



# Chaman Lal Setia Exports Ltd.

(A Govt. Recognised Star Export House)  
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CIN No. : L51909PB1994PLCO15083

An ISO 22000 : 2005  
Certified Co.

Dated: 11.02.2023

To

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

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

Scrip Code: 530307

Symbol: - CLSEL Series: EQ

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

Sub :- Transcript of the Analyst/Investor Call Held ON 06.02.2023 :-

Dear Sir,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the attached transcript of the Concall held on 06.02.2023 .

Thanking You

For Chaman Lal Setia Exports Ltd.

Kanika Nevtia  
Digitally signed by Kanika  
Nevtia  
Date: 2023.02.11 11:38:16  
+05'30'

(Kanika Nevtia )

Company Secretary & Compliance Report

ACS:-29680

Encl: As above

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“Chaman Lal Setia Exports Limited  
Q3 FY23 Earnings Conference Call”  
February 06, 2023

**MANAGEMENT: MR. RAJEEV SETIA – JOINT MANAGING DIRECTOR  
MR. SANKESH SETIA – EXECUTIVE DIRECTOR**

Moderator: Good evening and a warm welcome to Chaman Lal Setia Exports Ltd. Q3 and 9MFY23 Earnings call. Please note that all participants line will be in the listen-only mode and there will be an opportunity for you to ask questions after the opening remarks. Please note that this conference is being recorded. The results, press release and investor presentation are available on the stock exchanges and company website. I would like to introduce the management team today on the call with us, Mr. Rajeev Setia – Joint Managing Director and CFO and Mr. Sankesh Setia – Executive Director.

A cautionary note that some of the statements made on today's call could be forward-looking in nature and actual results could vary from these statements. A detailed intimation in this regard is available in the investor presentation, which is available on the stock exchanges and company's website.

I will now hand over the call to Mr. Sankesh Setia for the highlights. Over to you Sir.

Sankesh Setia: Welcome and thank you everyone for joining us on our Q3FY23 & 9MFY23 earnings call. I am delighted to announce that we have recorded a robust performance in the quarter and nine month ended December 2022. This season the planted area for the paddy has increased by almost 10 to 15% compared to last season, despite it the paddy price is up by approximately ₹10 per kg this year. The export demand scenario has been favourable in key markets. Our strength lies in strong customer relations as of today, which is further strengthened through consistent and timely supply of quality rice as per the presence and end consumer. We continue to focus on operational efficiency, expanding our distribution reach, and penetrating into new geographies, which we will continue to drive our growth journey going forward. While growth remains a key factor for us, we always believe in the sustainable performance, while maintaining our profitability. Coming to the key highlights of Q3FY23. For Q3FY23 our operating revenue was up by 62% year-on-year to ₹353.9 Cr. from ₹218.9 Cr. last year. The growth in the revenue is due to the market share expansion in the current geographies because we have entered a lot of new countries recently and strengthening our distribution network, through exhibitions and many other travelling-based marketing. For the quarter, our exports sale grew by 44% year-on-year and export sales by value grew by 66% year-on-year at ₹312.4 Cr. Gross profit for the quarter was at ₹91.1 Cr., up to 35% year-on-year. The gross margin increased<sup>1</sup> by 505 bps from 30.8% in Q3FY22 to 25.8% in Q3FY23, due to the increase in output<sup>2</sup> cost. However, the strong revenue growth along with our constant focus on operational efficiency and moderate in freight expenses have resulted. Since the

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<sup>1</sup> decreased (incorrectly called out as increased)

<sup>2</sup> input (incorrectly called out as output)

freight prices also went low this year which is good for the all the industries. Along with the focus on operational efficiencies the EBIDTA was up by 130% year-on-year at ₹51.4 Cr. from ₹22.4 crore in Q3FY22. The EBITDA margin improved by 430 bps year-on-year from 10.2% in Q3FY22 to 14.5% in Q3 FY23. Profit after tax was at ₹37.5 crore in Q3FY23, a growth of 134% year-on-year compared to ₹16 Cr. in Q3FY22. EPS for the quarter stood at ₹7.2. Now taking you through the key highlights of 9MFY23. So now we will talk about the 9-months before it was about the quarter. For 9MFY23, the company registered a record high revenue and profitability. Our operating revenues stood at ₹1030.2 Cr. in 9MFY23, up by 65% year-on-year from ₹622.9 Cr. in 9MFY22. So, from 622.9 to 1030.2 crore. In the same, our export sale volume grew by 58% year-on-year and export sales value grew by 67% year-on-year at ₹904.1 Cr. The company is growing in the export market and has made a remarkable progress in the countries like Yemen, Israel, Egypt in 9MFY23. The company has also entered new countries in Central Asia like Turkmenistan, Kazakhstan, and so on. The gross profit for the year 9MFY23 increased by 43% year-on-year to ₹264.6 Cr. Gross margin was at 25.7% EBIDTA for 9MFY23 increased by 81% to ₹110.4 Cr. and EBITDA margin increased by 94 bps year-on-year from 9.8% in 9MFY 22 to 10.7% in 9MFY23. In the same period, PAT (profit after tax) grew by 88% year-on-year to ₹79.9 Cr. PAT margin increased by 94 bps to 7.8% in 9MFY23 compared to 6.8% in 9MFY22. The earnings per share was at ₹15.5<sup>3</sup> per share and the total inventory as of 31st December, 2022 was at ₹439 Cr. Thank you so much for allowing me to speak and thank you so much for hearing me out. With this I would like to open the floor for questions and answers and thank you very much have a good day. Thank you very much thank, regards.

