



# Chaman Lal Setia Exports Ltd.

(A Govt. Recognised Star Export House)

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CIN No. : L51909PB1994PLCO15083

ISO 22000 : 2005  
Certified Co.

Dated:15.02.2024

To

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

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

Scrip Code: 530307

Symbol: - CLSEL Series: EQ

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

Sub :- Transcript of the Analyst/Investor Call Held ON 09.02.2024 :-

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 09.02.2024.

Thanking You

For Chaman Lal Setia Exports Ltd.

(Kanika Nevtia )

Company Secretary & Compliance Report

ACS:-29680

Encl: As above

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“Chaman Lal Setia Exports Limited  
Q3 FY24 Earnings Conference Call”  
February 9, 2024

**MANAGEMENT: MR. RAJEEV SETIA – JOINT MANAGING DIRECTOR  
AND CFO**

**MR. ANKIT SETIA – EXECUTIVE DIRECTOR**

**MODERATOR: MR. AJAY THAKUR - ANAND RATHI RESEARCH**

Moderator: We have Mr. Rajeev Setia, Joint Managing Director and CFO and Mr.

Ankit Setia, Executive Director. We shall now begin with Mr. Ankit Setia giving a brief on the company's performance followed by a Q&A session. So, without further delay, I would like to hand over the floor, over to you Ankit.

Ankit Setia:

Good morning everyone, my name is Ankit Setia, and I am the grandson of Mr. Chaman Lal Setia. I welcome you all to the earnings conference call of Chaman Lal Setia Exports Ltd. We will discuss the business and financial performance for Q3 and 9-month FY2024. I also have with me, Mr. Rajeev Setia, our senior Joint Managing Director with me. I hope everyone by now has gone through the earnings presentation uploaded on the stock exchange website.

Coming to Last quarter, it was like a roller coaster, first there was a ban on broken rice, after that came ban on white rice, after that 20% duty was imposed on non-basmati parboiled rice, and if that was not enough, minimum export price on basmati was set at 1,200 USD per ton, and later reduced to 950 USD per ton. Now there is a saying in business “it is supposed to be hard, if it were easy, everyone would do it”. I'm pleased to announce, that we have been able to achieve our highest-ever quarterly profits during this roller coaster Quarter 3 of FY2024. Our revenue increased by 13% year-on-year (YoY) and 30% sequentially to reach Rs. 400 Crores for the quarter. Our profits were at record levels during the quarter, with EBITDA of Rs. 52 crore and PAT of Rs. 39 crore. Our EBITDA margins continue to stand in our guided range of 11%-14%. During the nine months, our EBITDA margins expanded by 228 bps to 13.0%, while our PAT margins expanded by 175 bps to 9.5%. In the quarter 3, total revenue is 400 crores out of which small packaging (1 kg and 5 kg) sale is around 35%. There is another saying “Team work makes the dream work”. The growth above is all thanks to our dedicated teams, for their hard work and efforts which have played a crucial role in achieving such strong results. Our sales team was extremely aggressive last quarter in participating in various food exhibitions across the world. Exhibitions like - World Food Agro in Istanbul, AgroExpo in Uzbekistan, Thafx in Thailand and Indus Food at Noida. Also, our manufacturing, packaging and logistic team worked very hard, on quality and on time delivery. We remain confident about delivering good performance to our shareholders in the upcoming quarters as well. With our robust on-ground execution capabilities, strong customer relations and increasing distribution reach through exhibitions and a lot of traveling, we believe we

are well-positioned to achieve sustainable growth in the medium to the long term. With this, I would like to open the floor to the questions and answers.

(Inaudible)

Chirag Shah: Red Sea issue. The freight rate, the Red Sea issue because of which freight rates have gone up, so does it impact our exports in any region, 1st and if yes, who bears the cost? Are we required to bear, I know it's a short-term period and we don't know how it will play out, fair point but given the past experience that we had, so how are the terms being done today? What is the discussion that is happening today?

Rajeev Setia: Ankit, let me explain it. First thing first. After the COVID, the ocean freight has gone so high, so exorbitant and to some extent our customers have become habitual. They know these kinds of shocks will come and go. Ukraine war happened. Few things happened but now because of the Red Sea, of course the ocean freights have gone up, but not the way it had gone up in the past. First thing so, I mean the customers understand everything and very quickly absorb, very quickly absorb. Some of my customers waited for 7 to 10 days and then said to go ahead and ship the rice and yes to protect us we are offering all quotations at FoB price and add the actual ocean freight at the point of shipment and make CIF shipment because CIF is very important. We have to have our cargo insured till destination because entire payment is not received in advance, partial is there and if something happens, maybe the buyer won't come across. So, it's important for us to insure the cargo till destination and the ocean freights are whatever they are, they are high or low, we add on to it. Otherwise, it is taking 14 to 15 days extra. It goes via Africa now, Cape town. So, it's just the time gap or to begin with it was little gap for the customers. Now everybody has absorbed. Now you know it's the food, people all over the world you know, sometime war, a very different eventualities are happening, so people protect them for their food. Even the countries now they are doing that. Ankit, you want to add some.

