



Chaman Lal Setia Exports Ltd.

(A Govt. Recognised Star Export House)

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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 11.02.2025**

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 11.02.2025.

Thanking You,

Yours faithfully,

For Chaman Lal Setia Exports Limited,

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



CHAMAN LAL SETIA EXPORTS LIMITED

Q3 & 9M FY25

POST EARNINGS CONFERENCE CALL

February 11, 2025

12:00 PM IST

Management Team

Rajeev Setia - Joint Managing Director

Ankit Setia - Executive Director

Call Coordinator



Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q3 and 9 Months FY25 Post Earnings Conference Call of Chamanlal Setia Exports Limited.

Today on the call from the management team we have with us Mr. Rajeev Setia, Joint Managing Director and Mr. Ankit Setia, Executive Director.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risk and uncertainties. Also a reminder that this call is being recorded.

I would now request the management to detail us about the business and performance highlights for the quarter and nine month ended December 2024, the plan and vision for the coming years, post which we will open the floor for Q&A. Over to the management team.

Rajeev Setia: Good afternoon everybody, I am Rajeev Setia and I welcome all of you on Q3 Earning Call of the company. Company has performed very good in revenue this time and our quantitative business have also increased for this quarter by around 22% and nine month volume increases by 14%. Profitability, if we compare with the corresponding quarter of 2023, of course our profitability is relatively less but with the preceding quarter it's higher.

As regard business of the company is concerned we are regularly exporting. Our exports are gradually growing, volume is growing, and it's the area, different areas, part of the world we are doing well.

Over to Ankit. Ankit little bit you speak and then we will take.

Ankit Setia: So last quarter something interesting has happened. In terms of volumes we have picked up. As compared to the previous quarter the volumes are up by 6,000 tons additional. So that is a positive sign and we have added up -- we are adding three new plants, three in Karnal, one in Gandhidham. Two of the plants are about to get operational. As we are talking, they are under trials. So that is something positive that the delivery will get more on time. So this is the positive thing I can say about the last quarter.

Moderator: Shall we open the floor for Q&A sir?

Rajeev Setia: Yeah, yeah. Go ahead.

- Moderator:** All those who wish to ask the question may please use the option of raise hand; in case you are unable to raise hand you may please put your question in the chat box. We will take the first question from Mihir. Mihir, you can go ahead please.
- Mihir:** Thank you for the opportunity sir. In November 2024 the government removed the ban on non-Basmati rice excluding parboiled rice. Can you update us on the current status of exports restrictions and MEP on Basmati and non-Basmati rice, and how does this impact on overall competitive dynamics and pricing?
- Rajeev Setia:** Mr. Mihir, all kind of restrictions are removed, be it parboiled rice export with the duty, the ban of non-Basmati rice and MEP of Basmati. All these obstacles I would call them are removed. So business is as usual which used to be in the past. Because of the election maybe the government wanted to reduce the prices and it's a panic they took this decision. Otherwise everything went normal. So now I mean it's open field, no problem, you can do any business.
- Mihir:** My another question is like what is the current status on Mundra expansion? By when can we see it start contributing to revenue?
- Rajeev Setia:** That plant is also right now in trial run. Plant is complete, machinery is complete. Everything is done, trials are going on. And in another 15 - 20 days or maximum one month we'll go with the commercial production.
- Mihir:** Okay, and post the current harvesting seasons what's your view on overall supplies and pricing of Basmati?
- Rajeev Setia:** The Basmati prices were in the current season they were low by 10% to 15%. If you compare with the last year preceding year, the prices were very, very attractive. But despite very attractive prices we -- because you get the best quality in the season only and we went for the -- I mean quite large buying and again the prices came down. They were very low but suddenly again there was another fall which hit our profitability also because the valuation has to be done in the very realistic manner. But now again prices are going up you know.
- Mihir:** Okay, and can you guide us on your plans to scale up the branded business and what are we doing to further scale up the export business? Like which markets do you think will contribute to growth from here on and what are we doing to scale in new markets?

Rajeev Setia: I will answer and Ankit will also continue with this subject. For expansion of the business we are participating in every big exhibition. The coming up is the Gulfood where the customers from all around the world come new as well as our -- at least 100, 80, 75 to 100 customers those are existing buyer, they come. So the relationship is in -- I mean more getting comes with the customers. So the business, this is the way to go ahead for the business. Ankit you please explain. You guys are marketing guys.