Moderator: Thank you sir. We shall now open the floor for question and answers. Participants may use the raise hand function to ask a question. Kindly introduce yourself and your company. The first question is from CAO Capital.

Agastya: Thank you Neha Ji. Am I audible?

Moderator: Yes sir, you are audible.

Agastya: Thank you very much sir and congratulations for great set of numbers. I am Agastya, from CAO capital. Sir, I had a few questions, one was can you tell us going forward given that we are adding so many new markets, how will the quarterly seasonality play out? Koun Sa quarter heavy rahega? Koun sa quarter light rahega? Kyoki thoda sa seasonal to rehta tha business, but given the organic growth and given the new markets how will that play out. So that is the first question. Also, the seasonality and the variations that we will see in the ASP going forward, because as you said, area

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<sup>3</sup> ₹15.4 (incorrectly called out as ₹15.5)

under cultivation is very high this time and yet prices have gone up. Toh aap logo ka is mein ASP ke sense kya sense app logon ko lag raha hai for the year ahead. That's the first question sir.

Rajeev Setia: I am Rajeev Setia. First of all, I feel little regret on my part, that I after one or two con-calls after long gap, I have resumed calling and it will be more frequent in the future. This is what I assure. Now coming back to your question, admittedly, rice is, basmati is one crop in a year, various variant they start coming from September onward and till October and the complete harvesting takes place and yes, the farmer brings the paddy to the mandis, and we all start our production process but we as a company, precise reply to your question is we don't buy the entire material at the beginning of season. We keep on buying frequently. Simultaneous our sale process is going on because we buy paddy and we buy rice also, which is complete rise, but we still have to put into the process of air cleaning, stone cleaning, or any kind of foreign material. We have to clean it up. We have to make it as per the international standards, sortex, metal detection and after that we pack. This in itself is sophisticated and latest machinery it goes through. It is most essential for export. So that is also our kind of a capacity and there are so many supporting manufacture will keep on buying whole year it is available. Rice is available whole year, Paddy that finishes almost by March every year or then thereafter there is limited availability. Largely it is sold out by the farmers. Farmers who are some traders also give paddy, but yes of course it is a seasonal product, a period in at the end of year a period comes then there is short of supplies but it is enough. Hopefully you answer is given.

Agastya: And sir ASP, apko ASP ke kya trends dikh rahe hain, given again aap new markets add kar rahe hain. So are you seeing this ₹80 plus number sustaining for the next, let's say four quarters or will you see some correction?

Rajeev Setia: Repeat your question, AP.

Agastya: Sir, average realization, do you see ₹80 plus sustaining throughout the year or will you see some correction?

Rajeev Setia: Nahi, this is a very subjective question for us. It's very simple. We buy on one side and sell on the other side like any business. So, if we get, I mean whatever is the cost of procurement accordingly the market price is open and accordingly we sell. The advantage of the company is a very wide distribution around the world. Distribution that is the catch of the business. We built up in so many years our market, our sustained relationship with the customer and meeting them in the exhibitions or travel which Sankesh told. So, this is how it happens. For example, it matters sometime the prices are very high in the season, after two months they come down. In the

commodities, prices go up and down and we buy with some sales coverage. There is nothing blind in the business. We sell on one side, procure on other side and keep this balance maintained throughout the year.

Agastya: Sir, aapka branded sales kitna ho gaya hai abhi, as a percentage of total sales?

Rajeev Setia: The branded sale is 6 to 7%. Sankesh, will you answer or should I continue with the answer?

Sankesh Setia: You continue with the answer.

Rajeev Setia: Okay It is 6-7% as regard export is concerned. In Indian market it is mainly our own brand, but international market is 6 to 7%. And the beauty of this business, though it is very small but we are in 40 countries, 39 to 40 countries. Sankesh am I right?

Sankesh Setia: Yes, you are correct.

