



Chaman Lal Setia Exports Ltd.

(A Govt. Recognised Star Export House)

Regd. Office : Meerankot Road, P. O. Central Jail,
Ajnala Road, Amritsar-143002 India

Tel : 91-183-2590318, 91-183- 2592708

Facsimile : 91-183-2590453, 91-184-2291067

E. Mail : setiarice@yahoo.com, clsetia@rediffmail.com

CIN No. : L51909PB1994PLCO15083

ISO 22000 : 2005
Certified Co.

10.11.2023

To

The Secretary
BSE Ltd.
Corporate Relationship Dept.,
14th floor, P. J. Tower,
Dalal Street, Fort
Mumbai - 400 001

Stock Code – 530307

The Secretary
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex,
Bandra (E),
Mumbai - 400 051
Stock Code - CLSEL

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

Sub :- Transcript of the Analyst/Investor Call held on 03.11.2023

Dear Sir,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, Please find the attached transcript of the Concall held on 03.11.2023.

Thanking You,

Yours faithfully,

For Chaman Lal Setia Exports Limited,

(Kanika Nevtia)
Company Secretary
ACS:- 29680

Encl: As above



“Chaman Lal Setia Exports Limited
Q2 FY24 Earnings Conference Call”
November 3, 2023

MANAGEMENT: MR. RAJEEV SETIA – JOINT MANAGING DIRECTOR AND CFO
MR. ANKIT SETIA – EXECUTIVE DIRECTOR
MR. SANKESH SETIA – EXECUTIVE DIRECTOR

MODERATOR: MR. AJAY THAKUR - ANAND RATHI RESEARCH
MS. PRIYAN BHATIA - ANAND RATHI RESEARCH

Moderator: We have Mr. Rajeev Setia, Joint Managing Director and CFO and Mr. Sankesh Setia, Executive Director. We shall now begin with Mr. Rajeev Setia giving a brief on the company's performance and followed by a Q&A session. So, without further delay, I would like to handover the floor to Mr. Rajeev Setia. Just to inform, I am joined by my colleague Priyan Bhatia, and she will also manage the proceeding from here on. Thank you, sir, and over to you, sir. Mr. Rajeev Setia.

Rajeev Setia: Good morning, everyone. We are on second Q2 meeting of earning call of the company. Sankesh, you please start.

Sankesh Setia: Good morning, and a warm welcome to all of you for the earning conference call of Chaman Lal Setia Exports Ltd., to discuss the business and financial performance of Q2 & H1 FY2024. I have with me Mr. Rajeev Setia, our Joint Managing Director and CFO. I hope you would have an opportunity to go through earning presentation uploaded on the Stock Exchange websites.

The past few months indeed have been a period of significant dynamism for the industry. The year began with disruptions caused by a cyclone in June, which was the first quarter impacting export shipments from Gujarat ports. Subsequently, on August 25th, 2023 the Ministry of Commerce imposed restrictions on basmati rice exports below USD 1200 per metric ton. While most of our sale exceeded this threshold, the shipments of par-boiled rice were affected in September. Furthermore, the unfortunate conflict in Israel added to the challenges. Despite these hurdles, I am pleased to announce that we have achieved an outstanding performance in terms of both revenues and profitability during this year. Our revenue has increased by 16% YoY to reach Rs. 309 crores for the quarter. while our EBITDA showed a 37% growth YoY reaching to Rs. 36 crores. This growth is primarily attributed to our aggressive go-to-market strategy which expanded our distribution network into new regions and deepened our presence in existing markets.

During the current quarter, the Asia Pacific region contributed 39% to our export revenues, the Middle East and Africa region contributed 40%, and America and Europe collectively contributed 20% to our overall export sales. We made significant progress in countries like Yemen, US. Mauritius, Egypt, and Canada over the past few months, resulting in 20% YoY increase in export revenues for the quarter. Notably, our sales in Israel remained stable despite the issues and we continue to receive orders and payments

from our Israeli clients. They have been great, and they have been very good with us. In October, the Government relaxed the minimum export price restrictions to USD 950 per ton, which is a positive development for basmati rice exporters given that our revenue in the sub-USD 950 per metric ton category is minimal. We expect Q3 to be even more favorable for the company. Indeed, we have capitalized on this opportunity by ploughing when prices were lower which should enhance our profitability in the coming quarter.

We also increased our focus on proprietary brands and value-added products such as rice suitable for diabetics and brown rice, which is the quick cooking brown rice. These products have gained strong consumer acceptance with propriety brand sales accounting for approximately 11% of our overall sales and growth by 91% YoY. Although sales of value-added products are relatively low, they have tripled during this period. Our EBITDA margins expanded by 176 bps YoY reaching 11.5% for the quarter. This was achieved through a relentless focus on operational efficiency and savings in our freight cost. Our profit after tax for the quarter was Rs. 26 crores and marking a 30% YoY increase. For the half year, our EBITDA and PAT grew by 26% reaching Rs. 74 crores and Rs. 54 crores respectively. Notably, the first half of the year saw a significant improvement in cash flow from operation, which stood at Rs. 253 crores during H1, compared to Rs. 71 crores in corresponding quarter of the previous year. This improvement is attributed to our profit growth, and prudent working capital management. As end of the September 2023, our net cash position was Rs. 196 crores and our return on capital employed was healthy at 20%, while our return of equity was 17% during the half-year period. As we approach to the new harvest season now, we heard reports of 15% increase in the paddy crop which fills us with confidence in our ability to deliver strong performance this year. With that I would like to open the floor for the questions and answers. Thank you so much.

