



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

An ISO 22000 : 2005
Certified Co.

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To

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

Scrip 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

Sub: Transcript of the Analyst/Investor Call Held on 29.05.2024

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 29.05.2024.

Thanking You,

Yours faithfully,

For Chaman Lal Setia Exports Limited,

(Kanika Nevtia)
Company Secretary
ACS:- 29680
Encl: As above



“Chaman Lal Setia Exports Limited
Q4 FY24 Earnings Conference Call”
May 29, 2024

**MANAGEMENT: MR. RAJEEV SETIA – JOINT MANAGING DIRECTOR &
CFO
MR. ANKIT SETIA – EXECUTIVE DIRECTOR
Ms. SHWETA SETIA – EXECUTIVE DIRECTOR**

MODERATOR: MS. ANUSHKA CHITNIS – ARIHANT CAPITAL

Moderator: Ladies and gentlemen, good day, and welcome to Q4 and FY '24 Earnings Conference Call of Chaman Lal Setia Exports Limited hosted by Arihant Capital Markets Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Anushka Chitnis from Arihant Capital. Thank you, and over to you.

Anushka Chitnis: Thank you. Good morning, everyone and welcome to the Q4 and FY '24 Earnings Conference Call of Chaman Lal Setia Exports. Today from the management, we have Ms. Shweta Setia, the Executive Director, Mr. Ankit Setia, the Executive Director, and Mr. Rajeev Setia, the Joint Managing Director and CFO. Now without further ado, Shweta madam, I'll hand the conference call over to you.

Shweta Setia: Good morning, and a warm welcome to all of you in the earnings conference call of Chaman Lal Setia Exports Limited. Today we'll discuss the business and financial performance for quarter 4 and the full year of financial year 2024. With me today is Mr. Rajeev Setia, our Joint Managing Director and CFO, and Mr. Ankit Setia, the Executive Director.

Before we begin, I would like to remind everyone that this call may contain forward-looking statements which are predictions, projections or other estimates of the future events. These statements are based on management's current expectations and involve risks and uncertainties that could cause actual results to differ materially. We hope you have had a chance to review the earnings presentation on stock exchange websites.

Fiscal 2024 was marked by repeated business disruptions throughout the year for the industry. Quarter 1 was impacted by cyclones in Gujarat affecting our export volumes. Following which in August 2023, the Ministry of Commerce imposed restrictions on Basmati rice exports below USD 1,200 per ton, which impacted few of our shipments of parboiled rice during September-October 2023. Though it was subsequently relaxed to USD 950 per ton. And finally, the unfortunate conflict in the Red Sea, which has impacted most to the trade routes for exports to USA, Europe, Canada and few regions of the Middle East, leading to a significant increase in transit time from 15 days, 30 days to over 30 days, 60 days for most of our export shipments in Feb-Mar 2024.

Despite all these hurdles, we have been able to maintain a stable revenue of INR 1,356 crores in financial year '24. Notably, Q4 FY24 revenue rose by 7% year-on-year to INR 384 crores driven by increased penetration in APAC, Middle East and Africa. Our team actively participated in global food exhibitions like GulFood in Dubai, which is amongst the best food exhibition across the world. WorldFood Istanbul, Agro Expo Uzbekistan and Indus Food and currently Thaifex Thailand. Our team is currently there, where Mr. Vijay Setia, the Chairman of the company and Mr. Sankesh Setia are already there and traveling globally to meet new as well as our existing customers.

Our export volumes, excluding China, grew by a modest 4% during the year to 1.3 lakh metric tons with Asia Pacific, Middle East and Africa contributing over 80%. I would also like to draw your attention to the fact that in other regions, notably in Americas and Europe, our share has almost doubled during this period. The year has also seen a significant growth in sales of our proprietary brand, growing by 46% in financial year 2024, contributing to about 10% of overall top line. Our value-added business including rice suitable for diabetes and brown rice has also gained strong consumer acceptance and doubled revenues, although the share remains modest at the moment.

Our domestic business continues to grow steadily, contributing 11% of revenues during the fiscal. I'm pleased to announce that we achieved our highest ever yearly operating profit during financial year 2024, despite all the hurdles. Our EBITDA reached INR 162 crores, and margins expanded by 49 bps to 11.9% compared to 11.5% in the previous year. Quarter 4 EBITDA margins were, however, impacted by the significant increase in other expenses, which primarily comprised of freight costs owing to the Red Sea supply chain disruptions. Overall freight costs for most of the routes have grown by more than 3x during the month of Feb-Mar'2024. The multifold rise in freight costs within a short timeframe has posed a challenge for industry participants to entirely pass on the impact to its customers, particularly because much of our inventory is committed to existing orders. However, over the last 1 month, we are observing stabilization in freight costs and simultaneously, we have largely succeeded in passing on impact to our customers, mirroring a trend we witnessed during the COVID era. Our net profit for the year were INR 116 crores.

I'm also pleased to tell you that your company has decided to increase dividend payout this year. Traditionally, we have distributed around 4% to 5% of our annual profits as dividend. Starting this year, we propose to almost double it to 10% to INR 2.25 per share and also ensure that we reward our shareholders with 10% to 15% payout in the years ahead.