Rajeev Setia Yes, because you handle these parts. We are in 39-40 countries and you see whenever for any business you find a good distributor, distributor prefers the product which is famous in the market. For the new product it's hard working for them most of the very big distributor don't catch on your product. We always try to sell to someone may be smaller person or bigger person, our presence should be in the country, and I have seen it, realized it that in few countries, in one of the African countries our supply was just 4-5 container a year but the brand spread. There was limited competition, the brand spread and now sending more than 100 containers in that particular country. I will not name publicly and today if something is selling in one country in limited area, gradually it will become famous if my distributor works hard and enhances my sale, I am very happy. If he is unable to do at least my presence in the country, I have ease in finding the next distributor and place. This is idea.

Agastya: Right, Sir one final thing and then I will go back in the queue sir, I have other questions but I will come back later. Sir ek request hai aapse sir, again because of this Adani problem, corporate governance issues have come out in the open and you have seen the way market has reacted and I have always found your company to be trading at a substantial discount to what the fair value should be and given the especially the cash on the books, generally aapke industry mein sab debt pe chalate hain business ko, but you are a cash rich company. Sir, my request to you as is you partially touched upon it that you will continue with the con-calls regularly now, sir I really appreciate it sir. Also sir any of the corporate actions that you take, any of the end use of the cash that you make. Sir please be very-very careful market is getting very finicky about these things. So I really hope that now that we are making such good progress on the branded side and on adding new markets and our growth is also

coming, organic growth is coming. This is probably the best kind of growth that a company can make. You are doing so many things operationally, I just hope sir that we continue with our disclosures, and we maintain the highest corporate governance standards so that the value of the firm goes up, so that everyone will gain sir. That is my only request sir. This Adani thing again sir please keep that in mind sir because markets are very-very finicky now, very-very finicky about bad corporate governance. It's a humble request sir I have no complaints against you but I just wanted to point it out. Thank you sir I will go back in the queue now sir.

Rajeev Setia: Your suggestion is excellent, and I have taken very serious and due note of what you said. Historically, we have very conservative and carefully run the company Agastya.

Agastya: Yes sir.

Rajeev Setia: In our industry if you search, a lot of people have gone in bad shape, and those periods also, yes on the corporate governance also we are implementing everything and wherever we need we are approaching professionals for that. Thank you so very much.

Agastya: Thank you sir. I will go back in the queue. I have other questions. All the best for the future sir. Thank you. Neha Ji, I am done but I'm back in the queue.

Moderator: Thank you sir. The next question is from Sanjeev Damani.

Rajeev Setia: Hello Mr. Sanjeev, I am looking for you.

Sanjeev Damani: Namaste ji!, Sir for last about 2-3 years I have noted you to be a very conservative businessman and a very prudent businessman, and I really congratulate for the result that you have seen in this quarter. It is all because of your continuous perseverance and good strategies of the business that we are here today. So that is firstly, I want to really congratulate you and your entire team that is one. Now secondly sir, you know just now I have noted before I move to my other questions, I just noted that you have an inventory of ₹439 Cr. as on 31st December, I am glad that this has been disclosed so we have come to know about it and another question is that can you also disclose the outstanding that we have on either export front or the domestic market? Can we get a figure of our net debtors as on 31st December if at all we can?

Rajeev Setia: Truly speaking I have right now not figure, but I am aware it is always around 100 crores, 110-crore, 95-crore internally.

Sanjeev Damani: Okay, no problem.

- Rajeev Setia: And let me add one thing, my entire export turnover is insured with ECGC under multiple buyer exposure policy.
- Sanjeev Damani: Very nice sir.
- Rajeev Setia: Any buyer, a new buyer I get, I online check, if the company is on adverse risk of ECGC, I don't ship. If the party is available with the cover of risk I export. And I very rarely I sell on DA, I mean on credit basis, which is called in the common language, *udhaari*. That is with very old buyers, well known for 20-30 years, we are still continuing with that. But new buyer it is against payment delivery. Despite that it is insured if the buyer doesn't take the cargo in any country, if I call back the entire to-and-fro expense is also insured with ECGC.
- Sanjeev Damani: Very nice sir. Very happy to know this. Very happy to know this.
- Rajeev Setia: I mean it is not blind risk.
- Sanjeev Damani: Nahi, Nahi sir, very nice sir.
- Rajeev Setia: Because once in a while somebody will definitely default in every business, you know.
- Sanjeev Damani: Right sir. Now I come to my next question is regarding sir domestic modern trade that you are now targeting through Amazon and all others, so what are the prospects there and how we can push it more? If it has not reached a reasonable level of your satisfaction? And one more question is regarding the fact that when we export, we always sell it in 1, 5, 10 kg packages or it is in bulk that it goes from here. This is I want to understand for my understanding, say a 25 kg pack or a 50 kg pack is that the way it is exported or be exported on in our pre-printed flexible packaging 1 kg, 5 kg package in export market?
- Rajeev Setia: Yeah, most of the export is in small pack 5 kg, 10 kg, and 20 kg and 1 kg. This is how it is, beyond 50 kg we are not permitted because ILO - International Labour Organization, the maximum size has to be 50 kg packing. Beyond that we cannot export. It is all branded pouch packing, BOPP packing, nonwoven packing, all kind of packing we do in the jar, every kind of fancy, they are very beautiful packing.
- Sanjeev Damani: Okay sir. Now regarding modern trade sir, last question is regarding modern trade in India.
- Rajeev Setia: Yeah, that truly speaking, we are very limited in that business so far. But it is gradually growing.