Ankit Setia: Chirag ji, I just want to tell you the process on how it goes. So, a regular buyer would let's say place an order on 1<sup>st</sup> of February, okay and the contract will be signed on FoB basis because the order also is going to take 10 to 15 days to get processed and to move for the port. In volatile times, prices of freights can go up. They can even come down. So, when the container is about to arrive at the port, we inform the customer that this

is the freight we are getting and sometimes you know the customer also, because they also have contacts with their freight forwarders, they can also get lower freights. So, whoever is getting the lower freight, we use that freight forwarder and we moved the cargo according to that.

Chirag Shah: Okay, so the customer is bearing the fluctuations in free trade, that is the way to understand.

Ankit Setia: If anything like this happens, our contracts they convert to FoB terms and the freight is decided when the container is reaching the port.

Chirag Shah: Okay. Which regions, Middle East is affected right now?

Ankit Setia: Yemen is affected.....countries are affected. I would not say regions. Yemen is affected. Israel is affected. Two-three countries are affected. So in that case, you know the customer also understands because they also have their contacts. So, they negotiate the freight and they tell us that this is the freight forwarder you can use.

Rajeev Setia: Because it's a force majeure situation. They cannot push us that even if we have sold CIF in some places, still we have been able to add freight.

Ankit Setia: And Chirag Ji, its normal and it is not something new for us. I will give you an example like in USA we deal with House of Spices. So, House of Spices is not only importing rice, they are importing multiple products and they have a contract with Maersk Line for example, for 1000 containers in a year, so they get a better freight than even us and they tell us that this is the freight forwarder and you can use. We are already in that setup.

Chirag Shah: Okay. Thank you. I'll come back for more questions. Thank you.

Moderator: The next question is from the line of Deepak Pawar. Deepak, you can unmute yourself and ask the question.

Deepak Pawar: Thank you. Thank you for the opportunity. Congratulations on good set of numbers. My question is that this ban, the non-basmati rice ban; going forward, we still feel that the next year is going to be a low production year, not just for India but world over. So, what are your views, will this ban continue or there will be upliftment post-election.

Ankit Setia: Okay, so the Government of India has put a ban on the private exports, but they have formed NCEL, which is now they're taking care of the exports, and it is happening G2G. So earlier it was happening from private-to-private people but now it is happening from government to government

and NCEL is putting tenders which any private person can bid on and can supply them rice and this is how it is happening. So, it's not like a ban, only the players have changed. It's like that.

Deepak Pawar: Right. Can you give me the regional bifurcation of the same?

Rajeev Setia: No, no repeat question.

Deepak Pawar: Can you share the regional bifurcation of the sales for this quarter? Region wise sales.

Ankit Setia: Like international sales?

Deepak Pawar: Yeah exports.

Ankit Setia: So major of course is GCC countries. And then we are very strong in USA, Canada and in the East, we do a lot of business with Australia, Singapore. I mean we export to more than 80 countries, so major ones would be in GCC and in America.

Deepak Pawar: Ankit Ji, can you name how much percent did we export to GCC of the total sales? How much we did with USA? I mean the major ones, not all ones, of course?

Ankit Setia: You know, there are too many countries for me to tell you, but top ones I have told you would be GCC and towards USA.

Deepak Pawar: Okay.

Rajeev Setia: And Canada too.

Ankit Setia: What I meant was USA, Canada.

Rajeev Setia: USA and Canada together. Canada is very good market for us.

Deepak Pawar: Ankit Ji, another question would be that we have seen a significant 29% increase in interest cost on as well as 25% in employee cost for Q3. On 9-month basis, also 29% increase in interest cost and 16% increase in employee cost. So, what are the reasons for the increase on your end?

Ankit Setia: Do you have the figure also what is the interest cost, I mean in terms of crores? If you can pull that, I'm sorry I don't have them.

Deepak Pawar: Sure. So say for example, year on year basis, we'll see Q3-22 Q-o-Q last year in December, the finance cost was 1,93,00,000, which is right now 2,56,00,000 which I see year on year.

- Ankit Setia: You know, for a revenue of 400 crores, I mean 1 crore increase is not big.
- Deepak Pawar: No, I'm not saying it's unreasonable, why it happen so.
- Ankit Setia: I absolutely understand. In terms of percentage, it will look like 100% but in terms of value it is not big. Chacha, if you can tell where it has gone?
- Rajeev Setia: Yeah, yeah. Actually this year, look at the current quarter, we have very good sales and most of the material is already sold. We have very large inventory now and obviously our borrowing is relatively higher as compared to the corresponding period of the year. Even I have increased my bank limits and that's very cheaper money. You know, we have subvention also of 3%. Bank charges 7.5 EUR 7.75 and sometimes close to 8. We get 3% subvention; it is 4 to 5% interest. It's peanut. You know if we just.....
- Ankit Setia: Also, maybe the orders have increased so we have more procurement this year.
- Rajeev Setia: Yeah, yeah, yeah. Orders have increased. That is what I have told our inventory is high.
- Ankit Setia: Maybe more orders are you know yet to be processed.
- Rajeev Setia: Yes, one thing I wanted to share with all. We are participating in Gulf-food and if somebody is travelling to Dubai these days, he is most welcome to visit to our store. We are in the Conference where you don't have to buy even ticket, you can straight enter. And this is the biggest food event. Every year we participate because here minimum 0 from 40 to 50 countries, our existing customers come, and we are always very optimistic, and we'll get good business from this, and we get it always. And the relations get renewed with so many existing customers, at least 70 to 80 customers come, at least, always and then new are added.
- Deepak Pawar: My next question is on the same lines. We have this Gulf-food between 19 February to 22 February. We also have a stand there. My question is that generally every year when we participate in this kind of event, what is the general order value, the increased order value that we get, any average?
- Ankit Setia: You mean to say the new orders we get?
- Deepak Pawar: New orders. Yeah, new orders.