At Chaman Lal Setia, our strategic focus on profitable growth and secure cash flows, whereas to avoid high-risk territories like Iran and limit exposures in Iraq. Despite industry growth in regions like Iraq, we are consciously not developed in the market in these regions, resulting in relatively lesser volume. However, as a result of this business strategy, we had a healthy and efficient balance sheet for all these years which continued in financial year 2024, as well as despite a challenging business momentum. Our inventory which stands at INR 499 crores as on March-end and comprises majority of our working capital is largely order booked. Our net debt which stood at INR 108 crores as on March end is already fully repaid as on the today's date, and we believe our cash flows to be significantly positive during quarter 1 and quarter 2 of this fiscal as we liquidate our inventory. Our return indicators continue to stand robust with ROCE at 19% and ROE of 17% for financial year '24.

As we move forward with impact of trade route disruptions expected to normalize in the months ahead, we believe both our revenues as well as profitability should rebound and we remain confident of our delivering good performance in the quarters to come. With our robust on ground execution capability, strong customer relations and increasing distribution reach, 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 question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a question from the line of Ravi an individual investor. Please go ahead.

Ravi: Yes, all right. Sir my question is in the investor presentation Slide number 6 the Indian basmati rice exports have grown by about 25% FY '23 to '24, but whereas come to Slide number 7 and our company has grown only by about 4%, 5%, 125 to 130 metric tons or whatever. So my question is while the industry seems to be performing very well, our company seems not up to the mark. Is there any particular reason that you want to state? Yes, that's the one question that I had.

Rajeev Setia: I'll be answering your question. Most of our industry people are working in Iran and Iraq. And though there are many unlisted companies, and they have very huge exposures with these countries, which are not being paid to them -- I mean they have to ship more to -- it's kind of a revolving going on, and they have held their money. And the company's principle is not to sell to Iran, right after when this INR systems have started through UCO Bank, we did two shipments, and after that we stopped business in Iran. And we are, that's why you see the company is doing well. Even in the Iraq market, that is almost parallel to them. Again, they are buying on DA basis and then hardly any profitabilities. You have to work with the volumes only nothing more. So, we desist from these kinds of markets where we can be in a trap. And we work now we are in 94 countries, which spread risk to multiple buyers. And we believe the true marker of any business is the profitability, pay to your vendors timely. I make payment in 3 days, 4 days and get 2% discount. And every single year, I adjust account, I make the company debt free. These are the policies that we don't care if the country's export is going up and going down. Country's export is going up, companies have vanished. So, we have sustainability of the business and continued growth and firm growth is the principle. I think I have answered.

Ravi: No, I am done. Thank you.

Moderator: Thank you. We have our next question from the line of Chirag Shah from White Pine Investment Management Private Limited. Please go ahead.

Chirag Shah: Yes. Sir my first question is...

Moderator: Mr. Shah please use your handset mode your line is not very clear.

Chirag Shah: Sir my first question is so how should we look at your margins, because in this quarter this has been affected by freight cost and it is kind of among the lowest in the history as we look at, we have been doing similar margins in the past. So, we are kind of lowest in the history. So, from here on, how should we look at the improvement? Because freight costs are still where they are, right? They have not started coming down.

Rajeev Setia: I will continue to answer. And Ankit will also, he may be joining along with my answers to correct to me truly speaking. You see, you are talking about a fall in revenue and in the

volumes also, the volumes are, I think, better. Let's look at the geopolitical situation. The ocean freight, which was USD500, USD600 has gone up to USD4,000 suddenly, one. And all these countries, entire Europe is affected because all shipment go through Red Sea. And Israel is our one of the biggest importers, and that has also been interrupted because of this. But it's -- all rice is going across Cape Town, Africa. So this is not small things, the world is in trouble. And we are mainly into export, our 90% is exports. We are not in the domestic market the way -- but it's our endeavor, we have to increase, we are trying to do it. But never ever at the cost of losing money, that's the company's principle. This is how we work. These are the temporary things, let's hope the situation improves. And now you see that our customers have also started factoring the cost, whatever the ocean freights have gone up. If they come down in the future, that will be much better, otherwise they will be absorbed. So these things -- despite all these things, the company is making profit, company is debt free, that's the achievement here. Thank you.

Chirag Shah: So no, my question was, sir, so you are saying unless the freights come down, our margins will stay in this 7%, 8% range as compared to 12%, 13% that we were operating?

Rajeev Setia: No, no. I said the margins may, this ocean freight may come or may not come down also, we don't know how long they will keep on the high spree, but because they have been factored by us as well as our buyer. Because if anything goes up, ultimately, it has to be factored within the price as a buyer, as a seller. But this geopolitical, this war and all these things are very, very dangerous part. We had to stop our shipments for almost fortnight. I mean, there, we were scared to ship to this part, and we slow down and then when we realized everything is normal, then we shipped. So, these kind of total helpless and I mean it's nothing to do with our confidence. And our competitors to compare, most of the people are in domestic market and here we realize we have to go for domestic business some part, like teams are running around that, from that day onwards, our teams are running in all India to find good distributor and resume local marketing.

Ankit Setia: Chirag ji?

Rajeev Setia: Ankit, you please continue.

Ankit Setia: Okay. You are comparing quarter-on-quarter you can look at the full year versus full year. So, there is improvement in terms of profitability.

Chirag Shah: No, that I have seen, but if you look at...

Ankit Setia: Coming back to the quarter see what has happened is the freights have gone up number one in this particular quarter. Even the inland haulage part has gone up.

Chirag Shah: Yes. I'm listening.