- Sanjeev Damani: And regarding online selling, through our own website if somebody clicks and give you order, then do we deliver that packing?
- Rajeev Setia: That is also available apart from that we are with Amazon, Flipkart, Jio Mart and yesterday the Reliance people were, 2 days back they were in my office, and they also planned to buy in a big way.
- Sanjeev Damani: Very nice sir, congratulations. Thank you very much. I am satisfied sir. Of course, my pending requirement is dividend from your company sir I mean our company. Thank you, sir.
- Rajeev Setia: I have taken due note of your suggestion.
- Sanjeev Damani: Thank you sir.
- Moderator: Thank you sir. The next question is from Somnath Paul.
- Somnath Paul: Hi sir good evening! I just wanted to ask you sir from our analysis we understand probably may be around 15 odd companies or more based out of Delhi NCR and Punjab region are involved in rice exports similar to yours. So, I just wanted to understand, and I am sure international standards are of certain level. So, what is that makes you know your company score over other companies in terms of all the parameters, especially when we have 15 odd companies competing for similar product in similar markets that is the first question.
- Rajeev Setia: Admittedly, there are other competitors because that has to be in every industry. We are not out of that. You see we are one of the oldest rice exporters. Since 1982 we started exporting and this business my dad started in 1974 as sole proprietor first year and after that it was a partnership with me and my brother, family concern. So, we have seen all up and down and turbulences. It's a huge experience, then it's a very spread market ours. It is very hard, it is very easy to say we put up a mill and we start competing others. Admittedly some competitions comes but it's the strength you know, financial strength. If I buy the rice, I deduct 2% CD immediately and on the 3rd day I make the payment. It's not even a week, when you make payment timely, your vendor sleeps comfortably after selling you, he sells cheaper also. Who gets this kind of advantage? I have a cash. We are a cash rich company, we use that advantage one, for our pricing and we can better compete than others and there are big companies, old companies, they compete, so it is a part of business nothing I am scared of.
- Somnath Paul: Sir secondly, I think you mentioned that to the previous speakers that you have seen the highs and the lows of the business, and you have also seen lot of companies

going through a bad phase or probably getting bankrupt, so probably you being a cash rich company. So have you come across situations, or have you ever wanted to acquire companies in your business who have gone through a bad shape either by their choice or by industry headwinds.

Rajeev Setia

Absolutely not I will never acquire any company from my own industry. I can expand on my own. I know how to put up the machinery, my brother Vijay Setia is master.

Sankesh Setia:

I would also like to answer this question partially, Sankesh Setia this side, from Chaman Lal Setia Exports Ltd. full time director. I would like to inform one more thing like when there is a bankruptcy, so most of it goes in our favour. So let us say there is a company, and they are doing a turnover of 500 crores, and they go bankrupt overnight or in a one year or one and a half year. Their business starts going down. So out of 500 crores of their exports, there are buyers who are buying, somebody is buying worth 5 crores somebody's buying worth 10 crores of rice from them annually, somebody is buying worth 25 crores of rice from them annually. So, automatically we being very strong player and we being head-to-head and we being complete knowledge, information about the supplier, their buyers and we always have a target that yes, this company is getting weak, their performance is getting low, their deliveries are getting late. So, we automatically penetrate those buyers and all that sale, I won't say the whole 500 crores will come to me, but a huge chunk of that always comes to us. Because even a buyer is looking for a stable supplier, so that who can supply them rice on time who can pack their private label on time. There are lot of supermarkets around the world who get their private label packed in India under their brand names, the basmati brands. So, they are looking for stable suppliers, good suppliers who can supply them good quality, timely quality, good pricing, so all these things matter a lot and when a supplier gets weak, of course a buyer also looks for a new supplier and we are always there for them. So, anybody gets bankrupt automatically a huge chunk of business comes to us. So, this goes in our favour. So, it makes no sense for us to acquire them automatically the business is anyhow coming there, and we are very choosy at that time, because a lot of times you know because out of our total sale only 2 to 3% of our business is on credit basis means *udhar*, open credit without LCs or without any bank guarantees. So out of all our business only 2-3% of the business is like that so sometimes let's say there is an exporter who was exporting 500 crores of rice annually and out of which 200 crores of supplies were on credit basis. So, I will not touch that business, I am not looking for the buyers who buy on credit. I would always say the other and the free people, okay you can take this business, I don't want this business, I am more happy to leave this business apart. So, they can go and grab that business, so I grab the cash business, good buyers who give good margin who give good cash, whose payments are good. So, it goes in our favour only when somebody gets bankrupt.