Ankit Setia: So, what is happening is as you can see, we are doing quarterly about Rs. 375 crores, Rs. 400 crores of quarters, and one thing which is stopping us to increase the business is our packaging speed. So that is why we have added three more packing units in Karnal and one more packing unit in Gandhidham and all these packing units are under trial right now. Two packing units are under trial in Karnal and one packing unit is under trial in Gandhidham.

So I think once these packing units they come under production full production you will see the volumes are going to scale up. Even in the last quarter there is an increase of 6,000 tons. So we have done certain adjustments. We have added some manufacturing units which were earlier being used to manufacture. We converted it into packing rice. That is why this increase has come.

As far as you know about new markets, like my uncle said we are participating in Gulfood. Currently our status is even the orders we have in our hands, even they -- those orders we are not able to export on time. So we are first of all covering that part. Once that is covered then let us see what is the next step.

Mihir: Okay sir Thank you.

Ankit Setia: Right Mihir.

Moderator: Thank you. We will take the next question from the line of Ishmohit Arora. Ishmohit you can unmute and go ahead please.

Ishmohit Arora: Sir, our peak capacity, I mean the peak sales potential post all these packaging units go live. So how much will it be per quarter?

Rajeev Setia: I think Rs. 500 crores will come soon.

Ankit Setia: The first thing is that this Rs. 400 crores barrier should be broken and we should reach Rs. 500 crores soon. First of all we should achieve this.

- Ishmohit Arora:** So, sir, we hope that from the first quarter of FY26 we can basically start this run rate.
- Ankit Setia:** Ishmohit ji, I think in the next quarter you will see some results.
- Ishmohit Arora:** Okay in the next quarter.
- Ankit Setia:** Yes, in the next quarter you will see the tonnage started to go up.
- Ishmohit Arora:** Right. And sir the second question is that our operating margins I think because the rise prices have come down a lot. So in the operating margins it seems that in the next year we will see some improvement.
- Ankit Setia:** Ishmohit ji, see the company has done an extra business of 6,000 tonnes since the last quarter. Many new buyers have joined us in this. Like in Sri Lanka we have joined 2 buyers. Now in Morocco we have joined 3 new buyers. So to start new buyers sometimes you know you have to give special prices also. So our profitability generally is between 8%, 12%, our margins. So I would say that we are trying to bulk up right now, and once those buyers will be settled the profitability part also will go up with them.
- Ishmohit Arora:** Right. I think these were my only 2 questions sir. All the best for the future.
- Ankit Setia:** Thank you Ishmohit.
- Moderator:** Thank you. We will take the next question from the line of Deepak Pawar. Deepak you can unmute and ask.
- Deepak Pawar:** Yes hi. Good afternoon. Ankit ji, Rajeev ji. Am I audible?
- Rajeev Setia:** Yes you are.
- Deepak Pawar:** So, my question is that these 3 new packaging units that we are coming up with in the Karnal and Gandhidham, can you give us the timeline when these will be the operational?
- Ankit Setia:** See we started putting these plants 3 months back. So current status right now is plants are ready. They are under trials. So whenever a new plant is set there are lot of teething troubles. It's a set of 14 -15 machines and there are teething troubles. So right now the phase is of removing those teething troubles. So like my uncle said it's a matter of let's say 15 - 20 or maximum 30 days.

- Deepak Pawar:** Okay. So currently we have 13 packaging units. Am I right?
- Ankit Setia:** Yes.
- Deepak Pawar:** Including -- this 13 number is including the current which are under development or excluding?
- Ankit Setia:** No. These are fresh 3 packing units coming up in Karnal. Those 13 are different from these ones. Also I would like to add these 3 ones which are coming up, these are much bigger than as compared to what we have. And we are coming up with fully automatic machines. So more productivity with these plants.
- Deepak Pawar:** So if we add these 3 to the 13 what will be the total capacity that we will have in terms of packaging? If you can give me per...?
- Ankit Setia:** See, like I said, currently we do about Rs. 400 crores worth a quarter. Our idea is to reach Rs. 500 crores as soon as possible. A packaging unit is able to give a turnover of Rs. 50 crores in a year easily, one packaging unit. Rs. 50 crores to 75 crores, depending on the kind of packing.
- Deepak Pawar:** Okay. So this quarter we were able to clock higher volumes. But in terms of revenue, we were not able to do well. That is because of the 10% to 15% correction in the prices. That's what I have heard. Right?
- Ankit Setia:** Yes. True. The prices have come down. Our volumes have gone up. Like I said, we have added new customers. And in order to get those customers, we have offered good prices, lower prices. And also it is true that market is down. I mean, overall the prices are down.
- Deepak Pawar:** Further correction going ahead from here? Or this would be, I mean, I want your opinion, would there be any further correction expected?
- Rajeev Setia:** Let -- about 1,45,000 tons orders have come from Iran to the companies who work with Iran. We don't do Iran business, but it's picking up the market. And once that Iran business started, then sometimes sky is the limit, how it goes up.
- Ankit Setia:** So when the prices are favourable, of course, the demand is going to go up. There will be new customers who would like to -- I mean, store all the raw material, which is available at very low prices. The dollar is very favourable for the importer. So I think after Gulfood, things should be better.