- Ankit Setia: You know, orders are already in the hand. You're just meeting them.
- Rajeev Setia: And new customers also come.
- Ankit Setia: And then the people who are following up from so many years, they also come and meet you.
- Deepak Pawar: Yeah, that is when getting new orders, any new orders that you have acquired?
- Ankit Setia: From the past experience.
- Deepak Pawar: Yeah. Past experience. I would just want to know the historical averages on that front.
- Rajeev Setia: You know its very simple. In every exhibition we get new customers and Dubai in particular, you see Ankit is going, I'm going, Sankesh is going. I don't know even Vijay takes one day flight and comes and of course sales staff is also going. The reason is many existing customers are coming. If we have to meet them, it will take us one year to move around and still we will not be able to meet. It's a forum where everybody comes and we meet each other and meeting each other renews your business. It prolongs your business also. So always, always the new customers, some of the customers are not satisfied with their existing supplier, some new people come in the business. It's the food item. If people are after the food business, so there's ample opportunity and we encash it.
- Ankit Setia: For example, let's say you are following up with somebody who's based in Africa, let's say Congo, right. So, it's impossible, you know, to go to Congo, meet him and it's very easy to invite him to Dubai and you can sit across. You can do your business. I'm giving you an example. It can be multiple countries, multiple customers. Alright.
- Moderator: Thanks, Deepak. Have you got answer for all your questions? Deepak?
- Ankit Setia: Deepak Ji. Anything else?
- Moderator: We'll move on to our next question.
- Deepak Pawar: Yeah, yeah. Sorry, sorry. I got muted. Yeah, I think I got the answers to all questions. Thank you. Thank you, Ankit Ji.
- Ankit Setia: Welcome Deepak Ji.
- Deepak Pawar: And best of luck for your future.

Rajeev Setia: Thank you so very much.

Ankit Setia: Thank you Deepak Ji, thank you.

Moderator: We'll move to the next question from the line of Mr. V.P. Rajesh. Rajesh sir, you can unmute yourself and ask the question.

V.P. Rajesh: Yeah. Thanks for the opportunity. So, you know first question just to make sure and understand your inventory figure is around 626 crores. So, typically you hold the inventory for six months or so. Is that sort of the right conclusion there?

Ankit Setia: I didn't get the first line. Can you repeat it please?

V.P. Rajesh: Your inventory worth is 626 crores as per the presentation?

Ankit Setia: Yes 626, yes.

V.P. Rajesh: Right. So, I was just checking that your inventory is generally for six months like you will hold the inventory typically for six months.

Rajeev Setia: No.

V.P. Rajesh: Is that the right way to think about the business?

Ankit Setia: That is not true.

Rajeev Setia: That is not true.

Ankit Setia: Our inventory is based on the orders we have.

Rajeev Setia: If you simply compare with just standard quarter 400 plus is our sales, so that ways to maintain 600 crore is not higher. And secondly, you see the crop is one. We have to have some rice for longer period also. But it's simultaneous sales. Around 70% I think Ankit have you calculated is 70 or 75%, this is what I've been told is sold as against this. How much it is? Did you check it?

Ankit Setia: I'm sorry. Say again, please. I was....

Rajeev Setia: I mean, out of this 600-crore plus stock, I have been told by the sales team our contracts and they have added it's around 70%, I have been told.

Ankit Setia: No, we would be short.

Rajeev Setia: Hmmm.

Ankit Setia: We would be short.

