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.

12.08.2024

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 07.08.2024

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 07.08.2024.

Thanking You,

Yours faithfully,

For Chaman Lal Setia Exports Limited,

(Kanika Nevtia)

Company Secretary

ACS:- 29680

Encl: As above

“Chaman Lal Setia Exports Ltd.
Q1 FY25 Earnings Conference Call”

August 7, 2024

MANAGEMENT: **MR. VIJAY SETIA – CHAIRMAN & MANAGING DIRECTOR**
MR. ANKIT SETIA – EXECUTIVE DIRECTOR

MODERATOR: **MS. ANUSHKA CHITNIS – ARIHANT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Chaman Lal Setia Exports Q1 FY25 Earnings Conference Call. 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Anushka Chitnis. Thank you and over to you.

Anushka Chitnis: Thank you. Good morning everyone and welcome to the Q1 FY25 earnings conference call of Chaman Lal Setia Exports. Today from the Management, we have Mr. Vijay Setia – Chairman & Managing Director, and Mr. Ankit Setia – Executive Director. Now, without further ado, I would like to hand the Conference Call over to Mr. Ankit Setia. Over to you, sir.

Ankit Setia: Good morning everyone. And a warm welcome to all of you to the Earnings Conference Call of Chaman Lal Setia Exports Limited. We are going to discuss the Business and Financial Performance for Quarter 1 of the Financial Year 2025. Mr. Vijay Setia, our Chairman and Managing Director is with me today. We hope you've had a chance to review the results and earning presentation on stock exchange websites.

Before we begin, I would like to remind everyone that this call may contain forward-looking statements which are predictions, projections, or other estimates about future events. These statements are based on Management's current expectations and involve risks that could cause actual results to differ.

The industry faced another challenging quarter due to geopolitical tensions and shipment disruptions in some of our key markets. Despite these difficulties, we are pleased to report a strong rebound in revenues. Our revenues were at Rs. 363 crores this quarter, grown by a remarkable 38% year-on-year. As we have always mentioned about our strategic efforts to de-risk our revenues, our extensive presence in 90+ countries and a robust distributor network globally have been instrumental in achieving the high growth in revenues this quarter, demonstrating resilience to our operations. The quarter witnessed an increase in penetration in APAC, Middle East, and African markets. Our team has actively participated in global food exhibitions like GulFood in Dubai, Agro Expos in Istanbul, Uzbekistan, and Thailand, and Indus Food in India. Our team has been aggressively traveling globally to meet new as well as existing customers. As we speak now, Mr. Rajeev Setia – our Joint Managing Director and CFO is currently in USA meeting some of our long-standing customers to further strengthen our strong relationships. Our export volume grew by almost 38% y-on-y in Quarter 1, to approximately 35,000 metric tons. This quarter has also seen significantly growth in our domestic business growing by a healthy 70% resulting in an improvement in share to 13% of our overall business.

Given the geopolitical scenario and the resulting disruptions in the supply chain, we are, however, witnessing some impact on the margins. Our EBITDA stood at Rs. 32 crores and our margins stood at 8.9% impacted by softening of basmati prices, along with the geopolitical issues leading to some of our new contracts being negotiated at relatively lower spreads. With most of our contracts being on FOB basis, we anticipate that these conditions will normalize in the upcoming quarters as supply chain issue stabilizes. I would, however, like to emphasize that our business model continues to remain asset light with most of our inventory likely to be liquidated before the start of next season and hence majority of our revenues are directly translated into cash flows. Over the years, this has resulted in strong liquidity positioning of our company. As of June 2023, the company had Rs. 150 crore of cash and liquid investments and almost a debt-free status. Moreover, our inventory levels were at Rs. 288 crore, which is mostly order backed and is expected to be by and large liquidated in the coming quarter itself before we move into new season, adding further to our cash position. Taking this into account, the board has recommended to enhance return for our shareholders in the previous quarter through increase in dividend payout to 10% to 15% every year. I am pleased to also announce that this quarter our board has approved a buyback of 2 million shares at Rs. 300 per share, totaling Rs. 62.04 crore. The proposed buyback price is 35% higher compared to yesterday's closing price. We believe that this further demonstrates our commitment to enhance shareholder return and reflects our confidence in the company's future prospects.