Rajeev Setia: Sankesh, you just tell everybody about your recent travels and participation in exhibition, and you were in Germany also. Little bit explain that and then we'll start questions.

Sankesh Setia: So, in August I traveled to Dubai which was a trip to meet all the leading supermarkets and we have added the big names over there. And second trip was in Israel. So, I was there just before the war, but I didn't get stuck. Everything was good. So, I went in the beginning of September, and I came back. We also did participate in World Food

Istanbul, which was a very good success for the company. And the last trip, which was Europe, of course, Anuga, which comes every alternate year and it's the biggest food and beverage show in the world. So, we added a new distributor for a country in Africa where we have received a very healthy order of millions of dollars. It is about 30 containers and we hope that we receive more good buyers, more good people to work with, and we keep adding the number of clients for our company and keep getting good buyers for the brand which was my main focus but of course. Private label is always welcome for our company and we make sure that whenever we deliver private label, we make something good out of it, and most important our customer makes a very good benefit out of it and we keep delivering. We pack for their brand, we sell our brand and both the companies make good profits.

Rajeev Setia: Thank you, Sankesh. I open the floor for question answers now.

Sanjeev Damani: Sir, can I come in?

Rajeev Setia: Yeah, sure.

Sanjeev Damani: Namaskar, thank you very much, sir and really excellent performance. Congratulations for all that. We know the sincerity with which all of you are working there for the benefit of all stakeholders. Thank you very much. Once again, for fine performance. Sir actually one request I want to make, if Sankesh Ji can open his video, we can see him also. We have not seen him as such, so it would be nice if he has no objection, he can open the video, once. Secondly Sir, you know our inventory levels have gone down substantially, so I mean, how we are going to then cater to our international needs. In this quarter, it has substantially been down, so can I get answer for this? Thank you, sir.

Rajeev Setia: I will answer. Your question is that the inventory level, as on March was very high around 400 crores. Obviously, there was limited procurement thereafter, and sales were going on and till end of September, you know, the new season is about to begin, the earlier is closing, stocks are mostly at the very minimal levels. That is natural with the industry, because one crop and thereafter immediately we have started buying a lot when the crop grows. We got an opportunity also, though it is not a question but for everybody,

I explain, this ban came on 25th of August and right after one month we had a virtual call with Honorable Commerce Minister, Mr. Piyush Goyal Ji. So, in that meeting he offered that MEP should be USD 900. He proposed that but maybe, unfortunately, 1 or 2 people in our industry, they pushed for USD 850. He half-heartedly agreed with us and in the recent meeting, he recalled those words also that that was not right, he himself said but that USD 850 when it was said, then we knew this MEP will be shortly removed. If it is not 850, it would be 900, or likewise. So, in that period we bought a lot of material, lot of paddy and rice, which is going to give gain in the subsequent quarter. It resolved so many questions, you know about the future.

Sanjeev Damani: Right sir. And sir, one more question regarding export to Africa, which I noted in the presentation. So, I mean to African countries what we understand from many exporters is that you know it is difficult to realize money. So are we taking full advance, or how we are arranging for security of our dispatches.

Rajeev Setia: Your question is absolutely right. What you say is also absolutely correct. You see, the main export to Africa happens is for non-basmati rice, which, unfortunately for raw form, it is prohibited. Only par-boiled rice with 20% duty is permitted, par-boiled non-basmati rice with 20% duty is permitted. So, it has come down substantially and we are not into non-basmati business. We are strictly into basmati business. Wherever we sell our brand, our basmati business we are doing in Africa. We are with South Africa long-time, Kenya long time and the payments do come. It is either letter of credit or it is advance always, and once the cargo reaches, we send the scanned copy of bill of lading, and they remit the payment. We surrender the bill here and gets the delivery. This is the procedure. I mean, we play very safe, you know.

Sanjeev Damani: We know, sir, but still, you know, when it was mentioned African countries, so we were I mean I got excited.

Rajeev Setia: Yeah Yeah, what you say, caution is always there. There are some countries where we don't touch. We know they will simply run away with your money. They are that kind.....

Sanjeev Damani: Right sir. Thank you very much once again. Sir, last thing you know you have been my teacher as far as the rice industry is concerned. So how is the overall scenario in the country and our procuring centers that is Himachal, Punjab and you know Haryana; all these states, how is the crop and how is the scenario of production from the farm? Overall rice scenario in the country as well. Thank you sir.

Rajeev Setia: Yeah. This year satellite survey has been carried out for the crop. Earlier it was being done through APEDA, but last year, and I think for the last 2 years, it was not being done because maybe in one of the year there was quite contradiction between trade and this mapping company, so they discontinued, but we have been always forcing whatever are our estimates, the authentic data should come. So, this time they have done. The first report is yet to come, but last week they held meeting in Karnal about the crop size, and they projected 15% approx. higher than the preceding year. So, the crop is fine this year.

Sanjeev Damani: Sir, that is only in Haryana or rest of the country?

Rajeev Setia: No, no, no. It is the entire GI Area. The survey is carried out in the entire GI Area. GI Area means Punjab full state, Haryana full state, Western UP, some part of Uttarakhand around Dehradun, Haridwar, Udham Singh Nagar area, and then some part of Himachal. How many are counted - Punjab, Haryana, Uttarakhand, UP, and Himachal, five. Delhi is also there and which one I am leaving, Jammu, J&K. These seven states are GI Area and the survey is carried out for these areas only, but basmati grows in MP also now a lot and Rajasthan also in Kota Bundi area.

Sanjeev Damani: Am I right if I congratulate you that you're totally become a debt free company as far as September figures are concerned, only working capital loans are left out with the company?

Rajeev Setia: Working capital loans from the banks are not there.