Ankit Setia: So, what I'm trying to tell you is that, see, there are two, three important things which have happened in this quarter. Number one, inland haulage has gone up. Because of the Red Sea issues, instead of sending cargo directly to the port, we started using, I mean, in-house staffing

because of which inland haulage has gone up. This is one reason. Second reason, the freights also have gone up. So, for example 9 month ending, freight what was total paid, let's say, INR10 crores. And in the last quarter, again, INR10 crores was paid. So, you can see yourself how much freight has gone by, the ocean freight. And the third factor, I would say that when you are closing your balance sheet, you're taking your value of your stock, you either take your cost price or you take your net realizable value, whichever is lower. So Chaman Lal Setia has taken its cost price. And if you compare it with the industry, I think we've taken it at the lowest level. So future is going to be bright.

Chirag Shah: No. Okay. So let me first, so what I'm trying to understand here is between you, so if I compare you with, say, the garment exporters, who 70%, 80% is exports for them. So, what I'm trying to understand is that will you able, when you renegotiate your contracts, so when the renegotiation sets in and this will be passed on to the customer or these are tough times, some part will always be shared by you and some parts will be absorbed by the customers. So going back to that 12%, 13% margin range.

Ankit Setia: Normally, all the expenses are charged from the customer. When we calculate our sale price, all the expenses are charged from the customer, and they are putting the cost. Sale cost, sale price.

Chirag Shah: Yes, what I'm trying to understand sir, if I, but I'm still not able...

Rajeev Setia: No, Ankit, let me explain clearly the question is little different. The point is due to Red Sea issue and this war of Israel and that Iran suddenly from very low level, USD500 to USD700 to USD1,000 the ocean freight went up to USD5,000 to USD4,000. Now the question is we have already sold CIF. You see, I have been, my team, logistics team is sitting here in corporate office. So, you see, we had been in touch with all the customers. Some of the customers, they are very nice. They're clean people. We told them we have sold to you, and you are yet to share. You can absorb this cost, and they agreed. You see and that didn't hit our profitability. And some of the people they wanted to share, we had to share also ocean freight and it hit us also. And some of the stupid people, they were such, you sold us, we don't care. All kinds of customers are in the world. So, we have to carry the burden of everyone. But now the situation is fine because these are all new deals, current deals or they're settled deals. So, it's fine. I think, gentlemen, your question is answered here.

Moderator: We have our next question from the line of Tushar Vasuja from Yogya Capital. Please go ahead.

Tushar Vasuja: Okay sir, my question is a quarter or two back, you actually said that branded sales will comprise 30% of the top line in a year or two. So, are we still on track for that?

Rajeev Setia: Ankit, please answer.

Ankit Setia: What is your name please?

Tushar Vasuja: Actually, my name is Tushar Vasuja, the operator got it wrong.

- Ankit Setia:** Okay. Tushar ji so currently, we are doing about INR 400 crores of revenue every quarter. And we are planning to increase three new packing units in Karnal. And these are going to be big packing units with the capacity of twice to thrice of what our current packing unit is achieving. So, I expect within the next 18 months, we can do from INR 400 crores revenue to about INR 600 crores, INR 650 crores revenue in a quarter. Regarding your question about branded sales, we are working very hard. And what is promised it is going to be achieved.
- Tushar Vasuja:** Okay sir. So, my follow-up question on that is like what's our visibility in modern trade right now, like what are the channels that we're using for modern trade?
- Ankit Setia:** Sir, as you can see from our revenue our main target is exports. We don't, we are not targeting India. So, I'll give you an example. Our registered brand Mithas has started doing very well in Saudi Arabia. We were selling 100 tons to 150 tons per month, now we are achieving 300 to 350 tons. So there we are.
- Rajeev Setia:** Ankit, his question was for modern trade. Let me little bit explain here. The online Maharani is available on JioMart, in Amazon and others also, but the quantum is limited. And now the business is gradually growing not faster, they have given us some options to put stock in their warehouses, Jio or Amazon, they want stock in their warehouses. Once it will be, the registrations are going on because we have to enter in our GST number also. These things are going on quickly. And once they have stocked, and I believe at least online modern trade business will be there. And once that is there, demand is there, there is a possibility of negotiating with the different modern trade people hopefully. Thank you.
- Ankit Setia:** Recently, we have appointed distributors in Indonesia. We have appointed distributors in Philippines. And as I have told before also, there's more profitability when we're exporting our own brand. So, I'm focusing on that, if that part can be increased.
- Tushar Vasuja:** Okay, sir, that's very helpful. If I can just squeeze in one more question. Can you give any update on UK FDA talks?
- Ankit Setia:** Chacha, you want to say something?
- Rajeev Setia:** Yes. FDA talks are not only going in U.S.A, it's in the Europe also already it's completed in UAE. So, the only part which I have to see for the Europe and UK is right now there is EUR 175 duty on polished consumable rice. And if you sell them raw material brown rice, they reprocess over there, then the duty is hardly anything. It's very little. So, let's see if our rice is covered as a duty free both rice brown as well as the polished rice. So, the possibility of business is immense in entire Europe, not 1 country all 27 countries along with UK.
- Tushar Vasuja:** Okay, sir. So any updates, you are industry experts, so I'm asking you this, like when will this be passed on? When would this be completed?
- Rajeev Setia:** This is gentlemen, within the governments. And you see the government is very keen to, the best part of this government is they are very keen to enter into free trade agreements with most of the countries in the world. That's a very good sign for us, not only rice other industries also.