At Chaman Lal Setia Exports Limited, our strategic focus continues on profitable growth and secured cash flows, thus avoiding high-risk territories and concentration on any single customer or territory. As a result of this strategy, we have had a healthy and efficient balance sheet for all these years, which we strongly believe would continue in the future as well. Despite the usual business challenges, with our strong execution capabilities, establish customer relationships and expanding distribution network. We are optimistic about the quarters ahead.

With this, I would like to open the floor for question and answers. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Nitin Gandhi from Inoquest Advisor Private Limited. Please go ahead.

Nitin Gandhi: So, the buyback, which is accrued of 60 crores at 300, this is open market buyback, or is it a tender route buyback? And whether promoters will be participating or not?

Ankit Setia: Our Chartered Accountant – Mr. Gaurav is also with us. So, Gaurav ji, you can please answer this question.

Gaurav: Promoters are participating in this buyback. And it is open market based.

Moderator: Thank you. Our next question is from the line of Sakshi from Swan Investment. Please go ahead.

Sakshi: I wanted to just understand that on the domestic market side, what was the increase in the realization and the increase in the volume?

Ankit Setia: As I mentioned in my speech, this quarter there was an increase in domestic sales, a growth of 70% resulting in an improvisation in share to 13% of overall business. The last quarter was 35,000 MT in total.

Sakshi: I wanted the breakup between the realization and…?

Ankit Setia: See in terms of profitability, of course export market is more profitable.

Sakshi: Yes, but the way you have mentioned that in exports the volume increased 38%. So, what was the increase of volume in the domestic market?

Ankit Setia: I think we are comparing quarter versus quarter. And if we compare the quarters, the domestic sale has gone up. I don't have the real figures in crores how much it has gone up by, but in percentage I am sharing you.

Sakshi: So, what was the percentage increase in the volume?

Ankit Setia: Of export or domestic?

Sakshi: Domestic.

Ankit Setia: 70%.

Sakshi: I thought 70% was a revenue increase that is why I was asking for the breakup between the realization and volume.

Ankit Setia: No, I said clear that domestic business growing by a healthy 70% resulting in an improvement to share to 13% of our overall business.

Sakshi: So, in terms of price, then was there a decrease in the price?

Ankit Setia: Of what domestic business?

Sakshi: Yes.

Ankit Setia: See domestic business is always less profitable. In terms of pricing, it is the same like of course there are no expenses what we incur when we are exporting but in terms of pricing it is same, but the profitability is less in domestic business.

Sakshi: But on a year-on-year basis, was there any change in the pricing?

Ankit Setia: Particularly talking about last quarter, the prices of rice came down. The trend was down. If I compare it year-on-year, last year same quarter prices went up and this quarter prices came down. We are talking about general market.

Sakshi: So, was it down like 5%, 7%, 10%?

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Gaurav: If you want to know in terms of percentage, maybe 10%. Gaurav this side, actually I would like to correct my last answer as I answered it, is that it is tender based actually buyback is, it is not market based and promoters are participating.

Moderator: Thank you. Our next question is from the line of Pravin, an individual investor. Please go ahead.

Pravin: You just answered our question because in the meeting record, it was clearly mentioned it was on a proportionate basis and record date was also mentioned. So, I think now it is clarified that it will be on proportionate basis through tender offer route and not from the open market. So, that clarifies the point. As of now, if I have any other question, I will come again. Thank you.

Moderator: Thank you. Our next question is from the line of Akash. Please go ahead.

Akash: So, I had a question regarding the new packaging unit. So, during the last conference call, it was mentioned that the company has decided to set like three new packaging units. So, what is the timeline? And when can we expect the revenues to come from that?

Ankit Setia: So, Akash Ji, the first unit, like I said, three new units are coming up. So, we have completed the flooring of the first unit and in next two to three months, the first unit is going to get operational. So, that is the current status and once the first unit is complete, I think next three months, the second one and after that three months, the third one also will be ready. And by end of this year, I expect there is going to be a jump in revenues.

Moderator: Thank you. The next question is from the line of Chirag Shah from White Pine Investment Management Private Limited.

Chirag Shah: So, my first question is in the export market you indicated there is a drop in realization per kg. So, can you elaborate on this, why it happened or what is driving it? Is it Pakistan, currency depreciation is the reason or what is driving this drop?