Sanjeev Damani: Okay, okay, okay.

Rajeev Setia: As regards bank is concerned, every single year, historically, for last 4 decades, when we were a small firm also, we were borrowing and adjusting account every single year. This is the company policy. My dad used to say, if you earn, then why can't you adjust the bank.

Sanjeev Damani: Very nice sir. Very nice. Thank you very much for the time given Sir. All the best.

Rajeev Setia: Thank you.

Moderator: Okay. So, the next question is from Deepak Pawar. I would request him unmute and ask a question.

Deepak Pawar: Yeah, thank you. Yes sir, good morning. Thank you for the opportunity.

Rajeev Setia: Sankesh ko phone karo why is not visible?

Deepak Pawar: No, the camera is set off, sir. That's why.

Sankesh Setia: No, no, I'm visible now.

Rajeev Setia: Yeah, yeah, looking good.

Deepak Pawar: So, my question is regarding the export and domestic mix. What is the percentage of our exports and how much we do sell in domestic?

Rajeev Setia: For the last 2-3 years, our exports are 80-85%, even went as high as to 90%, and this particular year the correct figure is 89%, say 90% and 10% is domestic and now our endeavor is to increase business in domestic market. In any case, after this MEP episode, we realized that need of the hour is to start domestic business. Also, we are hiring the team, good people who can give us at least good business because it Rs.150 crore, 100 around 150 crore is the domestic business annually, which comes through almost 10% of the entire. So, it is need of the hour. India is a big market, people are paying the price for the quality and India is growing country now. You can't leave it up.

Deepak Pawar: So, in this quarter, it is safe to assume that 90% is our export and 10% is the domestic sale?

Rajeev Setia: Yes, yes, yes. Annual is almost like this. It's the same.

Deepak Pawar: Okay, so here in as I see in the presentation, our export growth has been 20% and our sales growth has been 17%. Does that mean that the domestic sales have not increased.

Rajeev Setia: Yeah, because we have learned that we have to I mean, go in the domestic market also now. We have hired the teams and they will be out in the market to sell.

Deepak Pawar: Okay.

Rajeev Setia: To the good distributor, good buyer. For last couple of quarters, I have been saying that but now this was a jolt, probably speaking MEP, because this par-boiled category rice, which was costing somewhere around \$850 to \$900 or \$950, how could we sell at \$1200. So, suddenly a big portion of the business was difficult, but we knew there was a misconception with the government to bring it at \$1200. They thought it is an average price. Some wrong figure was given and that but the rectification takes time here. So, they're not going to do like this ever. They said it will always be market, will have to be seen paddy prices, right prices before taking the decision, this APEDA people have told us.

Deepak Pawar: Right. So, second question would be Sir, that the average realization, so what is the average realization for the Q2?

Rajeev Setia: Okay. Just give me. It is Rs. 90 a kg.

Deepak Pawar: Rs. 90. Okay. So, is it safe to assume that Rs. 90 that means the average realization of Rs. 90, last quarter it was Rs. 83?

Rajeev Setia: Yeah.

- Deepak Pawar: Right, 83 to 90. So, there has been around an 8 to 9% increase in average realization.
- Rajeev Setia: No, it was 85, I believe 85 to 5% it could be.
- Deepak Pawar: No, it's 83. If I'm not wrong. I saw it in the presentation last quarter.
- Rajeev Setia: Anyway, I will have to look. I recall it was 85. Anyway, it is 5 to 6%, yeah.
- Deepak Pawar: So, 5 to 6% increase in average realization, 20% increase in export, I think the number should have been better in terms of sales growth.
- Rajeev Setia: For this quarter, I truly speaking, I was not expecting what we have achieved truly speaking the way I am very candid with you, this 1200 was a big jolt to us because initially we assumed that it is not going to affect us at all because we got the permissions for number of days immediately in advance. We were expecting something is coming and we took all the permission from APEDA, but if it would have prolonged more period then of course then it's the total entire basmati story would have been different, you know.
- Deepak Pawar: Okay.
- Rajeev Setia: So of course, government cannot lose everything to Pakistan. Pakistan gained a lot in this period. Now, it's coming back everything. Yes, some ratio maybe because if we compare the corresponding quarter there was the China broken export also which I recall. Yeah, in the preceding quarter because it was stopped in September sometime. So, that would have some figures effect.
- Deepak Pawar: Okay. So, generally we see this in working capital cycle going down in H1 and then again going up in H2, this is a general phenomenon. Will this continue or will there be any positive or negative changes over there?

Rajeev Setia: You see the fundamental principle is we avoid selling on DA. First thing first. Sooner or later this DA, I mean (udhari jise kahte hain) lands into some kind of problem. This is an experience. So, we desist from selling on DA basis except to very known buyers who were with us for 20 to 25 years, long story who have. And yes, otherwise my entire export is insured by ECGC. This year, one Chinese company [Inaudible] our money and we got 2,85,00,000 claim from ECGC who to try to India safety.

Deepak Pawar: Right. So, working capital will be better than last year's second-half or will it be same? So, what's your view?

Rajeev Setia: Working capital should be better for us, you know.

Deepak Pawar: In the second-half too?

Rajeev Setia: All around, working capital is never an issue for the company truly speaking. Never in any quarter, because I mean we work within our limits and we calculate everything.

Deepak Pawar: Okay.

Rajeev Setia: It's more on the business wisdom how to go with the businesses. Not to pay any kind of penalty because we are not ageing rice also as to put prolonged storage.

Deepak Pawar: Okay. So, what is the typical period where we age rice? I mean, we don't do a lot that we know, but how much what was the typical period, average period?