- Rajeev Setia: We don't wish anybody goes bankrupt.
- Sankesh Setia: And honestly, yes, we don't wish that, we never wish that. I am just replying.
- Rajeev Setia: Everybody should flourish.
- Somath Paul: No sir, the idea was more to do with sometimes acquiring assets, maybe of course the sales as you said comes to your books or under your kitty, but it was about assets as well. Okay sir I think I will put a final question and I will come back in the queue, if I have anything more. So, for the same basmati rice what would be your margin profile say supposed to a developed country may be like a Sweden or Australia versus an emerging smaller country, that is one. And secondly as you mentioned 6 to 7 of your exports are branded sales. So likewise branded in exports and non-branded how would be the margin profile different. Thank you.
- Rajeev Setia: This question has been many times I have answered. Our large business is private label of the customer. So that is more important for you to first understand. You see what happens for example somebody from New Zealand or Australia or Canada, Indian people, people of Indian origin or Iran Iraq oriental part of the world original, they setup their store or warehouse there. They have to have multiple products, from their own country or if they are from India, Indian and other products also and they take rice. They fortunately or unfortunately in our industry private label business is huge from many people. We have to do private label. If you want to sell in our brand buyer says I want my private label. Okay fine, now what happens when he starts the private label in pouch of 1 kg, 2 kg, 5 kg or 10 pound, 20 pounds, it's his brand, he wants the good quality, we give the quality, we give the reasonable price and then he starts the business, one consignment, two consignment, after a year or 6 months when he is happy, I am getting good rice, my brand is flourishing in the market that brand becomes his baby. He loves his baby the most and we get the price. He does not want to change, it's a very big risk for anyone who is running a brand to change the supplier. As a distributor he will have to somebody doing our brand, he will have to come to us. Private label can definitely go to the other person, but it is a very big risk for him and many customers say me, Rajeev give me the good price, don't care for the price, charge your price but I want the best quality, best than anyone. So, our profitability as regard our private label business is concerned is very good and as regard our own label is concerned, may be in the beginning sometimes we sell at break-even also to enter into a country but gradually we start getting.
- Somnath Paul: No sir, if you could just quantify probably some rough range?

- Rajeev Setia: Profitability you see it cannot, it is very subjective, and it cannot be correctly determined because it is a commodity item. We get huge margin from the private label and our label also.
- Somnath Paul: And sir I was asking also about suppose basmati selling in Australia and New Zealand and Canada versus a small country which is growing so we have a margin profile difference there as well, similar item, being sold in two different countries.
- Rajeev Setia: No first thing from the developed part of the world, Europe we get better prices, it is premium market, Canada is premium market, USA is premium market because it is FDA approved, you have to give rice and our unit is the certified by Plant Quarantine Department for export to USA, its mandatory for exporting to USA and we sell guaranteed FDA clearance rice. So, we have very huge business in USA, with a good margin. Yes, you are absolutely right the country like Iran where I absolutely do not do business, it is simply a turnover business no margin. Sometimes you lose money also. Yes, these Middle East market some people pay good and though it is a very big market we do business in this area also, large business but we don't choose the top plus buyer, first category buyers say 1,00,000 ton rice. We search for 20,000, 10,000, and 5,000 ton. Smaller customer who can pay better, because there is no profitability, why do business.
- Somnath Paul: Ok, sir, I will join in the queue for follow up questions, thank you.
- Moderator: Thank you sir. The next question is from Himanshu Upadhyay.
- Himanshu Upadhyay: Hi, good afternoon. See I have two questions. The first was what percentage if business would be through private labels and lets says brands or private label which have been with us for more than five years, established brands, something like that can you give?
- Rajeev Setia: Yes. I have already explained in the last speaker. We have largely private table business and 8 to 9% around our own Maharani Basmati rice of branded rice. Customers in the private label there are long as 30 years old, 1990s, 1995 prior to that, very old customers. I have so many customers which I can count they are 25-year-old, 20-years, their sustainability is long.
- Himanshu Upadhyay: Can we see that more than 50% of revenue would be from private labels for us?
- Rajeev Setia: My export is 7 to 8% in my own label, obviously my entire business around 90% little more is from private labels.