- Deepak Pawar:** Great. And are we going for any debt for this expansion? Fund this expansion or it's all internal accruals?
- Ankit Setia:** It is all internal. We have not taken any debt for this expansion. It's almost ready. All the expansion we have done.
- Rajeev Setia:** And company has reasonable working capital right now.
- Deepak Pawar:** Yeah, that has always been there.
- Rajeev Setia:** Even the borrowing from HDFC Bank, which is Rs. 300 crores sanctioned, our availment is, as per a statement I got on 10th yesterday, it's Rs. 57 crores. So we have sufficient funds. No issue. A company buys always, I have told in the past also, cash discount of 2% - 2.5%.
- Deepak Pawar:** And post this upliftment of the ban, have we seen the demand in the non-Basmati segment also?
- Rajeev Setia:** Actually, as Ankit has said, we have a big book of orders and we are a little slow in supply. And once this capacity will increase, that part will be over. And when Basmati is going, why should we go for non-Basmati unnecessarily? Basmati is the better business. That is our--
- Deepak Pawar:** Right. Well said. Thank you. That would be all from my side.
- Moderator:** Thank you. We will take the next question from the chat. This question is from Dipali Kumari. Can you please provide realization of Basmati price, domestic as well as export?
- Rajeev Setia:** Ankit, you will answer?
- Ankit Setia:** Yes. So as far as export is concerned, of course, the margins are higher in exports. Domestic, because there is too much competition. Domestic market is accessible to -- I mean, so many millers who are traveling locally and there are so many brokers, it's very difficult to make money. So strictly talking margins, of course, export margins are around about 10%, 12%, 15% like that. And in domestic, making money is always a challenge.
- Moderator:** Thank you. We will take the next question from the line of Jatin Kumar. Jatin, you can unmute and ask. Jatin?
- Jatin:** Namaste, sir.
- Rajeev Setia:** Namaste.

- Jatin:** Namaste, sir. I was a little confused with you. I am in the learning phase, sir, if there is a mistake, then tell me.
- Rajeev Setia:** No problem. You are welcome.
- Jatin:** Sir, as I am a young investor, I wanted to ask you that from our country perspective, according to the ministry data, our rice export is increasing by 80%, 80%, 85%, 90%, 75% from the country perspective, sir. What do you say, sir? It's October data, sir. Like the last October 2023, the rice export has increased by 85%, USD from \$0.57 billion [ph] to \$1.05 billion. Similarly, sir, if we look at it, then November increased by 85% and December increased by 64%. So sir, like after being so high, sir, how is the contract of your company?
- Ankit Setia:** I think you are mixing Basmati and non-Basmati.
- Jatin:** Sir, like this data, sir, like all the sum of both.
- Ankit Setia:** Because if you see the data of Basmati, it is stable. Of course, if the ban of non-Basmati is removed, then it will increase by 100%.
- Jatin:** Yes, sir, yes, sir.
- Ankit Setia:** So, since Basmati is stable, our business is also stable. Rather, in the last quarter, we have done 6,000 tons extra than last quarter. And the reason for that is that we converted some of the manufacturing unit to packing units.
- And the new packing units that are coming, if they start with us, then our sale will increase even more.
- Jatin:** Okay, sir. Sir, my second question was, sir, like our company's OPM, Operating Profit Margin, why does it fluctuate so much?
- Ankit Setia:** See, the rice business is a demand and supply business. In this, sometimes your margin is 8%, sometimes it is 15%, 12%. Sometimes you have to increase your business, to put a new customer, you sometimes have to reduce your margin.
- Jatin:** Sir, if the price of rice increases, does the margin also increase?
- Rajeev Setia:** Of course, if we have stock, it's a windfall gain.