Rajeev Setia: Look, we have very limited old rice customer. We buy rice from the market and that is the pre-age rice and maybe in other month or two storage, we sell that rice, limited storage, but we are not buying paddy and storing for keeping for more than two years, or for one year. We have our own manufacturing, such a good that rice sells easily.

Deepak Pawar: Okay. Sir, another question, our overall top five countries contribute 62% of our business in Q2.

Rajeev Setia: Yeah, yeah.

Deepak Pawar: Can you name them which are these five countries?

Rajeev Setia: Normally we desist disclosing the names of country where we're doing good.

Deepak Pawar: Okay.

Rajeev Setia: Maybe market knows it, but market means our trade people must be knowing it. They chase each other's business, so it's better not to ask. We are doing very good in USA, Canada and Africa. Many parts we're doing good.

Deepak Pawar: So, can you put some light on which countries are giving better growth? Don't give me the percentage, but better growth in this quarter.

Rajeev Setia: The USA has given very good earnings in this particular quarter. Apart from that, Africa side also we made good money.

Deepak Pawar: Okay

Rajeev Setia: Yeah, these two are on the top.

Deepak Pawar: Right. So, one thing I would like to appreciate here when you said that you were not expecting it to go now the revenue go beyond Rs. 300 crores, though we were expecting as an investor that the revenue should go beyond Rs. 300 crores, but despite all the challenges that you've faced, you were able to clock that. In fact, you have overachieved, I mean my expectations, but on the other hand, I was expecting EBITDA to be better than what I mean, last quarter we did better, right. This quarter, we have done good, but not as good as last quarter.

Rajeev Setia: Minor changes. Keep on coming, which are under control.

Ankit Setia: Hello Chacha. I've just joined in.

Rajeev Setia: You're in India or at airport or where you are now?

Ankit Setia: I'm not in India now, I'm overseas. So, I wanted to say this quarter, September quarter is the hardest quarter because you know we are transforming from the old crop to the new crop.

Rajeev Setia: Hmm.

Deepak Pawar: Okay.

Ankit Setia: So, common sense says get rid of all your old crop and start buying the new crop at lower prices and generally this quarters are not big numbers if you compare it with last year. This quarters are not big numbers and it's difficult to make money also in this kind of a quarter because it's the quarter end of the season. But you can see the results are exceptional. If you calculate, we did a business of around 35,000 tons. Every kilogram of rice which we sold, we made Rs. 10 per kilo which is remarkable, I would say in this quarter.

Deepak Pawar: Okay.

Moderator: Requesting participants to ask two questions at a time because we have other participants in line. So, the next question is from Chirag Shah. Sir, I would request you to unmute and ask your question please.

Chirag Shah: Hello, I am audible?

Moderator: Yes, you are.

Chirag Shah: Yeah. Thanks for the opportunity. Sir, I have actually more than two questions. Sir, my first question is slightly broader one. Can you talk a bit about Pusa-1885 because if the yields are going to be 15-20% higher for that variety and no one is talking about it. I

understand that the effort from the government side has been going on since almost two years now.

Ankit Setia: Okay. Chirag, every year new varieties come in and it is premature or it's too early to talk about this particular variety as of now.

Chirag Shah: Because this is expected to give 15-20% higher yields, right sir, this particular year.

Ankit Setia: No, like I said, every year new varieties come in. We don't know the future after three years, if it will exist also or not. May be some variety.

Ankit Setia: Okay, go ahead Chacha.

Rajeev Setia: Mr. Chirag, 45 varieties have been defined under the Seed Act as basmati.

Chirag Shah: Okay.

Rajeev Setia: It's quite confusing for us also and for the customers also, like 1509 is almost like 1121, 1718 is also looks like the same and new 1800, 1600, two, three varieties have come. Most of them are the new one which are coming are pest resistance and the advantage about those varieties would be in the coming years. The Indian rice will be pesticide free you comply. So, with the business has a good future for those varieties. Yes, I think if we are permitted by the government to write 11 to everyone because the name is quite famous 1121. This is what we intend to discuss with the government because 45 varieties.

Chirag Shah: Yeah, but the taste really changes so much between 2 varieties sir, that is the question because?

Rajeev Setia: No, no, hardly any change in the taste. Hardly visibly it's not recognizable by the common man. We have to apply our mind a lot to identify difference.

Ankit Setia: It is more advantageous for the farmer.

Rajeev Setia: Yes, it's true because yeah.

Chirag Shah: Yeah, yeah, yeah. This is more advantageous for farmer. It is more advantageous for us as a country, as a businessman et. So, that's why I was curious when it is

Ankit Setia: But Chirag, you know it's the first year of this particular crop and it's still immature to say anything about it, whether it will be available also next year also or not. So, it all depends on the farmer that they're happy with the yield, how easy was it to you know take care of this particular crop during when, I mean, what kind of insects came inside? There are various factors.

Chirag Shah: Okay. Sir why was asking is because if India UK FTA happens and I presume basmati rice exports is a part of that FTA. UK would look focus on pesticide free like other European regions, right? How does UK FTA help us if you can highlight, how the UK FTA help us as a country and as Chaman Lal?

Rajeev Setia: No, I just want to understand from you.

Ankit Setia: They're already looking.

Rajeev Setia: Ankit just hold a second. Mr. Chirag said that under FTA, basmati rice Indian will enter duty free, is it so?

Chirag Shah: Sir, that is one of the part of discussion as that we understand.

Rajeev Setia: Yeah, yeah.

Ankit Setia: As of as of now, nothing.

Rajeev Setia: As of now, it is only the unpolished basmati enters at lower duty. Otherwise, it has €175 duty in Europe and UK.