- Rajeev Setia: Means?
- Ankit Setia: Means we have, I mean we have more orders.
- Rajeev Setia: You have, maybe you.....
- Ankit Setia: I mean what figures you're getting is 31st December. I'm talking like we are in Feb now.
- Rajeev Setia: No, no, no 31st December is gone. 31st I'm comparing. We did more than 400 crores sales.
- Ankit Setia: Right.
- Rajeev Setia: This is the stock of 600-crore plus is justified. We have to have that because we have orders and it's one crop in a year. Means some rice we have to carry forward. Some varieties will be carrying.
- Ankit Setia: So, I don't have the exact percentage, but as you know, we do our business against orders. We get orders only then we .....
- Rajeev Setia: I have been told that 70 to 75% strictly sold. This is what my team said. Anyway.
- V.P. Rajesh: Okay. So, just to clarify, that was by the way very helpful to understand how to think about your inventory. So, see the question then is that your acquisition period is generally the season, right? By February, you would have acquired everything and your orders will be coming throughout the year. So, how do you manage that? Do you acquire in the open market when you get new orders?
- Ankit Setia: No, that is not true. The procurement can happen throughout the year.
- V.P. Rajesh: Okay. So, you're procuring throughout the year, okay.
- Ankit Setia: We are procuring all throughout the year. I have to do it in two months. If I feel the prices are high and my customers are not accepting higher prices, maybe I don't even buy, I wait.
- V.P. Rajesh: I see. Okay. And then on the debt and cash balance, what were those figures for December end?
- Ankit Setia: Debt and cash balance. We don't work on much debt. I think my uncle can tell better.
- Rajeev Setia: Debt, I think was around 150-crore borrowing of the banks.

- V.P. Rajesh: Okay, 150 crores. And cash, you are still maintaining 250-crore plus.
- Rajeev Setia: Yeah, yeah, yeah, because we have current assets also .....
- Ankit Setia: Let's say we do a revenue of 1400 crores in a year, for example.
- V.P. Rajesh: Hmmm, right.
- Ankit Setia: So, we are doing practically 110 and 115 worth of export sales every month.
- V.P. Rajesh: Okay.
- Ankit Setia: So, taking a debt of 150 crores that can be returned very quickly.
- Rajeev Setia: Very quickly. It's already as on the date it is around 100 crore, 110 to 115 crores. And every single year, the company track record is, for 40 years, every year we borrow and every single year, we adjust the account and after moving from PNB to HDFC, we have borrowed and adjusted the account even deposit source to the bank. They are very good even assets for us. Indeed, intangible benefits we get.
- V.P. Rajesh: Okay. And my last question is, you know in the GCC market, especially in Saudi, you know KRBL has been having issues over the last, let's say 12 to 18 months. So, have we been able to acquire some market share because of that?
- Ankit Setia: I don't want to comment on my competitor, but.....
- V.P. Rajesh: But let me ask you the other way then are your sales increasing much more in Saudi and you don't have to tell me the number? I'm just trying to get a sense of the trend.
- Ankit Setia: Hmmm.
- Rajeev Setia: No, no, no. We are not specific about any country. We don't know which because we are into so multiple countries, I think it's a 90-country, 92 we have already reached 92 countries. But in 70, most of, from the most of the countries' buying is going on. It's a very wondering situation, you know, one country suddenly goes up, one comes down, one goes up just like that.
- Ankit Setia: So, Rajesh, we are basically after profitable customers. It doesn't matter he's in Saudi Arabia or he's in Haiti. We will only go after the, we have all

the data. We know who are the right customers and we only go after profitable ones.

Rajeev Setia: Profitable one, timely payment, everything.

Ankit Setia: I mean there are customers in Saudi Arabia, you can do higher revenues with them. Maybe you know they you can do 1000-crore turnover, 1500-crore turnover, but in terms of profitability, it will be less than 2%.

V.P. Rajesh: Hmmm.

Ankit Setia: And working with, you know, such customers, so we avoid them. We are only looking for, you know, the ones where we can get good margins. Who value quality, on-time delivery.

Rajeev Setia: We very rarely, to very tested customer, old customer, we give little bit credit, otherwise we don't sell on credit. It's only cash against them.

V.P. Rajesh: Got it. Thank you so much and all the best.

Ankit Setia: Thank you sir.

Moderator: Next question is from the line of Mr. Sanjeev Damani. I will ask Sanjeev Ji to unmute himself and ask the question.

Sanjeev Damani: Namaskar sir. Namaskar everyone. Sir, actually, lot of inventory and cash positions have been discussed. I mean, if a specific figure of inventory, finished inventory available with the company as on 31st December, if it is available, kindly just tell me?

Ankit Setia: That I'm sure is declared sir.

Rajeev Setia: Ankit that mean ..... finished. Finish mean finish. There is paddy also. Of course, we have separate record of paddy and rice but maybe we have not brought the figure right.

Sanjeev Damani: No problem, sir. No problem. Absolutely no problem.

Rajeev Setia: We have the paddy also, but mainly is rice.

Sanjeev Damani: Okay. Sir, last time and in last con calls, we have discussed about adding more and more products other than rice, some other edible items. So, is there any progress there and as to the marketing through the E-commerce and all, so, is there any progress or through modern trade, is there any progress on that front?

Rajeev Setia: E-commerce business is gradually getting up, getting higher and the best part is we are getting repeat orders.

Sanjeev Damani: Okay. That's very nice sir.

Rajeev Setia: Yeah. So, we are getting repeat orders and it's gradually going up. We are also started, I've just paid few days back I wrote a check of around 1,00,000 or something, the team told we are advertising in most of the social media channels.

Sanjeev Damani: Very nice.

Rajeev Setia: Say let's see what happens, but it's going well.

Sanjeev Damani: Very, okay sir.

Rajeev Setia: And we have also started selling 30 Kg packing, 25 Kg above packing also online and everyday something is happening, so...