Ankit Setia: So, my father can answer better. I will also add something.

Vijay Setia: You see, our team was very aggressively marketing in the last year. And there were two reasons. Last year, prices of raw material went up. So, the material we were holding, the profitability from normal level went to, I think, a higher level. This was the one reason. And the buyers were ready to pay higher price last year. This year, because of a problem from Ukraine, then in the Middle East, Red Sea, the logistic cost has gone up. My company works on FOB basis. That is true. But when the rate from $500 coming $4,000, so buyer is not ready to give better price. So, they negotiate hard now. So, we have to keep the business going. We have to adjust the prices a little bit. And it is not for us, it is for the entire industry. And this year, many companies have made some unexpected losses. Whereas our committed buyers and our model of working, we have a wide number of buyers. I think that is keeping our company in a better position. And the future, I think, is going to be further better. The new raw material has started coming at a very reasonable price. And I think if we look at some newspapers, they are also indicating that the rice industry will make more profit this time.

Chirag Shah: Sir, would it be right to say that this year, the raw material cost would be lower than your last year cost. So, as the new material comes in, your profit margin should expand which it can compensate for dropping realization, is there a way to look at?

Vijay Setia: You see as Mr. Ankit Setia said, he has said that the previous stock we will be finishing in this quarter okay, so we will be starting fresh with a material. The technologies we have, we can do our rice accelerating ageing in 24 hours. The technology systems are strong. So, then the buyer needs a good cooking rice, we are there to offer a rice with excellent cooking. Then this logistic cost, which has put pressure on us, then we have a cushion of that price gap from where we will be making money.

Chirag Shah: Sir, in your best estimate given the way the crop is expected to be, what kind of improvement you can see in the raw material basket versus if last year, we bought the raw material at Rs. 100 per kg. Just an example, can this be 10% lower this year or such a sharp drop is not possible?

Vijay Setia: Okay, two parts. Last year there was drought like conditions in many parts and the paddy was at the time of ripening, it was under stress. So, when we are processing, we realized that broken percentage higher as compared to previous years. This year, the monsoon is predicted to be excellent and widespread. So, crop is going to be excellent. This is the prediction. Right now, the health of the crop is very good. And in some parts, some farmers do early sowing and that material we have seen in the market, quality is good, and prices are almost close to the MSP which is very rare thing for the Basmati selling close to the MSP price. So, if you have continuous orders in your hands and in this company's case, large number of buyer base is there, and small buyers are there. Brands we are doing as a loyal supplier. So, the private level we are doing, we are doing like it is our own brand. So, our profitability will remain good and hopefully it will peak.

Chirag Shah: And just one clarification on this. So, sequentially if we look at raw material to sales is up from by 400 bps or 4% from 77.3 to 81, so almost 400 percentage points. How should one look at this number because this has been volatile in the past on quarterly basis, I understand that. Is this more because of price realization being lower or it will be because of high cost of inventory? So, between the two, how will you look at it?

Ankit Setia: No. I have pointed to the government one thing. The minimum export price you have made 950. And Pakistan very cleverly made their prices MEP 700. So, they have a small crop as compared to India. They will get first opportunity to sell in the international market. And then our position will come. Government is considering removing the MEP. I think we have made a lot of representations and positive consideration is going on within the government and even any change count, it will be favorable for the industry and ultra-low prices will also improve what are hovering today. So, I think industry will make money this year by and large, whether he is a small miller or a big miller. And only thing I can say, last year small millers, those millers who are not exporting rice, they are just selling in the domestic margin, they lost money. And exporters, they managed to make money. And you can see all the exporting companies are growing and domestic companies have lost some money. That's the difference. So, prices will remain lower by 10%, 15%, that is possibility.

Chirag Shah: So, your paddy cost, right? Raw material cost will be 10% to 20%.

Ankit Setia: Raw material cost will be lower this time. And I think if the head grain recovery will be better, that means that will be adding to the profit.

Chirag Shah: And Ankit made a comment that new contracts are at a lower pricing. So, is it again because of the factors that you indicated, with competition coming from Pakistan or something else, or it is more because of the freight rate and cost issues that you highlighted? Because we were under impression, if you look at the last quarter also, that as new contracts come in, the freight cost will get passed on, because last quarter we had a Rs. 10 crore of freight cost impact which we had to absorb as compared to earlier where it was kind of a 9-month freight cost or an annual freight cost which came in this one quarter. So, can you just elaborate on this, the new contracts are at a lower price?