- Tushar Vasuja:** Thank you sir.
- Moderator:** Thank you. Next question is from the line of Madhur Rathi from Counter Cyclical PMS. Please go ahead.
- Madhur Rathi:** Thank you for the opportunity, Sir in the free trade scenario what I understood is we have made some contacts on CIF basis. Some of the customers, they didn't passed on, like didn't took the cost. So that's why our margins were hit this quarter. But in last quarter, you had guided by most of our orders from 4th Feb onwards will be on FOB basis. Sir, so going forward can we expect the margins to go into the steady state of 11% to 14% EBITDA range?
- Rajeev Setia:** You see, I'm Rajeev Setia here and Ankit can also tell better because he is into really marketing and he travels all around and Sankesh, these two brothers travel around the world, so they can better tell. But you see as I told earlier, these things are totally unknown. Most of the customers cooperate. Most of the customers cooperate, few don't cooperate. This happens in every industry. Ankit, you can tell further.
- Ankit Setia:** I personally believe that for a rice company, the year ending stock in our case was around INR 500 crores, how do you value it, determines the profitability of the last quarter. And like I said, it can be either the formula whichever one is focused, either cost side or net realizable value.
- Rajeev Setia:** Ankit, let me explain this thing because this was my prerogative because stock valuation, I checked everything. You see there is one cost price. Cost price can be higher and realization value can come down also some time. Realization value can be up and can come down. As on 31st, whatever, though we had sold at the higher prices, we know we had forward bookings. But the valuation as on the date as per law, as per rules has to be at the lower value if it is low, if the realization value is lower than the cost, then you have to value at the lower cost. That is what we did. Whereas I know, in the subsequent period, they have sold at the higher price, obviously, the profit will be good in the ensuing quarter. So, we have been very fair on this issue because company don't want.
- Madhur Rathi:** Sir I understand what you're saying that for our inventory basis, that our inventory has increased and going forward, we'll have some benefits of that. So, my question was the freight rate are impacted, the INR10 crores that was the freight expenses for this quarter versus the INR10 crores for the whole year 9 months. Sir so going forward, are all our contracts on FOB basis, so that we won't have this hit again? So that is my question.
- Rajeev Setia:** No, no, no. Contracts are, we always ship on CIF basis. The reason being I don't prefer FOB. FOB, there is one big difference between FOB and CIF, in the FOB shipment, insurance has to be covered by the foreign buyer, hello?
- Madhur Rathi:** No, sir, I'm...
- Rajeev Setia:** Yes, the insurance has to be covered by the foreign buyer and let's assume there is 100% loss to the consignment and the buyer doesn't, he has not paid anything or paid 5%, 10% with us, it does not comes up. So, what do we do? I mean, that is our loss. I'm chasing legally, we go and

pay. He has to pay first and then apply for the claim, for the unpaid, he cannot go for the claim, foreign buyer. So, because why should we take pains, he stayed in his mind maybe tomorrow, I don't get the claim from the insurance company. There is any objection so that's why for the safety purpose, we always go for CIF. Sometimes it's done at FOB, but at the point of shipment it is CIF, it's always CIF. I cover my insurance up to destination.

Madhur Rathi: Okay. Got it, sir. Sir, just a final question, sir. What is our outlook for FY '25, either in terms of volume or in terms of revenue, as well as where do we see this margin going forward?

Rajeev Setia: Ankit, please answer.

Ankit Setia: I'm sorry, your voice was not audible, can you please repeat?

Madhur Rathi: Yes, sir, yes I said I wanted to understand what is your outlook for FY '25, either in terms of revenue or volume growth that we are looking at, as well as the margin where we see going -- with all these uncertainties going forward so where do we see our margins as well as the revenue going forward?

Ankit Setia: Okay. You can see last 2 financial years, we've been doing INR 1,400 crores annually, revenue, right. So of course, the future also is going to be similar. Like I said, I am planning to add 3 more packing machines. And one packing unit is equivalent of two, three packing units what I'm running right now. So, I expect to achieve at least a revenue of INR 2,000 crores per annum in the future, in the near future. This is my planning.

Madhur Rathi: Okay. And for the margin front?

Ankit Setia: See our style is what you can see in the past, we are normally working between a margin of 10% to 15%. So that should be continued.

Madhur Rathi: Okay. Thank you and all the best.

Moderator: Thank you. We have our next question from the line of Yash Sanghvi, an Individual Investor.

Yash Sanghvi: Good morning and thank you for taking my question. So, first thing I wanted to know an update on the spices business that Ankit sir or Rajeev sir mentioned two to three quarters back.

Ankit Setia: Chacha?

Rajeev Setia: This apart from three new units for rice coming up in Karnal. One is already in Gandhi Dham. There will be two in the ensuing season because 1 is being commissioned. You see because once we will have our own complete plant and machinery, at liberty to do any business because the Gujarat has all, many products. Gujarat has many spices. We will not go for the -- I mean, the complete after grinding and all that package. We will go for the wholesale business of those things because our many customers can buy, that is a future idea. That's a future idea. Once, because of the cyclone my, that warehouse, which I had within the company, the roof had gone off. So, it's delayed for a long period. So once that is ready then there is a possibility.

We'll definitely explore the possibility this, peanuts and many more products and the possibility is there. You have to have money, there are people to buy.

Yash Sanghvi: Okay. That's answers my question. Thank you.

Moderator: Thank you. Next question is from the line of Anuj Sharma from M3 Investment. Please go ahead.

Anuj Sharma: Yes. Thank you for this opportunity.

Moderator: Sir your volume is very low.

Anuj Sharma: Sir one point is when you look at your export volumes, going forward, do we expect the existing, what can be the opportunity within the existing set of customers? And what is the opportunity we'll be expecting for new people to join in our business or in our relationships? That's question number one?