Sanjeev Damani: Very nice sir. So, is this directly from our own website we are selling, or we are going through Amazon or any other Flipkart or any other?

Rajeev Setia: We are through Amazon, Flipkart, Jio Mart, 3-4 channels, we are doing. And, of course, from our site also.

Sanjeev Damani: Okay. So, D-Mart is also included, sir, no?

Rajeev Setia: I don't think, D-Mart is not here .....

Sanjeev Damani: Okay. No, no problem, sir. Sir, now I'm coming to the overall scenario of the last year, which has been completed. So, how was the crop of basmati and overall Indian conditions of the rice, arrival quantity wise, volume wise? Can you kindly give some light on it for my better understanding of the rice as a product in India?

Rajeev Setia: Ankit, you better speak.

Ankit Setia: Hanji, hanji. In terms of basmati, there is no change. It's the same what it was last year.

Sanjeev Damani: Okay.

Ankit Setia: In terms of non-basmati, there is a decline in production.

Sanjeev Damani: Okay.

Ankit Setia: And because that is the reason why government has taken steps.

- Sanjeev Damani: Okay. So, sir, we are not affected because we deal only in basmati rice, right?
- Rajeev Setia: Basmati.
- Sanjeev Damani: Which I understood from you earlier.
- Ankit Setia: You can see yourself. It was like a roller coaster. Like I said in my like in my speech. That was like a roller coaster quarter. So, many things are imposed, and you can see it is the best quarter what we have achieved.
- Sanjeev Damani: No, no sir. Really congratulations for fine performance.
- Ankit Setia: There were so many, I would say there were so many hurdles, you know, but still you can see for yourself.
- Rajeev Setia: Sanjeev Ji, I should be very, very candid with and clear with you in this industry how many people are no longer existing around.
- Sanjeev Damani: Okay, got it.
- Rajeev Setia: Very huge bad debts have happened and the company, I mean, the company's principles are such that we are going through all along.
- Rajeev Setia: Right and got it, sir. So, sir, you know, a lot of ethanol plants are being placed in Orissa, Chhattisgarh, then Telangana, etc. So, will it create a further shortage of those kinds of rice, which are going to be consumed in all these plants and in that way, you know, raising our procurement prices for basmati in the days to come or our prices are stagnant since last year?
- Rajeev Setia: Let me answer this question. This issue was recently 3-4 days back discussed with one of the person who is consultant to these things. Actually, you see what happened. Initially, the rice has been given to them, broken rice has been given to them for ethanol and sugarcane also has been given to them for ethanol manufacturing. But, suddenly the government has withdrawn because the rice as a food is more important for the government and they have to control the price and the people who are manufacturing ethanol, they are truly in trouble these days because of no raw material for manufacturing. Obviously, they have to go for other products. I mean, like horticulture like this straw to make ethanol from different products. But as long as, there is very larger supply of food items, then if it is spared, they will get. Otherwise, the food is more important for the government. Plants have come up.

- Sanjeev Damani: So, but and our procurement price of raw materials over last year, is it same or are we paying more now for basmati that we buy from market.
- Rajeev Setia: Our our procurement is higher, this year.
- Sanjeev Damani: Higher year. Approximately how much percentage, sir?
- Sanjeev Damani: I think it's a 30% higher, I think 25%.
- Sanjeev Damani: Oh, oh oh. Okay, sir. Thank you very much and all the best, sir. And you are always very kind and explanatory. And you make us understand the business very well. Thank you.
- Rajeev Setia: Thank you, Sanjiv Ji.
- Moderator: Thanks, sir. The next question is from the line of Mr. Ayush Mittal. Ayush, you can unmute yourself and ask the question.
- Ayush Mittal: Hi, good morning, everyone. Good morning, Rajeev, sir.
- A Rajeev Setia: Hi Ayush. Are you fine?
- Ayush Mittal: I'm good, Sir. I'm good. So Ankit Ji, it's great to hear you on the call. I've been a very old shareholder of the company for more than 10 years and have followed the company, interacted with Rajiv ji several times and it's great to see the journey that we have delivered. So, when I look at the numbers, I think it's superb. The way we have done it over a long period of time with the consistency with the size we have come to more than a 100 crore profits now. My questions to you Ankit, are two, three. One, given that we are in a rice industry, which is a very matured industry and you have created a niche wherein you have been dealing with small customers, which give you better profitability and you're able to control your supply chains and all those things better. What do you think you can do now on the growth front given the cash flows you're generating. So, you are at a point where strong cash flows are coming to the company. These are free cash flows. The industry such that it is matured. It's not easy to take away big market share. So, what kind of volume growth do you anticipate the company can deliver, one. Second, what do you plan to do with the cash flows going ahead.
- Ankit Setia: Okay. See, the model will follow.
- Sanjeev Damani: (Inaudible)
- Moderator: Sanjay Ji, can you please unmute yourself?