Himanshu Upadhyay: And if when we do a private label, is there means supplier also generally given that we are the manufacturers and sellers on the private label bag what he is taking, is it generally given means, so let's say a half a kg bag somebody takes a package, or a brand or private label?

Rajeev Setia: We can do half also. We have infrastructure for packing half kg also, but we avoid unless it is a very large, good order then we go otherwise 1 kg, 2 kg, 5 kg, and 10 kg is the main supply. So, we make excellent bag for him, packet it, box it and setting in the container with entire care, it is done in Karnal factory only, not by local transportation will sending that destroys. So, everything is done here.

Himanshu Upadhyay: One last thing, how are we looking at inventory management. See we have seen prices of paddy and basmati rice both have increased in the last one year and some of them are all-time high. The amount of inventory what we have is it all presold inventory only that we are keeping or we are keeping some excess inventory and is there any risk of price fall on that inventory at any point of time, just some thoughts on that?

Rajeev Setia: This is the best question so far amongst all I have, because this is something which we always think and it is something we have to be very, very conscious of that when I buy. We go with the satellite data of production when paddy comes. We carry out our own surveys for the size of production. We check how much is the last year crop is available in the market and prices and of course demand. Now, it is the question of demand and supply. Yes, we have to buy some material unsold also in the beginning and thereafter the sale starts. Customers also now for last 15 days, people are waiting for the Gulfood, because companies participating in Gulfood from 20th to 24th, five days in Dubai it's one of the biggest fares. Many my existing and prospective customers will come. People wait, will see the price there also. So, on one side we sell and on one side we buy. We can match our prices and because as I told we have established sales around the World, in 90 countries we are selling now, and we can likely to increase also. So, it is hedged product you know, we have sales. It is already held this much buyer this buyer will buy. Even if he buys 20% less this, we make all data. We prepare everything for buying. For example, my three months quarter sale is 353 crore, three months. My stock built up as on December is 439 crores. So, I can comfortably sell in coming three months, if I compare with my preceding quarter, so this is how it is balanced. We sell and buy, and we buy and sell, this is a continued process.

Sankesh Setia: I would like to answer one of the thing in this, whatever the stock is almost 80 to 85% is already sold out, so it is already agreements are done, everything is done, so deliveries have to be made, some of them before Ramadan which is on 22nd of

March and some of them just after Ramadan, so most of the chunk will be exported before Ramazan, almost you can say 250 to 275 crores or may be 300 crores of rice would be already shipped before 22nd of March.

Rajeev Setia: Sankesh you tell your team of selling because export you are handling, I did a lot of export in my life now you are handling and Ankit is handling, explain to everybody.

Sankesh Setia: Yeah, I am answering on the inventory only, so out of total inventory even if the prices go down, up it doesn't matter to us because 80-85% of the stock is already sold.

Rajeev Setia: Sankesh one moment. They have one question you explain. You and Ankit are handling export. How you are performing all around the world, how you have decided the countries you are, how you are doing, what is your modus-operandi of doing business exports and it should be appraised to all of the business.

Sankesh Setia: I will be very precise and quick, so we are exporting in 90 plus countries now, we have already touched 91 countries. Recently, we started exporting to Turkmenistan and Kazakhstan Central Asia also. So, at the moment we have more than 200 plus supermarkets around the World which work with us, which is a very direct business, so we are the manufacturers, they are the buyers and there is a consumer. So, there is only three people in the line. So, me as a manufacturer, the buyer and direct consumers. So, working with supermarkets is always a very stable business and they are always up to their commitments because they are not wholesalers but yes, we do have a lot of wholesalers with us.

Rajeev Setia: Sankesh, narrow down because there are other people trying, it is just 15 to 20 minutes left out. How much work you are doing, how much Ankit is doing, you have to explain that.

Sankesh Setia: So, all the sales are handled by me and my brother Ankit and.....

Rajeev Setia: How much percentage of export you handle, and we handle?

Sankesh Setia: Yeah, so Ankit is handling about 42 countries and balance of the countries are handled by me.

Rajeev Setia: Some of the existing which I was handling?

Sankesh Setia: Yeah, so about 22 countries were handled by you which have been passed on to me and Ankit and a lot of buyers have been passed on to me and Ankit from you. So, we have about 400 plus accounts, 400 plus buyers around the World which are divided, which are spread out in these 91-92 countries, and we are also looking for new

geographies and also in the same countries we have a lot of potential, we have a lot of.

Rajeev Setia: Organizer please take the next speaker you see because the time is short, there must.

Moderator: Thank you sir. The next question is from Ankur.

Ankur: Hello sir, congrats for a very good set of numbers and thank you for taking my question. Sir, my first question is if I look at your historical quarterly seasonality trends, the Q3 tends to be a bit weaker versus next two quarters which is Q4 and next year's Q1 is very high. So, can we expect this kind of trend to continue in this year also?