Chirag Shah: Yeah. So, post FTA, we understand that rice in general, all varieties of rice are likely to be get covered over there?

Rajeev Setia: That's very good for us.

Chirag Shah: Yeah, but then they would focus on pesticide free rice and all those kind of

Rajeev Setia: They already want pesticide free rice.

Ankit Setia: So, Chirag what I have done this year is since we started the procurement of new raw material starting from September and now we are in November, I have basically made a bank of paddy which is pesticide free.

Rajeev Setia: Pesticide free.

Ankit Setia: We probably would be having higher stock of pesticide free raw material with us right now in Karnal.

Chirag Shah: Okay.

Ankit Setia: I have ready stock 10,000 tons, which is pesticide free, ready to be exported to Europe. It can go to the hardest country where they're checking pesticides. So, this is the plan for this year.

Chirag Shah: Okay, this is good helpful. And sir second one question.

Moderator: Sorry for interrupting Chirag, since we have further questions requesting it.

Rajeev Setia: Yeah, yeah. please, please, next mam.

Moderator: Next question is from Aditya Agarwal. Requesting you to unmute and ask a question. Aditya Agarwal, you can unmute and ask your question.

Aditya Agarwal: Can you hear me?

Moderator: Yes, you're audible.

Aditya Agarwal: Okay. So, like one thing I've noticed was that like before, like you've already partially answered this, but that your rice is very difficult to acquire in the domestic market. Like I'm in Kolkata and like I try to buy some for myself and like I simply couldn't find it, and even on your website you wouldn't ship to my pin code. So, I guess my question is that like what specific efforts are you planning to make and like what are your plans to increase the distributorship within and availability within India.

Rajeev Setia: Ankit, you go ahead.

Ankit Setia: Yes, should I answer, okay. You know the company is already strongly planning to increase its branded sales in India and abroad, right. So, like I said in the last quarter, we are already looking into this, and you will see in future there will be higher visibility of the brand anywhere you want it in India.

Rajeev Setia: Ankit, your picture is not coming. Can you open it?

Ankit Setia: I have slight problem in the Internet, so only my voice would be coming.

Rajeev Setia: It's okay.

Ankit Setia: So, going forward, this Maharani is going to be available everywhere in India. We need time for this. We are already working on it and we're changing our focus basically.

Sankesh Setia: You can also try buying it on Amazon, Flipkart and JioMart for now.

Aditya Agarwal: I had tried that, but they were not shipping to my pin code like that's what would have.

Sankesh Setia: And it's Kolkata.

- Aditya Agarwal: Yeah.
- Sankesh Setia: Okay, I'll look into it. You can text us the address where you want the rice, we will have it organized to you.
- Aditya Agarwal: Okay. Yeah, sure. But in general like I mean.....
- Ankit Setia: No, no, like I answered, it is going to get sorted out soon.
- Aditya Agarwal: Yeah, okay.
- Ankit Setia: You will not have these kind of problems, but we need time for this. We are working on it.
- Aditya Agarwal: Okay. And also just follow on like in the future like long term, what percentage of domestic and export mix do you expect in terms of revenue?
- Ankit Setia: See currently we are more focused on exports, but I think now because we want to convert more of the business into brand, the business in domestic market also is going to increase. So, currently maybe the percentage is 90/10. So, it is going to happen slowly, it would not happen quick, but I think the percentage will be 70/30 within one year.
- Aditya Agarwal: Okay.
- Ankit Setia: You know, the season has just begun, so we are planning ourselves according to that.
- Rajeev Setia: Ankit the way export is happening fast these days. The possibility maybe the business in domestic is definitely indeed going to increase if exporting reason percentage would not be 30 but our endeavor is to sell maximum in India also, because they help each other, you know.

- Ankit Setia: See, like I said, the season has just started, so we are developing some new products which are to be focused for domestic sales. So, you will see that the percentage is going to increase for domestic sales this year itself.
- Rajeev Setia: Yeah. The visibility will start coming in a year or so everywhere, visibility is not there, that's very important.
- Aditya Agarwal: Okay. Thanks.
- Moderator: Okay. The next question is from the line of Aman Madrecha, requesting you to unmute and ask your question.
- Aman Madrecha: Yeah. Hi sir, thanks for the opportunity. Sir, could you please highlight how the procurement could be going forward as we are approaching the new season and we are aware that it was the like the end of the season. So, my thing was that our gross margins have come down to around 21% for this quarter and according to our business model is that we procure semi-finished rice and then we sell and as we see that the prices are on the rise. So can you highlight on the gross margins going forward, can we expect that this gross margin could remain deflated because the prices are on the rise and our procurement could be on the higher side. So, some highlights on that and how are the prices behaving in the market.
- Rajeev Setia: Yeah, yeah. The gross margins we know have come down in this quarter because the old rice, somewhere there was demand for the old rice or this 1121 variety was quite high price. We had to procure and continue our sale and some time it's a business you have to work with slightly limited margin, but the kind which I explained earlier, this USD 850 which was told on 25th of September. So, we went in a big way for buying and we bought a lot of material at a very, I mean competitive and very good prices for us, and Ankit has told that we procured a lot of pesticide free rice during this period, this I mean had that USD 850 not come, maybe we would not have purchased too much. So, that cushion came though it took another a month almost to get it cleared for USD 950 levels. I think this was an opportunity to utilize. Thank you.

Aman Madrecha: So, can we expect that like as we are on the procurement mode currently, so can we expect the gross margins to normalize going forward to around 24-25% because and going forward within the next couple of quarters?