Ankit Setia: Chirag Ji, from last four months only the freight have continuously gone up. So, you know we are supporting our customers. That is why the EBITDA margin has become 8.9%.

Chirag Shah: Sitting today if you have to look at the whole year and let's ignore the quarterly volatility what kind of EBITDA margin or per kg EBITDA is a reasonable number that you would be looking to achieve even though dynamics as they are today? See dynamics can change, I understand.

Ankit Setia: Normally like we have told in the past also, we work on a margin of Rs. 10 per kilogram. And current inventory June end quarter was Rs. 280 crores. And we are fast finishing that inventory also. Now the freight problem also is solving because it's been going on from last five, six months. So, that also is becoming stable, or it is coming down. Things are coming in our favor now.

Chirag Shah: So, Rs. 10 EBITDA per kg is a kind of ballpark number you will try to achieve this year given that we are….

Ankit Setia: If you look at the average of the full year, we always achieve that. We predict the same.

Chirag Shah: Sorry for hampering you with, but why am I asking is this because since last two quarters, our EBITDA per kg is around Rs. 8 and Rs. 7, right? That's why, is it new normal or things are changing from here? That is the question I have.

Ankit Setia: All I can say is that the troubles we are facing, they are going away now. The inventories we had, they are finishing. The freight part also is solving. So, I think brighter future ahead.

Chirag Shah: One last question if I can ask. Any color on competitive intensity because currencies of some of your competing countries have also depreciated more than versus INR. So, that also has an indirect impact on you in that sense…

Ankit Setia: What has depreciated?

Chirag Shah: Depreciation in currency like Pakistan rupee would have depreciated more some of the other excluding countries, whatever depreciated more than INR versus dollar, so they are in better position right?

Ankit Setia: Right, but currently the INR is trading almost at 84 level 83.89-83.93 something like that. So, it is always benefiting us because we don't have any future forward booking.

Chirag Shah: So, you are not seeing any competitive pressure coming from your other country as far as?

Ankit Setia: No, nothing.

Moderator: Thank you. Next question is from the line of Pravin, an individual investor. Please go ahead.

Pravin: My first question is on this MEP. It has been quite a while since the reduction has been sought. But it's not forthcoming. So, what is the situation on that? This is the first. And second is does this MEP, minimum export price, is regulated on FOB basis or CIF basis? Means can we include freight also in this or it's just a FOB basis? This is the first question.

Vijay Setia: Let us finish first question, otherwise it will mix up. I answer this. For MEP last year, because the raw material prices were very high, even then we pointed the government that there are two varieties of basmati. They consist of large portion of the total exports and their price should be kept around 850. So, this was our suggestion, though we were exporting at $950 and $1,000. We told and pointed in future the prices if come down, we will not come back to you time and again. You make it 850. But government of elections and other views of inflation, they kept it at 950. But at that time, industry was comfortable. People exported rice, every company exported rice. But as the similar some seeds Pakistan is also growing and they made their MEP lower side. So, the sale for these 1-2 varieties like PB1 and 1509 became little difficult. Though these are basmati varieties, raw material price going down and the acceptability not at a higher price was also a problem. So, we pointed this to the government, but government is looking from the totality. The overall average export price is around 1061 in May, June. So, government is looking at from 950 you are still higher by $50. That's why they are taking little more time, but they are very clearly told by the agencies within the government like APEDA which is monitoring the basmati exports that the industry has a very clear mandate. Every representation is coming for these two varieties, kindly take a decision at the earliest and we are hopeful that in the near future, this will be done. In the NITI Aayog also, this was discussed that overall rice scenario is comfortable. The government is holding 3X buffer stock. This is also there. The problem with the inflation, though it is not your question, but I am answering, the problem is the government policy of buying 100% wheat, buying 100% common man's rice. So, then supply for the common man's food requirements is blocked in the government block and then the open market supply is too less that gives spikes in the inflation. When government sells their rice there is pilferage also, some of that goes to the export reserves also, I told to the RBI. So, then they may be looking into these things how to do it and how to control it. So, for MEP, we are 100% sure and assured by even the minister himself that we are looking into this, and we will do the needed. Maybe next 15 days things will be clear. So, what is your second question?