Rajeev Setia: Repeat your question, you are too quick.

Ankur: Sorry Sir, I am saying if I look at last few years trend, Q3 is not very high quarter if I look at Q4 as well as next year Q1. So, can we expect this Q3 performance to be improved in the coming quarters is what I am trying to ask you sir?

Rajeev Setia: You see it is something very, very subjective, you know this Ramadan is coming early, early every year. So, when the Ramadan requirements come suddenly sales goes up. It is a festival in the GCC. So, it matters you know sometime the customer expect for any reason the prices may come down, they stop, they hold themselves for a few days and then they come up, this happens you know, overall, we are concerned. It does not matter if one quarter is down and up.

Ankur: And sir this quarter we did 15% margins also. So, can you comment what is our sustainable margin, margin trend?

Rajeev Setia: You always expect it should continue. We work hard on the margin; we work hard on the sale prices, and we work hard on the quality. Every part of the business will result this thing and we have to perform in every end.

Ankur: Sure sir, and 25% of our business is now branded sales. So, what is our trend basically, how do we want to go up in in this branded sales part?

Rajeev Setia: No, our exports, our branded sale is not 25%, domestic it is all branded, whatever is the sale of the total entire sale its branded. In exports, I have repeatedly said its around 8% and of course it is 40 countries, we want to increase our sales in the country where we are already established and of course it is our endeavour to increase in every part of the World because always we try to sell our brand first. My first sale in 1982 was also in my Maharani Brand, so we know everybody sells his

brand first but when you don't get buyer, we can't refuse the customer or don't refuse the customer for the private label also.

- Ankur: So, how is Maharani brand doing right now?
- Rajeev Setia: It is doing good. In international it is 40 countries; it is reasonably good. Yes, we are not strong in Indian market as compared to peers like KRBL and LT and one or two non-listed companies. Yes, it is our own endeavour we are moving to this online business first. Let the name spread then we can find distributors. In India, we know everybody, every big distributor is known to us and let the brand become little famous so that we can sell at a reasonably good profitability.
- Ankur: Sure. Sir, last question would be company has directors deposit of ₹ 55 odd crores, can you comment why is this taken from directors and what is the interest that is being paid on this?
- Rajeev Setia: Interest is being paid around is 9% and banks are charging 7-8% but they charge monthly, and we have annual, it is more or less same. This cash is a big strength of the company. We are not dependent upon the banks, and this helps in the business.
- Ankur: Sure. Thank you, sir, and all the best.
- Moderator: Thank you sir. The next question is from Kaustav.
- Kaustav: Hello sir, how are you?
- Rajeev Setia: Good.
- Kaustav: Your gross margins have fallen around 100 basis points quarter on quarter and 500 basis points year on year. So, I mean, as we go into the strongest quarter of the year, is there any gross margin guidance you can give? And how have basmati prices held up in this quarter, then Ramadan also in this quarter so demand increases, inventory also gets depleted, so can we expect gross margins to improve in this next quarter?
- Rajeev Setia: I have to study your question because I am not prepared on this answer and if you can give your some contact, I will get it answered, maybe I will have to discuss with my accounts team on the figures.
- Kaustav: Okay but in general how is quarter 4 looking right now in terms of demand?
- Rajeev Setia: Business side are very confident, we have orders, because I was not interested to disclose how much orders we had but anyways Sankesh did that because new generation, they are more aggressive. So, it's all covered business and whatever is

the stock and whatever is the booking, will come in the subsequent quarters; so hopefully GR would be excellent.

Kaustav: Great, thank you so much. I will stay in touch with you about this gross margin

Rajeev Setia: Yeah. Yeah. That question.

Moderator: Thank you sir. The next question is from Namit Mehta.

Namit Mehta: Just a couple of questions from my side. You know these are pretty outstanding results that you announced for this quarter. Is there anything that we should consider as exceptional in this quarter, anything out of the ordinary that has happened which you know has led to such strong profitability or is this just business as usual.

Rajeev Setia: Actually, for last after the COVID you must have noticed, the food has become priority in the world. Some countries are storing and this story of Pakistan many people will learn the lesson. I don't know what they will do. India has wheat, India has rice. We are a lucky country, so in the food, we feel it's quite a long time for us for favourable, I think the favourable result, favourable market and India has won 105 million tonne rice and all out of that basmati is just 6 million tonne and out of that around 4 million tonnes exported, just 2 is sold in India. So, it is a geographical indication product registered for 7 states in India and world is the market. It is a monopoly product jointly with Pakistan. It's a monopoly and Pakistan has no Aata, they will eat rice. So, they are no longer a competitor with us; so, sky is the limit and let's see what happens in the future.