- Ankit Setia: Mute yourself.
- Sanjeev Damani: (Inaudible)
- Moderator: Sorry, please continue.
- Ankit Setia: Okay. Ayush ji, the model, we follow small customers, high margin customers. There is still big scope in that. We've still not you know we've, I would say still there's a lot of scope we can increase our sales based on that model.
- Rajeev Setia: We have a lot.....
- Ankit Setia: It's not saturated. This is what I wanted to say.
- Ayush Mittal: What kind of volume growth do you think is sustainable growth for us in terms of volume? Because pricing is something that is not in your hands, that I know.
- Ankit Setia: You should, you should look at the previous years, how the revenues have gone up? I don't want to comment about the future. You should draw example from the previous years. This is what I would say, but I guarantee you still it's not saturated, there are still lot of, there are still lot of customers, there are still a lot of markets where this model can really work. And then I would say if you look at my peers, maybe the export they are doing is not more than 3000 crores. Out of their total revenue, this is the highest you know and we are already halfway through. So, I mean our model. We are going to get more and more customers.
- Ayush Mittal: Okay. Second, what about the cash flows, like the kind of cash flows we generating. Earlier, the company was small and the cash flows were being invested for growth in terms of inventory and so many things. Today these are very sizable cash flows. Certain points of the years we had have, sitting on surplus cash. Where do you think we can deploy it better for the growth of the company or if there are any other areas that we're planning to tap out or something?
- Ankit Setia: I think I think the way we are growing all these cash flows are going to go in our business in coming years. This is what I think.
- Ayush Mittal: In terms of building inventory for growth or what?
- Ankit Setia: Our customers are becoming bigger and for them we have to. We will use this money in buying their raw material. This is what I think.

- Ayush Mittal: Okay.
- Rajeev Setia: Even otherwise, you know, it is not only the inventory, it is not only the CapEx you see to run show all around the world, it needs a lot of money. You see, the moment we ship, I mean the shipping bill is generated. It becomes a debt, debtor. So, it's spread debt all around the world. It's some something in transit to port, at the port in the sea at the destination ports, so it's, it's.
- Ayush Mittal: So, but sir, the way our decibels are it is very well managed. So we, we.
- Rajeev Setia: Still it needs quite a bigger investment, you know?
- Ayush Mittal: Okay.
- Ankit Setia: You're right, Ayush the major money goes in buying the raw material, paddy or rice and the way things are going, I think it is going to go into it.
- Rajeev Setia: Of course, we are open to opportunities if something really comes, it has to be in the food. I'll not go for anything other than food because our expertise is in food. We can go for any food, but uh, it matters. You know, you never know anything open. We are open to these ideas. We keep on thinking. Vijay and me, sit together and most often we think yeah what should we do now?
- Ayush Mittal: Okay.
- Rajeev Setia: .....safe business and we'll see to it. Not right now something straight planned, but you never know it.
- Ayush Mittal: The Gandhidham unit, we were expanding and we were also exploring of evaluating other products. Any updates on that as to what we have done on that site.
- Rajeev Setia: Because of the cyclone, there was most of the roof was off and we have fortunately unfortunately there is C type roof. The advantage of that kind of roof is the birds don't come in the warehouse. They have no place to sit. So, that was very important that if bird excreta comes in, the rice is a big problem. So, to save that we made that kind of roof. But once it got broken, it has became hell of the job to remove the broken part, which was too high. It was too risky. We had to find experts. Now it is down. So, let's see in the coming season we will be there that will be ready for production, processing of rice and the opportunities are there because the port area and Gujarat and area around that has a lot of food products,

which has good scope of export. For example, peanuts is there, sesame seed is there, haldi is there. These so many things are there for production, but we'll go in food, not in anything else.

Ayush Mittal: Okay.

Rajeev Setia: I have. I have this in my mind and I'll definitely go for it. I still get customers for that, but unless and until I have not specialization of buying. And I mean having good quality, I will not go for that.

Ayush Mittal: Okay. Sir, why are we not evaluating like these days many of the companies are investing and doing very well on the ready to eat products, recipes. But that is the real value addition beyond rice, cooked rice, or recipes. Why are we not exploring something on that side?

Ankit Setia: You are right. This is for the future, but I feel what we are doing right now for in terms of exporting basmati rice, there is still lot of scope.

Ayush Mittal: Okay.

Ankit Setia: Untapped scope.

Rajeev Setia: One thing is there because when I travel in Europe in this part of the world, I've seen some of the restaurant, you know, they give ready to eat rice to you, ready to eat a vegetable to you. They just warm it up and put on your table and the taste is hopeless. Something, which is not really very good will not sustain in business. So, if somebody is making excellent, that's fine, but most of people are coming going this thing is happening.

Ayush Mittal: Okay. Sir, last question from my side, Sir, off late, I think the prices of basmati rice are falling, is that right? If yes, then how will it impact us? And yeah.

Rajeev Setia: You are true.

Ankit Setia: It is absolutely, right. The prices are coming down, but like I told before, all our inventory is based on the orders placed by our buyers.

Ayush Mittal: Some margin compression can happen or that is also insulated.