Pravin: No, my MEP is FOB or?

Vijay Setia: It is FOB.

Pravin: The second question is though Ankit said that the freight situation is coming down, but while I am speaking to other companies who are in garment export and other things. You know the freight situation has perpetually become bad since 22 when Russia-Ukraine war and then with Israel-Hamas and now this Middle East escalation further. Is there a way forward to offset this problem?

Vijay Setia: Yes, I got your point. I answer you. You see there is two part of this logistics. First is if I am trying to get a shipping containers from India and another is my buyer is getting containers. In the many industries, people get their containers in India. In our case, most of the buyers, they buy large quantities from different sources. So, when they negotiate with the companies, they get better price than us. Suppose I am exporting 10 containers to X country, but buyer is importing 200 containers from different sources. When he's talking to the company, company gives him a better rate. So, this could be the reason, as you said, some companies feel heat, that prices are going up. But whereas what we are now realizing, it is becoming stable. And hopefully things will not further worsen from Ukraine and Middle East. Then as Ankit has told, and now it is stable, it can come down. And it will add to the buying capacity of the buyers and that will also help us.

Ankit Setia: I would like to add, for example, we were doing some CIF business with a buyer two months back. We are trying to shift, we have already shifted the buyer to FOB basis. You understood, because two months back, it was difficult to shift him because he is in this habit. But now since by persuading him continuously, we have got him down to FOB. So, that is why I said we are in control.

Pravin: And my last question is on the domestic strategy. The way I see things, and this is what I am seeing that other companies which are into bed linen and others, they are also focusing a lot on domestic market wherein we somehow are lacking there. I still don't see, especially there is a lot of premiumization focus in India, the way things are moving. India today is different from what it was in 2017, 16, 18. A lot of premiumization is there and buying power of people of a certain section at least has increased a lot. So, I think are we investing, I personally feel that we are investing quite low on the domestic market as far as marketing and strategy there is concerned. I think we need to, this is my suggestion, we need to focus more on domestic. While exports are going on, this lever should also play out the domestic market lever, especially cooking, healthy rice and brown rice and those varieties. I have personally not been able to find them e-commerce or modern trade channels. So, this is just a point for you to ponder upon. I think it can give you a very stable business. Maybe the margins will be a bit lower than export, but you need to focus on that. Thank you.

Vijay Setia: Good advice. Thank you. We will definitely look into this, and we are deliberating on this thing. We have put some persons especially to be focused on this thing. And the product, definitely we have better than a lot of our competitors, whether it is brown rice or it is dry-heat powder, and we have some senior person in our team now, he is dedicatedly working on this thing. Thank you for your advice.

Moderator: Thank you. Our next question is from the line of Gunit Singh from Counter Cyclical. Please go ahead.

Gunit Singh: So, you mentioned that the raw material prices are coming down and trade situation improving, inventory situation also improving. And sir, you mentioned that we would be looking at achieving peak margins. So, what kind of margins are we looking at for FY25, basically, that would be the first question?

Ankit Setia: See, what I said was that the expensive inventory which we were holding, we are finishing fast. And yes, the freight has gone up in the last quarter and continuously they were going up. Now we are in control because they are stabilizing, or they are coming down. This is what I said. Regarding the margins, if you look at the history of our balance sheets, we normally operate on an EBITDA of between 8% to 14%. So, you can see similar EBITDA margins in the future also.

Gunit Singh: Alright, so sir, I mean the kind of improvement that you mentioned in margins that we would be looking at, so would they be starting Q2 onwards? I mean what are the current trends?

Ankit Setia: We expect the coming quarters to be right.

Vijay Setia: 100% we cannot accurately say anything, but Ankit has given a wide picture, our profit range was 8% to 15%. So, if we are on the bottom line, so we should expect a better line for the future.

Gunit Singh: Sir with the new packaging units coming in, I mean, what kind of additional revenues can we expect in FY25?

Ankit Setia: So, I explained it, I explained this in the last quarter also. Currently the orders are more, the packing speed is slow. So, that is why these three new packing units are coming up in Karnal. And with one packing unit, you can expect at least a revenue increase of I would say about Rs. 150 crore every quarter. This is the maximum we can go with full efficiency.