- Ankit Setia:** If you buy raw material for Rs. 30 and its price becomes Rs. 40, then your profit will increase at the same time.
- Jatin:** Okay, okay. Thank you, sir. Thank you.
- Ankit Setia:** You're most welcome, Jatin ji.
- Moderator:** Thank you. We'll take the next question from the line of Praveen Sharma. Praveen, you can unmute and go ahead.
- Praveen Sharma:** Hello. Am I audible?
- Moderator:** Yes.
- Praveen Sharma:** Yeah, hi. Good afternoon. Sir, I have two questions basically. What is the average cost of the inventory which we are holding and what is the prevailing price right now?
- Ankit Setia:** See, the average, the most expensive rice will also come and the cheapest rice will also come.
- Praveen Sharma:** My point of understanding was that we have done some mark-to-market on the December quarter. Has it gone down since then or are the prevailing prices higher now?
- Ankit Setia:** I could not understand what you are trying to ask. Uncle please, yes.
- Rajeev Setia:** Take this question. Actually, you see, we'll have to look at it from the backdrop. The prices last year were very, very high. And when this new season came, the quality of the rice was very good this year. Maybe there was a backlog and this Iran was not responding much. Prices came down around 10% to 15%. When the prices are lower and the quality of the product is good, so obviously that was the chance to procure. Good procurement.
- And simultaneously, we sold also. Simultaneously, we sold also because the orders are there. But recently, there was again some kind of blockages in Iran. Some shipments were held there. So the prices again fall. And this acted into our pricing, our valuation, because we work totally meticulously that everything is calculated correctly.
- Secondly, in the business, when new customers come, you have to give more competitive prices. If he's buying from somewhere, say \$10, so we have to offer \$9 or \$9.50. This is how the business goes. So the prices have come down. But recently, Iran is open. And 1,45,000 ton

orders have been signed. And shipments will soon take place. The market has gone up by Rs. 2 - 3 a kg in the last week time. So let's see what happens. It's a business of volatile product. Commodities are volatile.

So we have a very supportive market. We are in 94 countries now. And new customers are coming up in each and every country. And the company's reputation is such people don't hesitate to send us advance, \$10,000, \$20,000, whatever, or \$100,000. So the business is well-controlled in the system.

Praveen Sharma: So if somebody procures right now, if the prices are better than, not better means higher, than what we did procurement during, after the season, after the crop, the situation has improved.

Ankit Setia: Please understand. There are certain varieties which can be bought only during the month of September, October, November. Even if their prices is low right now, it is impossible to procure them as of now.

Rajeev Setia: Products sometimes you don't get. The quality which you get in the season, it's with all agro-producers. If you see vegetables, there's the seasonal vegetables like carrots, gobi, they're so fresh and so sweet. So good taste. And after 6 months, when they will come out of the cold store, it will be altogether different. I'm giving the parallel because it's an agro-produce.

Praveen Sharma: So the buyers know -- they don't come back to us with monthly or weekly fluctuations. We are able to sell them the quality products at the price which we wanted to sell. Apart from those like Sri Lanka where there is a promotional discount. Normally, we have to vary prices depending on the market situation or the customers are such because we sell in small quantities to a large number of customers in several 94 countries.

Rajeev Setia: That is the model because if I want to sell large quantities, I can do it in one hour, sell to somebody in Saudi or Iran. Iran is a bad market where the payment doesn't come. Saudi is good market, I can sell. But the profit will be nothing. Maybe 1% and if there is a volatility in the foreign exchange, I might be losing also. So our model of business is absolutely clear. In many places, it protects us. We get good prices also with the smaller consignment in faraway destinations.

So secondly, if the customer gets the good quality, then he doesn't deviate from us. This is how it is going.