Ankit Setia: So from my experience I have seen that the customers they grow themselves, it's like an organic growth of 5% to 7% annually. This is what I've seen with our customers. And you can, the retention with the customers is very strong. Like we have customers we are dealing from last 30 years, 25 years like that. So organic growth is coming with them. And then we have a full department in the company. It is called new buyer development department, where continuously, these 7, 8 ladies, sales coordinators, they are looking up for new customers all over the world. So, they are using data. My brother, myself we are traveling all over the world for these food shows and meeting customers. We are getting all data to them. So, they are continuously getting us new customers. If I give you an example, in the last quarter itself, maybe 25 new customers were added to Chaman Lal Setia. And like I said before also, I'm adding three new plants. So currently we are, I mean, we are running at a very high efficiency of 80% to 85% of our current infrastructure. I'm trying to increase that. We are trying to increase it. So, once it goes up, you will see bigger revenues each quarter. So. the effect can come by year-end. This is what I, this is what is the planning.

Rajeev Setia: And right now, Mr. Vijay Setia and Sankesh, both are in Thaifax exhibition, because Thailand is equally big exporter of rice. Sometimes they are up from India, sometimes India is up. So, a lot of customers from all parts of the world come to Thailand for buying rice and most of them are in Basmati also, some get interested in that rice. So, we have just two, I think, apart from our company there is one another small company, not listed but they are participating. So, it's a good opportunity. You always find the opportunities. Thank you.

Anuj Sharma: Yes, I have two more points. One is if I look at export sales FY '20 to '22, we were in the range of in terms of volume 100,000 tons. And then from '23, '24 we inched up to 125,000, 130,000. Now again do we see a period of stability? And how do we look at what is, because we're still very small in the overall market. So, let's suppose 3 years, 5 years down the line what is the export volume which we target in terms of metric tons? That's point number two?

Rajeev Setia: Ankit answer.

- Ankit Setia:** Like you said we are small, on what basis have you said that?
- Anuj Sharma:** Yes, the global export market right is huge.
- Ankit Setia:** India exports around, see India is exporting around 4.3 million tons of rice, out of which 2 million goes to only two, three countries. We are not even exporting in those two, three countries. So, in terms of what we are doing and the kind of customer base we have and the kind of countries we are doing in, I believe we are big and the model is absolutely different from our competitors.
- Anuj Sharma:** All right. All right. So, if you can elaborate, let's suppose 5 years, 7 years down the line, what is the export volume we have in our mind in terms of the opportunity?
- Ankit Setia:** See the point is to have a revenue where you are making money, your payments are coming on time. I hope you agree on that.
- Anuj Sharma:** Yes, absolutely.
- Ankit Setia:** So this is the same model we are following from last 5 years, 7 years, 10 years and this, of course, will be followed in the future also to get customers who are good pay masters, who are giving us a good margin and that is why we are increasing our packing units so that our sales can be done on time, delivery can be faster and new customers which we are getting in our company, more can be added. This is the plan. So, I expect in next 18 months, the revenue should touch INR 2,000 crores per annum.
- Anuj Sharma:** And one observation to Rajeev sir, our dividend payout has inched up. I think we used to hover around 4%, 5% and we have moved it to 10%, so that's a good sign. I hope we will continue the trend on an upward trajectory so that at least we match a reasonable payout and that's a good sign. A good sign.
- Rajeev Setia:** In the speech Shweta, has already told 10% to 15%, and let's hope we continue with that. We grow, it all depends upon the business and the way we are doing, it should run safe all along because in the industry, many mishaps have happened. But our way of working is such we continue to earn, continue to grow. And if everything continues to grow, this will also grow, don't worry. We have made up a mind because company is sitting on a very high cash. So, we decided that it's a little unethical on the part of company to pay smaller dividend, so we changed our mind. Some people like you suggested us in the conferences, and we followed that.
- Anuj Sharma:** Absolutely. So.
- Ankit Setia:** I would like to add, this financial year, this full year was a very challenging year, I would say. And this was in terms of buying raw material and procurement and selling it was, I would say, it was like a roller coaster. Like I said last time also first white rice was banned, broken rice was banned, par-boiled there was a duty put 20%. And then on basmati, first there was a minimum export price of USD 1,200, then reduced to USD 950. So, I mean, so many things

have happened this year. Stock prices went down. But you can see the company has performed very well. If you take into account the full year performance, it is better than even last year.

Rajeev Setia: I would add here also, the company has been going for its buying speed very calculated. Every week I was questioning the team what we are buying, there is a corresponding sale or not. If the sale is there, with the proper profitability is there or not. Only then I was permitting buying, and this is what, every weekly or two times weekly. Ankit and me were discussing, Ankit, is it sold and will get sold as you are taking? So he said don't worry I will sell it and they did it. Great job they did.

Anuj Sharma: Wish you all the best for the future. Thank you so much.

Moderator: Thank you. We'll take our next question from the line of Raju Basani, an Individual Investor. Please go ahead. Mr. Raju Basani your line is unmuted. Please go ahead with your question.

Since there is no response, we'll move to our next question from the line of Adi, an Individual Investor. Please go ahead. Mr. Adi please unmute your line and go ahead with your question.

Since there is no response, we'll move on to the next question from the line of Chirag Shah from White Pine. Please go ahead.

Chirag Shah: Thank you for the opportunity again. Sorry to harp again on the earlier question on this freight cost. So, what we're trying to understand is from when does the new contract setting for you so that it becomes the business as usual, because you still have the backlog of orders where because your contracts are CIF and customers, some of the customers may still not be willing to share the burden or accept the burden. But as you enter into newer contracts today or those will be assuming the newer freight rate, correct? So generally, what is the lead lag cycle? It's a 1 quarter lead lag cycle. It's a 2-quarter lead lag cycle for you, for this freight cost issue that adjusted completely? That is the question that I was trying to understand. Yes, how is the business cycle?