Rajeev Setia: Definitely, in the coming quarter, it will increase. The way we have our purchases and the way there was a halt in the sales also some of the buyers we asked them to wait for some time. Those who had purchased below USD 1200, so there was some deferment also. So that is all coming in this quarter very quickly, rice is going and that food security you know has become paramount all around the world because of the war scene somewhere and bans and all that. So, the profitability is likely to go up, business is likely to go up.

Ankit Setia: So, you know, in spite of so many disturbances like government making minimum export price USD 1200, inspite of you know transition quarter where we are finishing our old crop, and we are starting to buy a new crop. You can see the results are good and next quarter, of course the results are going to be even better.

Aman Madrecha: And, so, sir, you mentioned that initially we expect that we won't be impacted because of this export ban of around USD 1200 button, but it impacted us. So, can you highlight in some detail like what portion of business got impacted because of the exports?

Rajeev Setia: No, no, no. There was hardly any impact, but had this been prolonged for another 3, 4, or 6 months, it would have been fatal for every company, not for us.

Aman Madrecha: Okay. Yeah.

Rajeev Setia: But, but, because since 1980, the basmati export was permitted Since 1980, there has not been even one interruption so far. This was the first time, I think it would be the last one. Let's take the next speaker.

Moderator: Yeah. The next question is from the line of Namit Mehta. I am requesting you to unmute and ask your question.

Namit Mehta: Hi Rajeev Ji, hope all are well.

Rajeev Setia: Yes.

Namit Mehta: Just a couple of questions from my side. One is you know, if I look at the longer-term realization trajectory you know pre COVID it used to be in the 50s, 60s, 70s. Now we're seeing in the mid-80s, early 90s per kg. Why has there been such a big change in realizations, and should we expect this to go back over a period of time, back to sort of pre COVID realizations?

Rajeev Setia: Earlier, you know, what is your question? I have not correctly understood. Can you little bit repeat?

Namit Mehta: Sure sir. So, if I look at the realizations pre-COVID on a per kg level, they used to be in the 60s and 70s before COVID.

Rajeev Setia: Yeah.

Namit Mehta: Now they're in the 80s and 90s. Can you just talk a little bit about why that's the case, you know, and should we expect this to go back to 60s and 70s over a period?

Ankit Setia: So, you are saying, pre-COVID, we were selling rice Rs. 60 to Rs. 70 per KG and now we are selling at 80 to 90 rupees, correct?

Namit Mehta: Correct, yeah.

Ankit Setia: Yeah. Yeah. OK. So, Chacha Ji please.

Rajeev Setia: Yes. It all matters from the raw material prices, the paddy was lower prices those days. Accordingly, the cost of rice was coming and accordingly the rice was selling also. So pre-COVID, this was there and then after the COVID you know scenario changed. Food is suddenly becoming an issue in the world you know. In Covid, prior to COVID a lot of picking in the shelves happened. Recently, when the government banned in USA, the videos were coming people were in the queue for picking up the rice or other food items.

So, then Ukraine war came, now Israel issue and other countries is coming. The food is becoming, I mean more important than luxurious thing. So, the prices are going up. This year the prices are good for the farmer. He is likely to grow more in the coming season. Also, he's going to adopt the crops which give him more yield. So, I see a good, good time for our industry.

Namit Mehta: Got it.

Ankit Setia: You know, since. Yeah, go ahead. Go ahead. Go ahead please.

Amit Mehta: No, Sir. Sorry. My second question is, you know around this change, not change, but you know your shift somewhat in the strategy to even try to push the branded sale a little more. So, you know your current business is very strong, right earning high returns on capital. Why change this and try to become a, you know, stronger brand where the dynamics are different, investment requirements are higher. Is it a, you know challenge to scale the current business, or you know where is this you know shift coming from?

Ankit Setia: I feel the change is coming only in the mindset and it is true that companies which are branded they command higher market capital. So, I mean, we want to do that for our company. That's the reason.

Rajeev Setia: But uh, the only catch in between few others and us is we don't want to burn money for earning anything. We will go gradually. We will, I have said it already that we will first fix the distributors in entire India. Sell them, let them sell to mom-and-pop store whatever are in their ledger. And once our brand and yes, this online business is already going on and it's picking up gradually, it is picking up, it's no longer the way it used to be one year back, it has picked up a lot. We are getting the repeat orders also. We are making a diary data that the one who has purchased 5 kg, next time how much he has bought. One who has bought one box, are his orders coming. So, this is the, I mean the repetition of the sale comes then it grows. That is the right sale. If somebody buys and then never turns up, it's like no business in our opinion. So, all sides we have tried but with the, I mean suddenly you run in the cinemas, you advertise a lot, you burn 30-40 crore and end up doing

nothing that that, that kind of strategy we don't have. This is our strategy right from the beginning, slowly, steadily going and saving ourself.

Namit Mehta: Exactly. Got it. Thank you.

Moderator: As we move further, there's one question in the chat box, Maharani brand which is 11% now, when will it reach the level of 50%? And secondly, what is the revenue growth and margin guidance for FY24, FY25 and FY26? This is the question from one of the participants Ketan, so.

Ankit Setia: I could not understand it 11%, 50% what is 11%?

Rajeev Setia: Ankit, our brand branded sales have in this quarter is relatively lower than the preceding one, branded sale that that's the ratio, is it right?

Ankit Setia: No, no, I'm not. Sure. What is 11%, 50%?

Rajeev Setia: Yeah. Just look at that and let us see.

Ankit Setia: Ma'am, can we do verbal questions? Then we can come to the written questions.

Moderator: Okay. The next question is from Rajesh, I would request you to unmute and ask your question please.