- Praveen Sharma:** Okay. And sir, my next question is on the currency itself like recent bout of depreciation of the rupee. So we are doing forwards and if so, in the last quarter, was there any M2, mark to market which is there in the other expense? Currently, what is the situation right now, because it has further depreciated from 31st December to now?
- Rajeev Setia:** Your company has not even a single dollar hedged. We are open. We knew it is going to weaken. So the company is gaining on that.
- Praveen Sharma:** Great. So whatever is the depreciation, we should be able to it should flow to the bottom line, apart from the variation of discounts which we are doing. That's excellent.
- And sir, my last question is the other expenses have increased, both year-on-year as well as quarter-on-quarter. What are the factors in that if you can just elaborate that?
- Rajeev Setia:** Quantitative business has gone up, irrespective of the market price. So this 22% increase in this quarter of volume. So ocean freights and other expenses will be there.
- Praveen Sharma:** And what is the situation on freight sir? Like it has normalized?
- Rajeev Setia:** Ankit, can you explain? You are selling and watching everyday.
- Ankit Setia:** 6,000 tonnes the volume has gone up. So of course we have to pay for the freight and expense is going to go up. As far as freights are concerned, that is also volatile. Sometimes it goes up, sometimes it comes down. Certain ports we were paying let's say \$500 now we are paying \$2,400.
- Praveen Sharma:** So the freight situation which was earlier very, very -- the prices were high they have normalized or they remain same and they are stable?
- Ankit Setia:** See I would say they have not normalized. That is what I would say. They are fluctuatives. They come down, they go up, but not normalized.
- Praveen Sharma:** And our most of the orders they are FOB or CIF?
- Ankit Setia:** See it depends from customer to customer. Where we feel it is going to get extremely volatile, we prefer to do FOB business. Certain sectors we do FOB, certain we do CIF. Safe ones of course we try to do CIF and wherever we feel there is too much volatility we do FOB deal. And buyer starts the freight on the spot when the goods are ready.

Rajeev Setia: I mean shipment is finally CIF because we sell FOB and then tell that this is the ocean freight. Give us acceptability. We add to price and ship because we prefer our risk-free destination.

Praveen Sharma: And sir, my last question is this scenario wherein the prices off-season prices are falling further from crop season. Is it a normal scenario or this is like one off we are seeing this year something unusual has happened and hence the pricing in the off-season is lower than the crop season.

Rajeev Setia: This is simply the economics, because Iran is one of the biggest market. When one market is not buying the others also watch. Then the prices go down. People keep on watching maybe they will go further down. So once they start getting -- going up the way it has happened in last week, the prices are up because the Iran demand has come. So let's see what happens next.

Praveen Sharma: Okay. Thank you sir. All the best. Good luck.

Rajeev Setia: Thank you very much.

Moderator: Thank you. We will take the next question from the line of Anand Mundra. Anand, you can go ahead please.

Anand Mundra: Good morning, sir. Good afternoon, now. Sir I wanted to understand the business model, which we export our brand also, so this is actually the counterparty's brand, I wanted to understand that?

Rajeev Setia: Always it's our endeavour to export in our brand. Our company is already exporting in around 39 - 40 countries in our own brand and some part of the world where -- some regions I don't want to disclose publicly, we are doing very large business, branded business at a high price. So -- but we are one of the largest private label packer from India. It's not an easy job. It's very difficult work. It's not everybody's take to cut. So we are doing very hard work and making -- packing the private label of 1, 5, 10, 20 kg for the customer and that is again a good business because when the customer is satisfied he doesn't runs from here to there.

Though he has possibility to go de-bus because of the private label which in branded is not possible, and but once you do good, he builds his own brand and doesn't takes this. I have not seen in 98% cases it's always customers are sticking.

Anand Mundra: So what is the split between private label and brand?

Rajeev Setia: Profitability?

Anand Mundra: No, split of revenue.

Rajeev Setia: Revenue is in private label mainly.

Anand Mundra: Mainly private label revenue in 40 countries. So what is the percentage of brand?

Rajeev Setia: Brand will be around 15%

Anand Mundra: And what is the difference in price realization?

Rajeev Setia: It depends. We get money in both places. Sometimes private label is giving more money on good quality. Brand is running on its own.

Anand Mundra: Is there inventory losses? If prices fall in 31st March or quarter end on the inventory valuation, will there be losses?

Rajeev Setia: If prices fall, it has happened also in this quarter and we have to apply market prices. May be we know they have gone up again. Once the Iran buying came they have shot up again.

Anand Mundra: So from 31 December how much price has gone up?

Rajeev Setia: Now Iran buying has come so it has gone up Rs. 2 - 3 per kg.

Ankit Setia: See in the rice business it is not like stock market. If you go to buy, you will get it. It is not like that. When the price goes up you will not get it. It will open from 1 to 10. No one will get anything in between. The one who has stock will enjoy it later.

Rajeev Setia: Correct.

Anand Mundra: Understood. And sir the price variation you have seen is more in private label as compared to branded?

Rajeev Setia: That is, I mean loose packing 50 kg packing or 1 ton packing stock that is the price of rice.

Anand Mundra: Thank you, sir. And sir, in your competition Pakistan or Bangladesh or other countries, is the realization more or equal?