Rajeev Setia: I will briefly explain because I want others to also ask, because there must be other people in the queue. Very simple arithmetic, when the ocean freight goes up very high, let's say, it is USD 7,000, USD 8,000, USD 10,000, I'm talking about Corona period. Canada it was USD 1,550 went to USD 12,000. So, we were always selling at FOB price, we were fixing the price of FOB and ship CIF, with the actual ocean freight. We are negotiating the buyer, this is the freight, if acceptable to you, give us consent and we send you the contract. This is how we have to do in a very large ocean freight. And we have faced that period also. That's over now. These geopolitical problems have again, the prices have gone up, is the cost of companies, shipping companies, sometimes, they use this time for their advantage also we know obviously. So now this is in the business, if I have sold CIF customer will say give me, you have sold me but the good customers they share. Some of that pay totally, it's none of your fault, and there are some greedy people they try to take that, but we notice them, and we try to factor it in our subsequent prices to get better prices to recover our losses also, these things happen, these are business principles. And yes, these things are happening due to geopolitical problem, we can't help it, but still company is growing.

- Chirag Shah:** Fair point I fully agree with you. You have to at times, we have to share the burden of customer and customer is the king. I fully agree with you.
- Rajeev Setia:** They are, but we have to be conscious about, we have to be conscious about the customer also what is he conscious for the future.
- Chirag Shah:** And sir one last clarification, sir, on this inventory, you are saying that you have mark-to-market there is kind of a provision that we have made in this Q4 given the prevailing prices. Correct? So, to that extent also the margins are suppressed. Is it what you're trying on the inventory revaluation at that point that you are indicating?
- Rajeev Setia:** No. This is a different thing. It should have been shared earlier also nobody asks. The Q4 expenses are very high that's your question?
- Chirag Shah:** No. I was more referring to the question that Ankit was referring that in Q4 because the inventory is very high in our balance sheet and if we have to do any revaluation and make certain adjustments either on.
- Rajeev Setia:** No, you have misunderstood him. Let me re-explain. There are two things. First question is Q4 '23 is INR 10 crores and Q4 INR 44 crores is other expenses. Both sides there is a phenomenal increase of INR 34 crores. That is the right question, and that's why I think you are asking, and you are not satisfied with one answer that ocean freights have gone up.
- Chirag Shah:** No, sir, I understood that part.
- Rajeev Setia:** There is one more thing, there is one more thing, earlier the empty bag, we are buying for packing of the rice, they were going in some other head, manufacturing or something like that. Now it has been, as per rules, it has to be used as a consumable, the way paddy used as a consumable, the same way it has come. That figure has come in this 44. I asked the auditor right now. I muted the call and questioned. This is what they have done because it has to be in the consumable as per the rules. So we.
- Chirag Shah:** No, my question is slightly different. Sir, my question is Ankit was referring to that because you have to value the inventory based on lower market value of cost. Have you done any revaluation.
- Rajeev Setia:** Inventory has nothing to do with that census, inventory is the valuation system is cost price or market realization value, whichever is less, Okay?
- Chirag Shah:** Having done that, is the realization of lower on the quarter?
- Rajeev Setia:** Wherever the prices have gone up, for any variances the prices have gone up we took at the cost wherever on 31st March, the prices had come down, I mean, realization was below the cost price. We evaluated at realization price, whereas our sales rice was sold at a higher price, which was to be shipped after 1 month or 2 months. We did not prebook the profit, we made very clean dimension. That's what I say.

- Chirag Shah:** Yes, yes, your margins, which are a bit lower is also because of the fact that because of this region also. Is it possible to quantify? Is it possible to quantify? What is this? How much, is it possible to quantify or not?
- Ankit Setia:** I would make a point here. The inventory is INR 500 crores, and the company is doing quarterly sales of INR 400 crores. So, inventory is not so big also. It will be finished. I mean based on...
- Chirag Shah:** So, from a quarter perspective, it is high. Yes, because of revaluation nothing else. It's an accounting entry, I understand, I'm just trying to figure out or make this clear that this is more of a one-off event, rather than normalized margins and sir I have spent across certain data. There is some reclassification that has been done in the presentation on export tonnage. But the relevant revenue number has not changed for the past data, you have removed the broken rice export tonnage, but the revenue number in the export has not gone down in the presentation I'm talking about. So please, you think to be an require outlook and.
- Ankit Setia:** Can we get back to you on that, please?
- Chirag Shah:** Yes sir, please.
- Rajeev Setia:** We will move on. It is very difficult to open. Then we will give you all the facts.
- Chirag Shah:** Sure. Thank you very much.
- Moderator:** We'll take our next question from the line of Tushar Vasuja from Yogya Capital. Please go ahead.
- Tushar Vasuja:** I have a few questions on the new packing units that you're going to build. So, what will be the cost for this?
- Ankit Setia:** Okay. Should I answer this or I wait for the second question?
- Tushar Vasuja:** I can ask all the questions at once if you want.
- Ankit Setia:** Okay. I'll reply you this, then you can ask the second one. The land is already there with the company. The warehouses are already built. Only the machinery part is left. So, 1 packing unit can cost around INR 3 crores to INR 4 crores. That is to get one in place.
- Tushar Vasuja:** Okay. And this is on our existing facility? We don't need to buy any more land for it, right?
- Ankit Setia:** No, we would not require anything.
- Tushar Vasuja:** Okay. And 1 more thing that you said before that we can see the effects from these packing units by the end of this year. So, would that be all 3 packaging units simultaneously? Or will we commercialize them in phases?
- Ankit Setia:** Normally, a packing unit takes about 3 months to set up. So, the plan is to do two packing units in the next 4, 5 months. And then the third one will take another 3 months.