Gunit Singh: So, maximum annual with each packing unit annually we can add Rs. 150 crores or both?

Ankit Setia: No, this will be quarterly, but this is the maximum I am saying this is 100% efficiency. Normally, you can take about Rs. 70- Rs. 80 crore every quarter, be on the safer side. This is for one unit, yes. See what will happen after putting each of these units, the delivery will become on time. The commitment will become better, the delivery will become on time, the revenues are going to go up. So, we'll be in a better position to take better orders and deliver them, reaching them to our customers on time.

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Vijay Setia: This is a very important aspect of trade. If your commitment is met, delivery is as per your promise that customer gives you more attention, more business and better price. So, the way we are working, everything is our system is working like this, total information to the buyers, where your goods are packing, where they have moved, where they have reached, when you will get the material. So, mostly customers have a problem from many suppliers, they give information, your rice will reach you and when they see the record, they are still packing the material. So, we have a very perfect control in our system. So, then we are realizing the business is growing and we need more packing units. So, we have taken a call, and I think it will be well in time. The things will be working and smoothly.

Ankit Setia: So, for example, on an average, every day we are dispatching 400 to 450 tons of rice. The idea is to reach 600 tons within next 9 months or 12 months.

Gunit Singh: Alright sir, that is very encouraging. Got it. And sir, in one of the previous calls, you had eluded that we have a target of reaching 1500 CR so by when can we achieve that, and do you expect any margin improvement coming in?

Ankit Setia: In my last concall, I had put a target of Rs. 1800 crores to start with. This is the first target we want to achieve. And we plan to achieve it moment these three plants will be activated.

Gunit Singh: So, any revenue targets for FY25?

Ankit Setia: Like I said, moment these three plants will get activated, our first target is to achieve. Right now, we are doing a revenue of Rs. 1350 crores, Rs. 1400 crores. The idea is to achieve first Rs. 1800 crores.

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

Chirag Shah: The first question is on this packing unit. So, you are looking to procure one-third higher than your current procurement once the units are up and running. So, what gives you the confidence on both the sides, your ability to procure such a high quantum versus your past few year track record as well as your ability to sustain the orders on a sustainable basis. So, what are you doing internally, changes you are internally doing on both the sides? If you can just speak about that it would be helpful.

Ankit Setia: Chirag Ji, what you commit you have to deliver, and you have to deliver on time. Currently what is happening is we are not able to deliver on time to our customers. Things are getting delayed. So, that is what we are trying to eradicate. That is why we are adding these plants so that the delivery can happen on time and once the goods reach a buyer on time, you can request him for the next order. The whole process becomes quicker.

Chirag Shah: And on the procurement side, because you also have to procure, if you are doing 400 tons today and if you are looking to 600 tons, that is a big jump. So, on the procurement side, what gives you confidence that you can really scale it up in one year, such a big procurement?

Ankit Setia: Procurement is not at all difficult. I would say we are currently maybe on a single day we can procure 1200 tons, 1500 tons of rice. There is no issue in procurement.

Vijay Setia: We have an excellent team. We have an in-house complete infrastructure for all forklifts and loading and unloading. Everything is mechanized. So, I think we are in a position.

Ankit Setia: We have a covered space of around 0.5 million tons square feet of covered space, we can take position on rice or raw material anytime. So, the team is there. Same person who's buying, let's say 500 tons a day. If I tell him to buy 700 tons a day, I don't think it will be any difficult task for him.

Chirag Shah: And sir because Vijay Ji is on the call for the first time, sir I have a broader question for you. We have been focusing on rice and fair enough over so many years, our scale was low, we were among the late entrants versus some of the other established players etc. Is there any thought process internally to diversify or to add more than rice at a strategic level? Is there any thought process of that kind? Why I am asking this is you are a single product company or single product business. And generally, we have observed that people try to evolve themselves to do multiple products, either derivatives of existing products or adjacencies that could evolve apart from rice. So, is there a thought process, and how should one understand this?