Rajeev Setia: I will explain to you. I have studied my stock because it's something which can hit hard also. When there was this ban, you know, MEP, the prices had come down. We procured a lot. I said it in my last call also. And then we have that is the reason for good profitability also of this quarter. And now few material is purchased at the high price also according to the

market price and according to the market price, it is sold with the with the reasonable profit which Ankit said. And again, opportunity is coming of buying. It's other way around and that's a business wisdom that explains it.

Ankit Setia: So, to answer you I don't think there's any effect this is what I meant.

Ayush Mittal: Okay.

Rajeev Setia: Overall it will be good for us. You know it's an opportunity low price and sell it.

Ayush Mittal: Great. Sir Ankit, last one suggestion from my side, given that I've tracked this company for very long and I believe we are doing lots of right things. One suggestion I have is that the dividend payout ratio, if you see this part though, we show that our dividends are rising, but that doesn't matter because our profits have also grown at a very, very fast pace. And if you see the payout ratio, it is hardly 3-4%, while for a company like ours which has grown to a size where it be, we are generating cash flows. I think it's a very good idea that we should look at a dividend policy. We should make it at least 15-20% of our net profits as a payout and to do it efficiently, we should even consider a buyback. If you want, we can discuss more on this, but I think this will be something very, very beneficial for the company and also will help unlock a lot of shareholder value which has not been happening for quite some time despite the great performance.

Rajeev Setia: Very, very good suggestion. This what you are suggesting it has been suggested by others also, few people.

Ayush Mittal: Okay.

Rajeev Setia: They say you're making so good money and you just ..... You feel it's 50%, this is how you consider it, but it's on the number of share. Payout from the net profit percentage, should be on the net profit. I have been suggested and taken note of this.

Ayush Mittal: Great Sir. And consider buyback, because dividend me taxation बहुत ज्यादा है, वो 40%+ पर जयगा आपको और buyback में आपके हाथों पे tax नहीं पड़ेगा. Company will pay 20%. It will be tax free for all the shareholders. If you do a buyback.

Rajeev Setia: No buyback is something else you are not.

- Ayush Mittal: That will be. That is a way by which companies are doing better dividend payout in a more tax efficient manner and lower cost to the company overall.
- Rajeev Setia: That I have not considered as yet, but earlier.
- Ayush Mittal: Sir do explore, sir and I'll discuss with you if needed and that's a great thing to explore.
- Rajeev Setia: We will do it and discuss with.
- Ayush Mittal: Good. Thank you so much and wish you all the best.
- Rajeev Setia: Thank you very much.
- Moderator: Thanks Ayush. We will move to our next question from the line of Mr. Chirag Shah. Chirag, you can unmute yourself and ask the question. Chirag, you can unmute yourself.
- Chirag Shah: Yeah. Thanks for the opportunity again, Sir, just a follow up. So, you indicated that. So, my question is basmati production is flattish this year, and generally, industry leading players are looking for a 7 to 10% kind of a growth in volumes. So, does that mean there could be higher cost involved in buying paddy/rice one and can it have an impact on profitability of the industry. That is, so this is one question I have if you can help us understand.
- Rajeev Setia: Ankit. Let me answer. Look very simple first thing first, the size of the crop is 10 to 15% higher this year, one. Secondly, you see it's the opportunity business also or your business wisdom also plays. When the prices of, when the MEP was imposed \$1200, suddenly the sales had come down every month. The company had cash flow. We bought rice at the cheaper rice, which helped us to earn. Thereafter, the prices have been high, I've explained earlier also. But because we could sell comfortably and we sold at a margins and we procured at a market price which was relatively higher as compared to the preceding period. Now again the prices have come down. We are buying again. We are waiting for them to come down more. The more cheaper we buy, we have very vast market we can sell. We know there are, in the international market it's not like that the prices have come down and they the somebody sitting in the remote in Canada, he doesn't know the price has come down, .....
- Chirag Shah: Thank you very much sir.

Moderator: Thanks, Chirag. We have one question on from the line of Mr. Rahul Paliwal on the web chat. I will just narrate the question for Ankit and Rajeev Ji to answer. Kindly do put some light on the innovation side. What are the key focus areas and growth on those lines in the last few months? How on those lines, just a second.

Rajeev Setia: Ankit, you reply to it. You discuss with your dad these things. You are B. Tech also and readymade scientist now.

Ankit Setia: Okay. Did you finish your question?

Moderator: Yeah. So, one part of the question is asked if you can just answer that and then I will take the other one.

Ankit Setia: You are asking what innovative things the company is doing?

Rajeev Setia: R&D of the company.

Moderator: So, I will just repeat the question. Kindly do put some light on the innovation side. What are the key focus areas and growth on those lines in the last few months? How are we moving towards the higher value chain? So, this is one part of the question.

Ankit Setia: Okay. Anything else or this is the only question?

Moderator: The second question is another would be on the about fragrance of basmati rice. Are you trying to revolve the old genetics of those seeds. There is a larger market share of those fragrances in the old generation, and you can quickly catch-up market shares.