- Tushar Vasuja:** Okay sir. Thank you. That answers all my questions.
- Ankit Setia:** Thank you.
- Moderator:** Thank you. Next question is from the line of Nikhil from UM Capital. Please go ahead.
- Nikhil:** Good morning sir, thank you for the opportunity. As mentioned earlier last 1 year, we have seen a lot of curbs on the exports of food grains I am just talking it as a broad category. Now do you expect any changes on these export regulations going forward? Like after this elections, are you expecting some sort of relaxation, that impact us directly or indirectly?
- Rajeev Setia:** We are definitely, there must be changes because the government wanted the prices to be at the lower levels because of the election and inflation. So, these measures are taken. Broken rice stopped, non-basmati export is prohibited, Parboiled is allowed, but with 20% export duty and government itself come up with the Bharat rice at INR 29 per kg though there is huge losses also for the government. So now once the new government comes which is most likely 100% Modiji is coming. So, they will review on the changes because they want to export also whatever when it takes place it is their wish we cannot help, but company is into basmati so no problem. For us we are not doing non-basmati business. Basmati there is no restriction except temporarily this MEP. So that was introduced because some people have started shipping non-basmati as basmati rice declaring it as basmati, so government was constrained to take this step because we met physically Piyush Goyal ji, he had only this concern stop this non-basmati export particularly Sona Masuri from South, that was the issue.
- Nikhil:** Sir I have one more question. I understood the change in dividend policy. The company is talking about enhancing the dividend, which is a welcome move. Just want some more understanding of the outstanding debt. How does that work? And what are the cost of funds?
- Rajeev Setia:** I could not understand your question. Can you please repeat? I think you're not very cleanly audible.
- Nikhil:** Yes. Can you share some details about the outstanding debt? And what is the cost of debt?
- Rajeev Setia:** Outstanding debt?
- Nikhil:** Yes.
- Rajeev Setia:** Outstanding debt, because it has increased also because the transit period has increased. We have to book the invoice for the shipping bill and invoice date. So, once we book it at the debtor comes in the books. So, the cargo is in India. It is in either at Sonipat Port or in transit to Mundra, it is debtor in our books. Though we have sold most of our sales are on CIF, delivery against the payments or cash against document something like that. So this period has also taken a lot of hit.
- Nikhil:** Yes, I'm listening to you.

Rajeev Setia: And as of now the March debt is almost paid almost paid, not fully I can say, but it is almost paid. Some shipments are under LC with 120 days you said their payments will come on the due date because the bank guarantee is there. So, no issue. Whole turnover is insured by ECGC whether I sell on the DA, or I sell on CAD my all insurance is covered by, so and there is no cost on the debt because I'm not discounting the bill. Look there is borrowing by the way of packing credit, clean money to us. There is another way we can get our invoice discounted with the bank and get money. We don't discount although the interest is same, but the company has no cost, interest cost is not there on the debt. It's company's own price.

Nikhil: What is the cost of debt?

Rajeev Setia: Cost of debt because the bank rate is 7.5% to 8% from our bank and there has been subvention also of 3%. So, it is around 5%, close to 5% on the export. And we borrow for only export, not for anything domestic. For domestic rates are higher that we don't borrow. We borrow only for that and there is a 2% cash discount on other bank. We utilize that also.

Nikhil: Got it sir. Thank you for explaining.

Moderator: Thank you. Next question is from the line of Rajesh Mangal Agrawal from Rajesh Mangal & Company. Please go ahead.

Rajesh Mangal: My first question is I think during the call you told that our long-term debt, it becomes zero. Right now, in the balance sheet I think it shows INR 56 crores. Am I correct?

Ankit Setia: I am sorry I missed your words.

Rajeev Setia: As on the date, we don't owe a penny to the bank. Sorry you are asking for 31st, of course we were borrowers at 31st March.

Rajesh Mangal: And right now it is 0?

Rajeev Setia: It is finished.

Rajesh Mangal: Okay. And then next question is sir you told that, you are dealing in CIF basis only. And to overcome this price change, etc ocean freight etc, you have told that this freight had been raised from 8x to 10x. So why not we are taking one during workout etc, why not we are putting one point that this rate is so much and taking this freight at this amount and if it will improve by 10% to 20%, then the balance cost will be bear by the purchaser.

Rajeev Setia: It's very simple business. We sell another customer outside India buyers. So, he buys FOB for example. And then ocean freight he has to pay the cost is the same. Now it depends if we have some other charges of, he gets higher ocean freight from, in the company shipping company. We are a regular shipper, we give very good volume to the shipping lines. We are in a better position to negotiate than our buyers. We convince them by rely on us for ocean freight. They can also online check what they are getting, what they have got in CIF, and I have already explained that FOB and CIF, it's very risky is the cargo is drown in transit or there is a full loss. People can be honest.