Ankit Setia: So, if you look at some of the rice companies who diversified, if you look at their models, still I would say 95% of all the revenues is coming through rice business only. 1) For now, I would say we see a lot of opportunity in the same model what we are doing. Like I said, I want to increase packing plants, and I want the revenue, I would like my revenue to go up from 1400 to 1800. So, I see this as an opportunity. Then I diversify and I go somewhere else, and I put my energies, and I am not able to even I am not able to get this revenue up. So, I see this as a low hanging fruit, which is easy for me to achieve. Now you see our life, our energy, our experience more is with the rice. We can do other things, but definitely that will not give us that growth what we are getting here. And there we are more confident to grow rather what we are projecting we may go above that, right, sir?

Chirag Shah: Yes, because my question is also from industry perspective also. So, I was going to actually put this across that rice industry is one where people are not trying to diversify beyond the point for variety of reasons and I respect your point, but I am just trying to probe you little bit. Please don't get me wrong but I am just trying to probe you why not look at it. Because when we look at variety of other industries in the food business and putting FMCG as a part of this in general food processing business, people tend to diversify for growth. India is a market where people focus more on growth apart from profitability with a combination of both. Hence, this was the question which I was trying to prove it, nothing else.

Moderator: Thank you. The next question is from the line of Anurag Jain, an individual investor. Please go ahead.

Anurag Jain: My question is, Australia had earlier denied the geographical indicator status for basmati rice. Later on, New Zealand has also joined in, and they have also denied the geographical indicator for basmati rice. So, there are two parts to this question. One is market access. Now any rice in Australia and New Zealand can be termed as basmati rice. There's no protection for the actual basmati rice coming from India and Pakistan. And part two of this is, there's large scale commercial agriculture happening in Australia and the aromatic rice they are growing, they are labeling it as basmati rice and selling it domestically and overseas. So, if you could throw some light on this, how this has impacted the industry?

Vijay Setia: First is regarding GI, okay? So, there are only two countries producing basmati in the world. And America once tried to copy Indian basmati, and they are selling it in the name of Texmati. And the selling price is just half the price of Indian basmati. So, it is like a non-basmati rice. This is one. Now the question of this Australia and New Zealand, India and Pakistan, you can say, it is a heritage of these two countries. And India and Pakistan agreed in 2005 that they will jointly file an application for GI registration with the EU. And in 2005, in that meeting, Pakistan declared they have 14 districts which produce basmati. And India gave a list of 7 states where we are producing basmati. So, this was the understanding, and both the countries agreed to move forward. And later Pakistan changed its position. The state has a power to declare more areas as GI areas. Pakistan without any scientific basis, from 14 districts, they then said our 44 districts are producing basmati. And then they added another four districts of Jammu and Kashmir. So, India said, go hell with you Pakistan, we don't want to go with you. We are going directly for our GI tag registration with the all importing countries. So, when EU is still saying, can you negotiate with Pakistan when it question of Jammu Kashmir comes, India will never negotiate, and India will go solo. So, in New Zealand and Australia, this was only the reason of declining India. It is a joint heritage of India and Pakistan. How come you are coming all alone? So, India has filed appeal for it, for review. I hope things will be clear to the importing countries and their governments. They need rice. They need India's cooperation. So, hopefully things will be corrected in the near future. This is one thing. There was another part of your question. Can you repeat it again? Apart from GI?

Anurag Jain: Yes, there is large scale commercial agriculture happening in Australia. So, the aromatic rice they are growing there, reportedly they are labeling it as Basmati and selling it domestically and also exporting it. So, if you could throw some light on this part?

Vijay Setia: You see, okay, I tell you. Basmati cannot grow everywhere. You need soil, you need climatic conditions. Without that, you cannot get the right material. As I told about USA, they're more advanced than Australia. And they tried with the basmati, and they came with the Texmati. And Texmati is now selling at the price of non-basmati. Okay, and the same whatsoever Australia is producing, that rice will be different. You need certain temperature. If temperature is high or low, product will change. If soil conditions are different, product cooking behavior will change. So, it cannot match basmati, and we have never seen. Still, we have large number of our customers in Australia, they are importing from us and same way they are importing from other companies from India. So, I think we have not felt any pinch from any rice which is from any other country. Only Pakistan and India, I can admit they are producing quality basmati.

Ankit Setia: And I would say that the customers are very peculiar and careful about the actual product. A slight change, they will start to put a complaint. So, just by taking normal rice and you type basmati on it, the customer is not fool. I don't think they would easily buy that product. They will still look up for Indian brands which they were buying from previous, and they would like to carry on with those particular brands. Nobody wants to spoil his brand.

