 (Rs 1,030 crore in the nine months of fiscal 2023) driven by increase in volume sales and better realisations. Export volume increased by more than 55% to 131,500 MT in the nine months of fiscal 2023, compared with 83,400 MT in the corresponding period of the previous fiscal. Despite increase in freight cost and paddy prices, operating margin was healthy at 10.22% in fiscal 2022 and is expected above 10.5% in fiscal 2023.

The rating continues to reflect the company's strong market position, healthy financial risk profile and above-average operating margin. These strengths are partially offset by susceptibility to volatility in raw material prices and regulatory changes, and low brand penetration.

Analytical approach

Unsecured loan of Rs 56.5 crore as on March 31, 2022, from the promoters has been treated as 75% equity and 25% debt as the loan is expected to remain in the business over the medium term.

Key rating drivers and detailed description

Strengths

Strong market position
The promoters have experience of more than 45 years in the basmati rice business. This has enabled strong market position across domestic and global markets and healthy relationships with international customers. Export to 90 countries contributed to 90% of the sales in fiscal 2023. Moreover, the company caters to private label businesses, but around 25% sales come from its own brands: Mithas, Begum and Maharani.

CLSEL deals in basmati rice, which contributes to 90-95% of the sales. It has established healthy relationships with suppliers in Haryana and Punjab. Because of high dependence on them for milling of rice, suppliers are rarely changed to maintain quality standards. Strong relationships with suppliers enable the procurement of rice at comfortable prices.

Healthy financial risk profile
Networth was around Rs 451 crore as on March 31, 2022, and is expected over Rs 550 crore as on March 31, 2023. In the absence of long-term loan and moderate dependence on working capital

limit, gearing and total outside liabilities to tangible networth ratio were healthy at 0.17 time and 0.28 time, respectively, as on March 31, 2022. Debt protection metrics were robust, as indicated by interest coverage and net cash accrual to adjusted debt ratios of 14.05 times and 0.86 time, respectively, in fiscal 2022. The interest coverage ratio is expected over 13 times in fiscal 2023. The financial risk profile will improve over the medium term backed by healthy profitability and no major debt-funded capital expenditure (capex).

Moderate operating margin
Operating margin was 10.22% in fiscal 2022 despite increase in freight cost and container shortage, supported by the healthy brand equity of the company and good quality products. The share of the company's own brands, Mithas, Begum and Maharani, in total sales rose to over 25% in fiscal 2022 from 20% in fiscal 2020. The operating margin is expected to remain healthy at 10-11% over the medium term (10.71% in the nine months of fiscal 2023) backed by the strong market position of the company. Return on capital employed was above-average at 19.24% in fiscal 2022 and will remain at a similar level over the medium term, supported by healthy profitability.

Weaknesses

Susceptibility to volatility in raw material prices and regulatory changes
Cost of raw material (paddy) accounts for 75-80% of sales cost and hence prices directly impact operating profitability. Paddy, being a kharif crop, is harvested from September to December. The water requirement for basmati is high, and though the rice-growing states (Haryana, Uttar Pradesh, Uttarakhand and Punjab) have good irrigation systems, there is high dependence on monsoon. Hence, the company remains exposed to the risk of limited availability of raw material during a weak monsoon, resulting in low operating income and subdued profitability. Moreover, government regulations directly impact raw material availability through minimum support price and procurement policies.

Low, but improving, brand penetration
Majority of export is under brands of customers (private label business). To maintain quality, customers continue to procure their requirement from CLSEL, which helps in maintaining the operating margin. In the domestic market, the company sells rice under its own brands. Overall, branded sales were modest around 25% in fiscal 2022, as against 20% in fiscal 2020, and should improve over the medium term. Low brand penetration limits the ability to charge high margin compared with industry players such as KRBL Ltd. Significant increase in brand penetration should strengthen the market position and operating margin and will be a key rating sensitivity factor.

Liquidity: **Strong**

Cash accrual is expected above Rs 95 crore per annum against nil debt obligation in fiscal 2023 and will cover working capital requirement and capex. Fund-based working capital limit was utilised at 23% on average during the 12 months through January 2023. The promoters will continue to support liquidity through unsecured loans. Unencumbered cash and bank balance stood at Rs 258 crore as on September 30, 2022. However, same was reduced in Nov-Dec,2022 to meet the paddy procurement requirements. Current ratio was healthy at 4.72 times as on March 31, 2022 and is expected at 5-6 times over the medium term.

Outlook: **Stable**

CRISIL Ratings believes CLSEL will continue to benefit from its strong presence and healthy relationships with clients.

Rating sensitivity factors

Upward factors

- Contribution from its own brands increasing to more than 35%
- Increase in revenue by 25%, driven by volumetric growth, and operating margin improving to over 13% leading to higher cash accrual

Downward factors
- Stretched working capital cycle owing to receivables of over 90 days
- Increase in customer or geographic concentration risk

About the company

CLSEL was set up as a partnership firm in 1983 by Mr Chamanlal Setia, Mr Vijay Setia and Mr Rajeev Setia in Amritsar, Punjab. It was reconstituted as a public limited company in 1994 and was listed on the Bombay Stock Exchange in 1995. It undertakes milling, sorting and packaging of basmati rice for the domestic and global markets. It has its own brands in India, such as Mithas, Begum and Maharani.

It has milling, sorting and packaging plants in Karnal, Haryana, and Amritsar. In Karnal, the company has milling capacity of 12 TPA and sorting capacity of 40 TPA. In Amritsar, however, the plant is currently shut for remodeling.

Key financial indicators

As on / for the period ended		31-Dec-2022	31-Mar-2022	31-Mar-2021
Operating income	Rs crore	1030.18	932.60	851.50
Reported profit after tax (PAT)	Rs crore	79.93	62.84	78.94
PAT margin	%	7.76	6.74	9.27
Adjusted debt / adjusted networth	Times	-	0.17	0.14
Interest coverage	Times	24.52	14.05	18.25

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure – Details of instrument(s)' in this rating rationale.

CRISIL Ratings will disclose complexity level for all securities – including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings complexity levels, please visit www.crisil.com/complexity-levels. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Export packaging credit	NA	NA	NA	165.0	NA	CRISIL A/ Stable

Annexure - Rating history for the past three years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	**Type**	**Outstanding amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund-based facilities	LT	165.0	CRISIL A/Stable		--	17-11-22	CRISIL A/Stable	20-08-21	CRISIL A-/Positive	31-07-20	CRISIL A-/Stable	Withdrawn
Non-fund based facilities	ST		--		--		--		--		--	Withdrawn

All amounts are in Rs crore

Annexure – Details of bank lenders / facilities

Facility	Amount (Rs crore)	Name of lender	Rating
Export packing credit	40	HDFC Bank Ltd	CRISIL A/Stable
Export packing credit	125	HDFC Bank Ltd	CRISIL A/Stable

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CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/ partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).
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For more information, visit www.crisilratings.com

About CRISIL Limited

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