- Rajesh Mangal:** Rajeev sir you are correct. My question is that to overcome these freight changes 8 to 10x we can put a mark in this work order or like that. If the freight will be, no doubt we will deliver you in CIF basis and if the freight rate will be supposed changed by 10% to 20% etc, balance cost will be transferred to the buyer only. We can make it.
- Rajeev Setia:** This is called escalation clause in the contract. It's a very good suggestion and I'll try, I'll incorporate in my contract, it's a very good suggestion, but what normally we do is give in FOB prices to the customer, because we want to secure also our customers, he should be peace of mind at this price I bought. Eventually suddenly the ocean freight going up, we give him FOB prices and tell him this is the ocean freight. You give us a consent and we will add it and ship CIF.
- Rajesh Mangal:** Yes. It will be better than FOB price plus freight at actual basis. So that.
- Rajeev Setia:** This is what we do because he is safe, we are safe, both sides are safe. And this is how we do because.
- Rajesh Mangal:** Sorry, if you are doing like that then why is this excess ocean freight cost to be bear by our company only?
- Rajeev Setia:** No, you know what happens there are some deals CIF already when the INR 500 crores, INR 800 ocean freight is going.
- Rajesh Mangal:** Right now, sir I am telling about the CIF only sir.
- Rajeev Setia:** In the regular business, these kinds of stipulations don't come, they just ask the CIF price and we give that. It's a normal period, but then suddenly I never saw these things in entire history of our expert except in COVID period and now this problem of Red Sea. Suddenly they have gone up. So this, I don't know what will come in the future. But these things we had to invent devices that how to satisfy the buyer, how to convince them. It hurt us some time.
- Rajesh Mangal:** Yes. By putting that you are very correctly said that by putting that escalation clause we can overcome this?
- Rajeev Setia:** Yes. Escalation clause is a good suggestion.
- Rajesh Mangal:** Sir, next question is regarding this we are providing this diabetic friendly rice. So, is there any further proposal to evaluate or sell any value addition rice?
- Rajeev Setia:** The right person to answer for this question is my brother Vijay Setia is not here. So, Ankit you have anything if you discussed recently with your dad.
- Ankit Setia:** No. Currently, we are focusing on diabetic rice. We are increasing the number of distributors. We are increasing our packing facilities. So that the sale of diabetic rice only goes up. So that is a big opportunity for the company as of now.

- Rajeev Setia:** Ankit that quick cooking rice Vijay was planning to make something, and he is working on this.
- Ankit Setia:** Yes. So, we've done brown rice which cooks quickly. So that product is also ready. And we are promoting it all over the world so that we can get more customers for that.
- Rajeev Setia:** Yes. Realizations are always better in these things.
- Ankit Setia:** Realizations are always better when you do a different product, when you are doing smaller packing, you are doing with smaller customers of course the realizations are always better.
- Rajeev Setia:** Anything other than conventional always gives better.
- Rajesh Mangal:** And last question is, sir, regarding this inventory valuation, you are, I am myself is Chartered Accountant only. And I know that this inventory is valued at cost of market price whichever is lower. So, the March valuation INR 499 crores, INR 500 crores, you are valued at it on cost or NRV, what is the valuation you have taken?
- Rajeev Setia:** Ankit, let me answer. I wanted to be a Chartered Accountant, first I should tell you and I have 1.5 years training in the CA office way back in '77, '78. Yes, I understand a lot of finance I have. One has to be absolutely fair in making the accounts. Those who have fudged their accounts they have suffered like anything, like tell them also in my industry also. We had, of course, huge stock. And it was as per our sales. It was as per as our sales. And there is 1 thing more in the season we have to buy because you get the best quality in the season for any agro produce. For example, vegetables are best in the season. And after that season goes, you don't like taste of cauliflower or carrots and all these things. It is the same with the rice also we have to buy in the season one. For some time, we have to build up the stock also, but it has to be corresponding with your sales. And as regard to your valuation, you see wherever the cost price or market price, whichever is lower, or realization value, whichever is the lower. Wherever the market price was up than our cost, market price was higher than for any variant where the price was higher than our cost, we value that cost. Wherever our cost price was less even if other like, because we are simultaneously selling also, if our realizations are at higher price, we did not use that prices because we knew we have sold. But strictly we valued that the realization value as on the date of our closing 31st March, because the cost price was less, and realization was also less. So, this is how we evaluate it. That's the right way.
- Rajesh Mangal:** Rajeev sir you are very correct, sir. I understood your point. My question is if suppose we have valued at NRV which is less or we valued it at cost. So, can we expect some more profit in this quarter out of these lower values in up sell in March quarter?
- Rajeev Setia:** Of course, in many cases I know I have sold at a higher price. My realization is higher. I knew that at the point of valuation also obviously that's the profitability will be there let see what happens.
- Rajesh Mangal:** How much additional profit we can expect sir?

- Rajeev Setia:** Right now, I just can't say anything. We are selling fast this quarter is going well as far as our volume is concerned. Let us see.
- Rajesh Mangal:** Okay. Sir, what is the current work order sir your current work order value?
- Rajeev Setia:** Work order value means?
- Rajesh Mangal:** Sir, how much we have, work order value, means sir we have already, buyers have already put order on for export?
- Rajeev Setia:** We always, it's a regular running process every day we get orders every year shipment happens everywhere.
- Rajesh Mangal:** Okay. Thanks for the opportunity and wish you all the best.
- Moderator:** Thank you. Ladies and gentlemen, we'll take that as the last question for today. I now hand the conference over to Ms. Anushka Chitnis from Arihant Capital Markets for closing comments. Over to you.
- Anushka Chitnis:** I would like to thank the management, Rajeev sir, Ankit sir and Shweta madam for giving us the opportunity to host Chaman Lal Setia Exports and also, for your valuable insight which helps clear a lot of doubt. That's all from my side. Thank you so much.
- Moderator:** Thank you. On behalf of Arihant Capital Markets that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(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