Rajeev Setia: See Pakistan is the only competitor because jointly with Pakistan Basmati has monopoly because it is part of our erstwhile Punjab pre-partition, where Basmati is grown. They have very less crop. They have 20% - 25% of our total. So they have good rice. So competition also sometimes comes because their rupee is very weak. So in dollar terms some customers get it from here and there also. Both sides go.

Anand Mundra: Understood. Thank you sir. Thanks a lot.

Moderator: Thank you. We will take the next question from the line of Prashant. Prashant, you can unmute and ask.

Prashant: Hello. Good morning sir. I just have three questions. Relatively new to this company as an investor. Three questions. First is the new plants that we have started in Karnal. We were talking in the last quarter also like Rs. 400 crores revenue per quarter, you want to take it to Rs. 500 crores, that will help. Just wanted to see once the plants come in, will we be functioning at full capacity or it will take a ramp up period by the time it functions at full capacity. That is question no. 1.

Question no. 2 is we have been mentioning in this call also about Iran orders coming in. I think two, three quarters back we were mentioning that we don't take from Iran because receivables have a lot of problems. So do we expect our receivables to go up when orders from Iran start kicking in for the company? That is question no. 2 from my side. Just these two.

Rajeev Setia: First I will answer your question no. 2 regarding Iran. Our company is not exporting to Iran since inception. We don't do. We did little about 20 years when it opened through UCO Bank. We did 2 shipments of 3, 4, 5, 6 crore and thereafter we stopped Iran business. And that is a very wise decision of the company. Anyone who is doing -- what you said is absolutely right. The payment is not coming. It is delayed. But those who are doing they have no other choice. They have not built a business in other markets.

They are selling. It has happened. Last week I already told 1,45,000 firm orders have come in the market. We don't do that.

Ankit Setia: You know the 145,000 tonnes rice, the tender, Iran tender, on the tender it is clearly mentioned payment terms is after 90 days credit. And it can stretch up to 180 days, 270 days. There is nothing I mean.

Rajeev Setia: They have no commitment. And this is GTC government company. It is GTC, right Ankit, all the orders?

- Ankit Setia:** I am not sure it is GTC but it is one of the government companies.
- Rajeev Setia:** Government companies. And what was your first question? Existing units.
- Ankit Setia:** He was asking the new units, once all the teething troubles are out they function at their full efficiency, full capacity.
- Prashant:** Got it. So that's helpful.
- Ankit Setia:** So you know Prashant ji the point is that whenever an order comes it should be delivered on time. It should be packed on time. It should be dispatched on time. There should be no delay. I don't mind running a plant on 60% efficiency but when the plant runs it runs on full efficiency of that day.
- Prashant:** Got it. And there is no reason for us to not run on full efficiency. I am guessing given we have a solid order book.
- Ankit Setia:** See the point is if you have an order it should leave the factory on time. That's all. Let's say if I have a machine. It is running 15 days out of 30 at its full efficiency. I would like that. I would either run my machine at 100% efficiency or I keep it closed.
- Prashant:** Correct. Got it.
- Ankit Setia:** So that my shipments are on time. My dispatches are on time. That is what we are trying to build.
- Prashant:** Makes sense. One last question if I may. Sir I am asking just on a slightly longer term perspective, so like some of your other competitors are we having any plans to enter say packaged foods business, ready to cook, ready to eat snacks and some of these areas which are relatively newer in the industry but potentially with higher margins.
- Rajeev Setia:** Ankit, quick cooking your father was doing so what is that status?
- Prashant:** Yeah I think management has also mentioned it in one of the earnings calls, I think 2 to 3 quarters back that it is definitely in the long term agenda.
- Ankit Setia:** Yes it is definitely there in the agenda because it is the same customers which are buying rice from us. They are the same customers which import ready to eat. So currently we are focusing on expanding these

four packing units. Once they are normalized let us see in the future. We start with ready to eat.

Rajeev Setia: Vijay, we were working on quick cooking what happened with that? What stage is it?

Ankit Setia: So we have come up with a new kind of rice, we have shared samples with you and we are aging it naturally also. I think by June or July that rice will be available. That is not a quick cooking rice it is a special kind of rice.

Rajeev Setia: Excellent rice. I have checked the sample and compared and went for the test panel, also taste panel Ankit, that quick cooking question.

Ankit Setia: If we talk strictly about quick cooking then the product is ready, now planning is what is not ready. How to launch it and where to launch it, that is the current status.

Rajeev Setia: Let us see.