V.P. Rajesh: Yeah, hi. Thanks for the opportunity and congratulations on doing a good volume given the headwinds you described in this quarter.

Rajeev Setia: Per year? How much?

V.P. Rajesh: Hello!

Ankit Setia: Yeah, yeah, yeah, yeah. Go on, we are listening, please.

V.P. Rajesh: Okay. So, my first question is Rajeev Ji, given your stature and experience in the industry, what kind of increase do you see in this season in the volumes and therefore, what kind of pricing do you see in the procurement in this current season?

Rajeev Setia: Look, last year our revenue was 1400-crore about.

V.P. Rajesh: Right.

Rajeev Setia: Yeah. We have to achieve some that target which we feel it will come the way these two-quarter, total how much is the total is around two quarters. It is how much percentage of 1400 crore. It must be 45 around, 570 crores. So, these are the normally the second quarter is always green. So, hopefully we will meet that target of 1400 crore and can grow, go up also, let's hope.

V.P. Rajesh: Well, my question was about the procurement in this season. I'm not concerned about the revenue for this year. I was saying, ki abhi jo procurement aapne start kiya hai usme, you know compared to last year, how much more do you expect to procure, kitna percentage aap aur jyada karne ki soch rahe hai and second, what is your sense of pricing per kg, ki wo kitna hoga, kyuki aap bol rahe the shayad ki 15% jyada crop aane ki sambhawna hai iss season me. So that's what I'm trying to understand.

Rajeev Setia: That is satellite imaging report.

V.P. Rajesh: Correct.

Rajeev Setia: The written report is yet to come. In the meeting they told us that approx 15% basmati is [inaudible] this time. And that area, which is out of GI, MP and Rajasthan, is not covered in that and we are getting figures that crop on that that side is also high. So, whenever the crop is high at the time of procurement, if we get at the cheaper prices, we always make money more.

V.P. Rajesh: Correct. So that's why, I was trying to understand ki aapka jo procurement ka price rahega, wo let's say compared to last season, wo aapko lagraha hai matlab given your

experience and you are obviously maha veteran in the business, to aapko lagraha hai ki wa same pricing hogi ya uss se kam bhi hone ki sambhawana hai, wo samjhna chah rahe hai.

Rajeev Setia: This quarter.

Ankit Setia: May I answer. Can I answer Sir?

Rajeev Setia: Ankit, tu better answer karega.

Ankit Setia: Okay. I take care of the procurement, so I can answer this very well.

V.P. Rajesh: Perfect. Excellent. Please.

Ankit Setia: Right. So last year, last year we were very strong with our procurement. Our timing was excellent, I would say. With the procurement. And this year also, it is absolutely the same, 50% of the procurement is already done and it has been done at an excellent time.

V.P. Rajesh: So, if 50% is done Ankit then pricing wise, is it higher and you don't have to tell me the number itself because I understand that.

Ankit Setia: But why are you just saying higher? I don't understand. When I'm saying it has happened like last year. The timing was perfect.

V.P. Rajesh: No, no.

Rajeev Setia: It's very good, that's all. We told you repeatedly, of course we cannot share.

V.P. Rajesh: Ji. Ji.

Rajeev Setia: Yeah, because it's the trade, you know.

V.P. Rajesh: Okay. No, I understand. I was just saying directionally whether it will be lower pricing compared to last season or it will be similar. Obviously, it won't be higher because volumes jyada aa rahe hai market. Yeah. So that's what I was trying to understand.

Ankit Setia: You know the dollar has gone up by 10% as compared to last year.

V.P. Rajesh: Ji.

Ankit Setia: And so procurement is same like last year. So, I don't want to say more.

V.P. Rajesh: Nahi, nahi, theek hai. That's what I was trying to understand. Thank you. My other question is that earlier, we were talking about UK FTA and from what I was reading is that some of the guys like Tilda in the UK market are pushing back ki bhai ye you know, we can't bring down the duty. So, A, I just want to check with you if that is correct and B you know, do you think there will be some movement in the negotiation whereby the duties come down even if they are not go to 0? Kyuki waha ki associations are pushing back ki ye nahi hona chahiye.

Ankit Setia: Someone, someone having a rice mill in UK would always want these duties to stay.

V.P. Rajesh: Correct. Exactly.

Ankit Setia: And someone like us who's exporting polished rice would always like these duties to go away.

V.P. Rajesh: Correct.

Ankit Setia: So if duties go away, we benefit. Companies like us, we benefit. Of course, they'll be resistance with people who have rice mills.

V.P. Rajesh: Right. So, my question was in that context, what is your sense because see one part is that it's a country-to-country arrangement and there are different industries that the

government has to look after, right. But given the strength of our lobby, do you think we will be able to reduce it even if it doesn't go to 0, that's what I'm, trying to understand.

Rajeev Setia: Yeah, Mr. Rajesh, I'll answer. I'll continue what Ankit said.

V.P. Rajesh: Ji.

Rajeev Setia: A book came from Abdul Kalam, Abdul J. Kalam, our president. Yeah, Ignited Thoughts and on the first or second page, he wrote. We are Indians, we send our raw material to UK, and they make clothes for us and then we import. This is what he wrote, and he said this kind of mindset, you know, or this kind of things are going on forever. The same is happening with the rice.

V.P. Rajesh: Correct.

Rajeev Setia: What is left in India, husk and dust, we remove the husk and remove the dust and send, unpolished brown rice. As a raw material for factories in England and Europe?

V.P. Rajesh: Correct.

Rajeev Setia: And they get duty abatement of €175 and we have to pay on the processed packed rice and as regards our industries are concerned, they are far better than their industries. We have better industries in India, so.

V.P. Rajesh: Right.