Moderator: Thank you. This question is from the line of Nitin Gandhi from Inoquest Advisors Private Limited.

Nitin Gandhi: Yes, recently this Punjab, there are some incentives being offered, 7,000 per hectare or something, for shifting from paddy to other crops. So, what this could be implications in the long term for you if there's a state supporting shift from paddy? And how do you do sourcing? What is your current sourcing in Punjab? And how is it spread and how do you mitigate this risk?

Ankit Setia: That is true. Paddy is a water guzzling crop. But, Basmati does not take that much water and non-Basmati takes almost double amount of water as compared to Basmati. The campaign in Punjab is shifting from non-Basmati to Basmati. It is from Rakhra Kisan. There is a young farmer association in Rakhra, I think with 20,000 members, and there are a lot of reputed scientists that are involved in that organization. So, they are promoting that shifting in the crop should be from non-Basmati to Basmati to save the water. So, this part of campaign is also going on. And government wants that rice and wheat cycle should be broken. So, they encourage farmers for multiple crops, and they are giving some incentives and farmer will always see his economy. If he is getting more money from Basmati, he will go for the Basmati. If he is getting more money from corn or anything else, he will definitely shift to that crop. But in near future, I think Basmati don't feel any threat, but water is a serious concern. So, a lot of universities are working on SRI technique and direct seedling, then paddy growing on the ridges to reduce the water consumption. So, a lot of research work is going on. I think some solution will be there.

Nitin Gandhi: Can you share what is the current Basmati production of Punjab and non-Basmati and how is it likely to shape post this kind of announcement? Is it materially changing after three, five years?

Ankit Setia: You see one thing. Last year, area under basmati in Punjab was around 6.5 million hectares. And this time, Punjab Agriculture Department says it will be from 6.5, it will increase to 10. So, total area in Punjab is 32 million hectares for cultivation. 10 million will be going for the basmati only, 35% area increase. This is the expectation of Punjab government. So, it is not that Punjab government is encouraging them. It is farmers' economy. He looks at his profitability. Accordingly, he goes for the crops. And basmati, definitely less water consuming, late sowing. You see the sowing of basmati take place in the month of July and July; August are our rainy seasons. And whereas non-basmati is sown in the month of June, so high heat, lot of evaporation of water, water seepage, too much pressure on electricity and heating of the machines. So, many troubles are there. So, government discouraging non-basmati. But in farmers issue, governments are always shy to take a strong decision. That's all. But farmers are definitely shifting towards Basmati in Punjab this time.

Nitin Gandhi: Can you also say some changes happening per hectare production of Basmati as well as non-Basmati? How is it right now and because of these changes, will it increase? If yes, how much?

Ankit Setia: You see PUSA Institute in Delhi and Dr. A.K Singh, who has just retired as a Director and Vice Chancellor of ICAR. He was the key person who was working on basmati varieties. And I think his two latest varieties are now released. They are high yielding. They will be taking less. They are prone to pest attacks and diseases. So, farmers profitability in basmati will increase that they are not using any pesticides that cost will be reduced. So, the good work is going on in university in Delhi, this ICAR and the yield, everything is improving. Only concern is the soil health in India is getting weaker because farm sizes are small and people who are taking land on lease and doing cultivation. To get the higher production, they use a lot of fertilizer and a lot of pesticides. That is the area of concern because when you use too much fertilizer, then suddenly the crop grows up and a lot of pests attack the crop. When it suddenly gets longer, it is weak. So, Dr. A.K. Singh is working. As I told, two varieties are coming. So, I think a lot of changes will take place and Basmati will stay. Government interest is there, farmer interest is there. We are getting foreign revenue of more than Rs. 50,000 crores. It's a big amount. The government and institutions, they are working for the welfare of farmers.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to Ms. Anushka Chitnis for closing comments.

Anushka Chitnis: On behalf of Arihant Capital, we are grateful to the management of Chaman Lal Setia for giving us the opportunity to host this call. And thank you as well to the management for your valuable insights.

Ankit Setia: Thank you.

Moderator: Thank you. On behalf of Chaman Lal Setia Exports, 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