Prashant: Thank you, sir. All the best.

Ankit Setia: Thank you Prashant.

Moderator: Thank you. We will take the next question from the chat. This question is from Nachiket Kale. Can you please confirm if the revenue split between the branded sales and non-branded sales is 15% and 85%?

Rajeev Setia: Approx.

Moderator: Thank you, sir. We will take the next question from the line of Navneet, you can unmute and ask

Navneet: Hello Rajeev ji, Hi Ankit. I want to check what was the amount of inventory loss that we had in this quarter??

Rajeev Setia: Actually traditionally it is a notional loss and again notional profit because at the point of valuation we strictly take the market price.

Navneet: I understand that but I just wanted to understand the amount.

Rajeev Setia: Realization amount may be of 10% - 15% of inventory maximum.

Navneet: 10%, 15% of the inventory is for...

- Ankit Setia:** Navneet ji, I want to tell you something See the stock we are sitting on right now that stock is available only in the month of September, October, it is not available after that. For example, I am sitting on 15,000 tons of that stock. Today if I want to buy that 15,000 tons, I won't get it. I won't even get 1,500 tons. So the price on which I entered, that price went up and now it is down. So this is the current scenario of the situation.
- Navneet:** Okay. So that amount is approximately Rs. 15 crores to Rs. 17 crores or 10% of the inventory. Do I get it correct?
- Ankit Setia:** I am not sure about the exact value, my uncle can tell you better. I am just giving you an idea that if we don't have that rice then we can't function. We cannot sell.
- Navneet:** Yes, I understood. I understand that. I was just curious about the amount because it has been a volatile market for the paddy prices or the basmati prices.
- Rajeev Setia:** Actually I will explain it to you. The company has stock of around 1,500 plus December end, Rs. 15 crores approximately So some portion 15% to 20% is there in which the prices went up and the price we got very good prices and the prices went down 10% - 15% went down so Rs. 5 – 6 crores were lost.
- Ankit Setia:** And Navneet ji if let's say the market went down then it doesn't mean that we have to sell it cheaply. We will sell it expensive.
- Navneet:** No, I understand most of the times I think it will reverse in the next quarter, especially in your kind of business model where you don't take so much inventory risk.
- Ankit Setia:** If you take me back in the past, I know that it is going to let's say fall little bit. I still have to buy the same and keep it because I don't have any choice because it is not available now.
- Navneet:** Right. And your selling price is mostly defined on your buying price or on the current market price? Generally you don't take inventory risk, inventory pricing risk is what I understand.
- Ankit Setia:** It depends on who you are selling to. There are some customers who come in relation with buying price because their processing is special. They will like the rice that you have bought on the buying price at the time. And there are some customers who go with the market price, if you deal today then they will definitely show you the market price that

this is today's market. See in 90 countries of the company there are many small customers.

I will give you an example, we have started taking Morocco seriously. So in Morocco itself, there are 6 to 7 buyers of our company and there are no big buyers, there are small buyers. Some will take 2 containers, some will take 1 container. So such a small buyer will not even negotiate so much on the price. He will get his packing and delivery on time, he will be very grateful.

Navneet: Okay. As a company normally falling prices is good for us or rising prices is good for us we don't take much inventory risk but...

Ankit Setia: See, in our model if prices go down then we make more money. If prices go up then we still make money but then others start to make more money who are more speculators.

Navneet: Yes, understood.

Rajeev Setia: Because at the point of purchase, if the prices are lower that is always regarded as the best season.

Navneet: Understood. So Ankit with respect to the December quarter versus the previous year's December quarter our margins have fallen despite the prices being on a lower trajectory. So I was just trying to make sense of lower prices beneficial for us, however our margins have fallen this year.

Ankit Setia: See, in the last quarter we have added some new buyers. So to add them we have sacrificed some margins so that they start actually.

Rajeev Setia: This business volatility is there in this commodity business. Sometimes windfall gains come and that was the period you never know when that part again comes.

Ankit Setia: So I will give you an example we have a customer who lets say per month takes 100 tonnes rice in Singapore. When he started he started with half a container. When he started he didn't give any margin. Today he takes 100 tonnes and they give a good margin. So we will try we will add new customers when we will compromise then only then we will be able to move forward.

Navneet: Understood. Currency risk, we are open for about a month, month and a half. Our receivables are 1 month, 1.5 months that's our risk for currency?