Ankit Setia: Okay. The second question is more, you know towards, the government or the scientist side where new varieties are coming, some of them have higher fragrances and some of them have lower fragrances. Of course, they have other advantages like they need less water or they're more resistant to winds like that. So, this is the answer to the second question. About the first question, in last three months, I don't know if you'll understand, but we've been working on our plants, our processing plants, how to automate them, how to synchronize them, how to make things more stable in them. This is what you know, innovation we are bringing in our processing units. Like, I'll give you an example. Now we are moving towards PLC based earlier it was all manual. For example, if the drying of raw material was happening in let's say 20 hours. So, because it was manual from 20, it would go up to 30 hours also, or from 20 it will come

down to 15 hours also. So, now we are creating a PLC where everything will be AI. It will be done by a computer. All the parameters will be measured by the computer and let's say a dryer would be running on AI based. What is the humidity? What is the temperature? So, we are basically trying to get better controls for our processing units. This is the recent work.

Moderator: Thanks. So, we will take that as the last question given the time constraint. On behalf of Anand Rathi Shares and Stockbrokers, I would like to thank Ankit, Setia and Mr. Rajeev Setia for the call and if I would, I would also request you, if they have any other concluding remarks to make. Rajeev ji, if you have some concluding remarks.

Rajeev Setia: Concluding remarks are that you see, what Ankit said in his phrase one second, let me; teamwork makes the dream work. That is a very good motto which we follow. Vijay, my brother, he is all the time, looking at the efficiency of the plant, how to save the energy. For example, husk is used, energy is made and he's not letting it waste it at all. And the burning of the husk. It is burned to the extent the ash from black becomes white. This means the entire energy is extracted out of that. He has this kind of part and the way Ankit has just told that automation is being put in the plant that everything is happening on its own, you know, with the measured system manual and yeah, automation has a difference, you know. I was recently in Dubai about two months back. What I saw two people are sitting in the office on the computer. They are managing the loading and unloading of containers that was happening. Uh, the machine is picking up, machine is putting up. I mean something we used to be with so many people now with few people and automation this this kind of thing when we learn and see around the world, we try to implement in our system also, one. And the second part you know. Ankit, teamwork is the motto. Ankit and Sankesh travel around. Right now, Sankesh is in Europe. He is going to meet 3-4 customer, very important one. After that he will go straight to Gulf-food. From this side, we'll go. I mean sitting at home. You don't get business. You have to move around and work hard. And the last is within the staff with the harmony with the staff, systems are there, the business grows.

Ankit Setia: I would. I would like to say something about the rice industry.

Rajeev Setia: Yeah, go ahead Ankit.

- Ankit Setia: Right, which I learned from my grandfather or my father or my chacha ji. Theek hai. Each quarter you know, you can, you can, you can, you can know about yourself when you're dealing in rice industry? So, let's say the quarter ending September. This is the quarter where I feel there should be no borrowing from the bank. Right, any rice company which has no borrowing, let's say in the quarter ending March or June or September. You know, it shows the strength that there is not much borrowing from the bank. They're working from their own money. December ending quarter, which just happened. It is important what is the average per Kg cost you are taking in terms of evaluating your profit. It's either I think there is a formula to it, your buying price or market price, whichever one is lower. So, if you are taking a higher price, of course your profitability will be shown higher because you're anticipating that you'll be able to sell it at a higher price. So, March quarter after that, it is important that you don't have any bank borrowing.
- Rajeev Setia: Ankit!
- Ankit Setia: December quarter. Ha ji.
- Rajeev Setia: Let me correct you. Maybe people will, it will be thought other way around when we evaluate the stock. It has to be at the market price or cost, cost.
- Ankit Setia: Yes.
- Rajeev Setia: Whichever is lower.
- Ankit Setia: Yes. Whichever one is lower.
- Rajeev Setia: Yes, yes.
- Ankit Setia: So, if any company is taking it higher than this.
- Rajeev Setia: Off taking was going on. Every day I was, every moment....
- Ankit Setia: What I'm what I'm trying to say is, what I'm trying to say is if any company is taking it higher.
- Rajeev Setia: Yes.
- Ankit Setia: My formula, my chacha ji gave. Then the profitability will go up and then it is not the right picture because he's anticipating that he can sell it at a higher price in the next quarter. Now coming back to, okay this quarter only, it is also important to note how much loan the rice company has

taken. If the loan is less and the revenue is higher, of course you know again it shows the strength and the last thing on the 31st March. It is important to see what is the credit given by the rice company to his overseas buyer, what is the recovery which the company has to do? So, let's say if the quarter is 400 crores and you have to recover 600 crores or 50 crores from your buyer, that shows weakness and if the quarter is 400 crores and recovery is only what you are exporting in one month, that shows the strength. So, this is what I feel is very important and my company, Chaman Lal Setia Exports, you can check on all these parameters. I think it will be the strongest in the in the entire industry.

Moderator: Thanks Sir. Thanks for that. We will conclude the call with these remarks. Thanks everyone for participating on behalf of Anand Rathi Shares and Stockbrokers and thank you all. Thank you.

Rajeev Setia: Thank you very much, Rathi.

Ankit Setia: Thank you.

(This document has been edited for readability purpose)

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