Rajeev Setia: It's the high time that we continue to export raw material and the this it will have to be taken at the diplomat levels at the high levels for wherever the free trade agreements are coming. We cannot allow duties; it has to be either common for brown and white if somebody wants to run their mill. Let them run, but why benefit? Why not our industry gets encouraged? I've been fighting for this issue for years, but nothing is happening. If it happens, we will have the very good business in Europe particularly.

- V.P. Rajesh: Got it. OK, thank you Rajeev and all the best.
- Rajeev Setia: Thank you.
- Moderator: The next question is from the line of Madhur Rathi. Please unmute your line and requesting all participants to stick to one or two questions. Due to time constraints.
- Madhur Rathi: Sir, there was a recent World Bank article regarding the rice prices being high till FY25 and a lower rice yield overall. So, if you could just highlight that?
- Rajeev Setia: Very simple. We are into basmati business. We know more about basmati. Even in India, I think 133-million-ton rice is for this current kharif is coming. In the summer kharif period as well as the current winter kharif period is coming 133 million. So, we don't feel any shortage in India. And basmati is just 6-7 million ton out of which 4.5 is exported around 2 remains in India. So, there is no shortage. I don't know how come is that, but yes, food is the topic in the world now?
- Madhur Rathi: Okay. And sir do we see the prices being up till like FY25 as they have guided?
- Rajeev Setia: Repeat your question.
- Madhur Rathi: Sir, they have guided that prices will remain high till FY25 because of all these inflation issues, and you know and lower yield. So, will that be true for basmati as well?
- Rajeev Setia: I said for this particular year there is 15% higher crop and secondly the way new seeds are new variants of basmati's are coming in India. They are all with high yields and pest resistance, both sides they are good seeds. Otherwise, what is the use of invention?
- Madhur Rathi: Okay. And sir, where do we see our branded sales going from two to three years down the line as a percentage of our total revenue?
- Rajeev Setia: Look, nothing can be committed, but it's our endeavor, because when I exported my first consignment in 1982, it was Maharani brand. So I knew I had to sell my brand first. My

second consignment to Dubai was also in Maharani brand and thereafter you know it's the competition, it's the growth and we had to go for private labels also. And we are one of the largest amongst them. It's our endeavor in India we are trying to come up with our brand. Internationally, we are doing we're already in around 38-39 countries. So, let's assume we grow around 25-30% in coming 2-3 years or so.

Madhur Rathi: Thank you, Sir. That was very helpful.

Moderator: The next question is from Anuj Sharma. I am requesting you to unmute and ask your question please.

Anuj Sharma: Yeah. Thank you so much and congratulations for the good result. Ankit, I have a question for you. You made reference that we made Rs. 10 per KG, one of the best. Now, how do we look at the realization or maybe margin and is it an absolute number which you look at or is it a percentage margin? And Rajeev Ji, if you can just help us into the history, how this number has been and how do you look it forward? Thank you.

Ankit Setia: No, no. I just gave an example that we did business of 35,000 tons and we made EBITA of Rs. 35 crores. So, if you divide it, it comes to Rs. 10 per kilo. This is what I said.

Anuj Sharma: Yes.

Ankit's Setia : Which is a very good margin according to me.

Anuj Sharma: Alright, alright. But how does the pricing work so?

Ankit Setia: You know, the rice industry, you leave 2-3 people, they don't post profits more than 2%. You can go through CRISIL, you know, you'll find a lot of rice millers exporters. You can go through their balance sheets. On CRISIL or other rating companies, there is nobody who gives more than 2%. So that is why I made the examples, yes.

Anuj Sharma: Yeah. And Rajeev, if you can just go back into the history that this number of 10, how has it been and how do you see this number going forward. Thank you.

Rajeev Setia: You see, it's a speculative business also, rice. Paddy price one year is different, other year is different. The size of the crop come higher. Suddenly the prices fall. There are many things and quite subjective, but our company you know works in a manner, first thing first you see how we earn more than others. I make payment to my vendor in three to four days and deduct 2% when I deduct 2% and give them payment without asking. I know I get one or two percent higher in this value. I mean they sell me at a cheaper price relatively. You see, so 3-4% is the gain at the point of purchase and the rest is our marketing team, Ankit and Sankesh run around the world, and they go to very far places, and they sell there in the private label, in our own label. So, this is easy to attain, achieve not something, we can continue like this.

Anuj Sharma: Sure. Thank you. Thank you from my side.

Moderator: Okay. Due to time constraints this would be the last question, and if your questions are not answered, please write or to the IR ID which is mentioned on the last page of investor presentation, and I will now hand over the call to the management for closing comments.

Rajeev Setia: Are there any more question or is it already done?

Moderator: Yeah, this was the last question. It's done.

Rajeev Setia: Okay, okay.

Moderator: I would now hand over the call to you for closing comments.

Rajeev Setia: Yeah. I thank everybody who joined and those who didn't join, all the stakeholders, investors, our well-wishers, I heartily thank you very much. We will strive to work hard. We will keep on focusing on our business diligently as regards our sale is concerned, profitability is concerned, our goodwill is concerned. All things will all parameters we will try to improve upon. Because I believe room for improvement is always there and it never closes, so it will continue. Thank you so very much for joining.

Sankesh Setia: Thank you very much everyone.

(This document has been edited for readability purpose)

Contact Information:

Ms. Kanika Nevtia, Company Secretary

Email: ir.chamanlalsetia@clsel.in

Registered Office:

Meerankot Road, P.O. Central Jail, Ajnala Road
Amritsar, Punjab, India – 143001

CIN: L51909PB1994PLC015083

www.clsel.in