- Ankit Setia:** See currency is getting weaker and our money comes in 1- 1.5 months.
- Navneet:** So it's a 1, 1.5 month risk that we are cognizant -- we are...
- Ankit Setia:** The thing is currency is getting weaker and weaker and today if let's say dollar reached \$87.50, \$87.70. We still sell at \$86.50, \$86.75 like this. We don't even take it up. We always take Re. 1 less than what the market price is.
- Rajeev Setia:** But my experience with foreign exchange is concerned for last around 30 years now, out of 8 out of 10 times, the rupee goes weaker. And since the start of the business there is colossal change. For just 2 periods, 1 or 2 periods in a year or once in a while forward hedging that can save you also, that can hit you so badly that you won't even know. What we do is we are totally open in this particular year. Not even a single dollar hedged.
- Yes, as Ankit said, at the point of selling I tell them to factor at least Rs. 2 lower than the 1 - 1.5 depending upon your area of working for the customer price. Accordingly then whatever comes is better than our calculated profit in any case. And in this year it is bonanza.
- Ankit Setia:** Target is that we achieve a turnover of Rs. 2,000 crores, achieve revenue first of all. And if we achieve a revenue of Rs. 2,000 crores then the profitability will increase.
- Navneet:** Understood. Thank you Ankit, thank you, Rajeev ji. All the best.
- Rajeev Setia:** Thank you, Navneet, ji.
- Moderator:** Thank you. We will take the next question from the line of Ishmohit Arora. Ishmohit, you can unmute and ask.
- Ishmohit Arora:** Thank you for the opportunity again sir. Sir, I had a question I think I attended your last two conference calls. So you were saying that the demand is very good and we are already on a high utilization and now we are getting 3 packaging lines. So just a question from a 2-3 year perspective so even after this have we planned any packaging units or are we on a drawing board, what is our thought process
- Rajeev Setia:** Whatever has been said that is what we want to accomplish first. Then we will see what happens in the future, what kind of demands come.

- Ankit Setia:** Ismohit ji first these 3 4 new plants should reach their efficiency and if we are not able to meet the demand then we will plant 2-3 more plants. A plant takes 3 months to set up.
- Rajeev Setia:** There is not much CapEx cost.
- Ankit Setia:** CapEx cost is not much.
- Ishmohit Arora:** Okay sir. Thank you. This was the last question. Thank you.
- Moderator:** We will take the next question from the line of Nikhil Joseph. Nikhil you can unmute and ask.
- Nikhil Joseph:** Yes sir. Hi, thank you for taking my question and thank you for addressing us so frequently. I had a larger question in terms of say market opportunity. What is the total market size that you see for us and also what is the market share that we are having today and that we aim to have. And just in context with that you also mentioned that plants get set up quickly, for example in 3 months. So will that not attract competition what is your view on that? That's it from my end. Thank you.
- Rajeev Setia:** Ankit, you are going to speak?
- Ankit Setia:** So India's Basmati exports is around 4 million tons which is highly profitable; lucrative markets, which is at least around 1 million tons. Right now we are only enjoying 15% fruit. So there is still a lot of scope, as far as expansion is concerned.
- Secondly what you are saying that plant takes 3 months that can attract competition, so plant means my company has at least 50 years of experience that's why I am telling you 3 months. That's why I am telling you that it takes less money. If there is a competitor maybe he can't set it so soon or with less money. It is coming through lot of experience and lot of internal tech that I am sharing with you.
- Nikhil Joseph:** Got it, sir. Thank you so much.
- Moderator:** Thank you. Since that was the last question for the day I will now hand over the call to Vinay sir. Vinay sir over to you
- Moderator:** Thanks. So I would like to invite the management to give any closing comment before we end this call.
- Rajeev Setia:** Ankit go for the closing please.

Ankit Setia: My closing comment should be only that last quarter our sales have gone up by 6,000 tons. For me that is remarkable because we have added I think 6 or 10 new customers and our plants, the 4 new plants, once they start after that our delivery will be on time. There is no issue of quality so on time delivery is the thing we want to improvise on and let us see what happens. It is like a car which is driving itself with its lights on and as much as it can see it will go at that speed. Let us see what happens going forward. We will have better clarity in the next quarter.

Vinay Pandit: Sure, sir. There was a slight interruption towards the end but I think we could hear the end part of the comment. So that brings us to the end of today's conference call. Thank you to the management team for joining us on the call and thank you to all the participants for giving us their time. This brings us to the end of today's conference call. Thank you so much.

Rajeev Setia: Thank you very much to all. Have a good day.

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