Namit Mehta: Were there any Ramadan orders in Q3 or will that all come in the next quarter.

Rajeev Setia: Yes, there were in Q3 also, Ramadan we supplied and they are continued, some people are a little late in buying some are quick.

Namit Mehta: Got it. Last question, I know you have had some thoughts around selling some other products outside of basmati rice as well around the world given that you have so many customers, any progress on that you know whether it's dry fruits or biscuits or anything else. You know how are you thinking about that?

Rajeev Setia: A plant is coming up in Gujarat in Mundra area. We are putting up a plant. It will be leased by the company from the family concern. So, in Gujarat we see, there is this sesame seed, moongfali - groundnut and haldi - turmeric; these kinds of products are available, spices are available; our, 99% of our customers are not into one product rice but they are in multiple products and many times they ask us; Chai de do. Ye de do, wo de do but we will do with the specialization in complete aspect. So, while in

Mundra I have opportunity for this and I have already plans in my mind, but will go for the commodity business, food product which is our specialty because if I will do rice, I can do wheat aata also, I can do other things also and wherever I will make money, I will go for that.

Namit Mehta: Understood. Thanks so much.

Moderator: Thank you sir. The next question is from Deeksha Upadhyay.

Deeksha: Hello.

Moderator: Yes Deeksha, we can hear you.

Deeksha: Good evening, sir.

Rajeev Setia: Good evening.

Deeksha: So congratulations for good set of numbers, so I have one question sir. Sir can you share the volume breakup on a quarterly basis of last 3 quarters, branded and traded both.

Rajeev Setia: Right now, that figure I don't have. I think the total volumes we have? Nahi nai if we have just the figures, but I can answer you, if you want we can send the figures.

Deeksha: Okay Sir

Rajeev Setia: Yeah, okay we will revert to you.

Deeksha: Okay.

Rajeev Setia: Coordinator, please take notes of this question. We will answer. One second it has already been given in this investor presentation this answer is available. You look into that and if you still have any questions, please do write us.

Deeksha: Okay Sir no issues. Thank you, Sir.

Moderator: Thank you. The next question is from Ayush Mittal.

Rajeev Setia: Hello how are you Ayush, in Lucknow?

Ayush: Hello am I audible Sir.

Rajeev Setia: Yeah, yeah Ayush you are audible.

Ayush: Good afternoon, sir so happy to see you again and congratulations to you and your team for a wonderful performance, having been a shareholder for so long, I can say ki matlab this was long overdue, the kind of growth that the company has delivered now, and it is a very proud and happy feeling, so few questions. One like if we look back into the company till 2-3 years back, we were kind of stuck in a ₹700-800 crore range for 3-4 years and then we started growing gradually, but that was at single digit rate and now that the whole industry is doing well since last 2 quarters, we are seeing that we have also started doing very well, so one, if you can share what he have done in the last 2-3 years, what changes we have brought in the company that we have been able to grow now or and second what kind of things are doing that we can maintain on this growth rate for coming time; what initiatives are you taking.

Rajeev Setia: This is a very good question. It is our continued pursuit to grow for the growth in the business and thank God we have very good next generation - Sankesh and Ankit, both brothers. They work so hard, they travel. We are not leaving any exhibition, everywhere team is going, now we are in Gulfood; we are going on the 20th onwards in Gulfood. Prior to that we did in Iraq. Prior to that we did exhibition in Turkey and there was one more exhibition, I don't recollect which country they did. Yeah, we were in Anuga also. Even in the COVID time I went to Anuga myself along with Sankesh, so the more you meet, the more you market, the more you can do business. We have cash, which we can buy anything, we can meet any demand of the customer.

Ayush: Okay earlier we had acquired a factory which was next to us. Have we built up more capacity or we have done more expansion over there?

Rajeev Setia: In that, we called that Chatter Chemical because it was at one point of time a Solvex mill, then when we set up our factory, so we have put up big warehouses whatever was authorised, and silos are coming in that factory. This is for storage mainly because plants are integrated with each other, and they are in the existing our old factory.

Ayush: See the other thing that has happened in past years is that our margins have been very volatile, and they keep increasing and then falling. Any thoughts on that as we scale forward, any thoughts on protecting profitability, because in past we have seen that at times you have gone very low on profitability despite being able to maintain turnover or do you believe that is the nature of industry and that will keep happening.

Rajeev Setia: Your last word is correct. It is partial nature of this industry as regards to bulk cargo is concerned. But in the private label branding and own branding that sustains us for the

price. So, if that part of export selling and domestic continues well then there is no fear, which is likely to.

Ayush: Okay.

Rajeev Setia: If the wholesale prices come down and go up, it pitches the shape, it can, its commodities you know.

Ayush: Okay. Sir last question we are seeing that many of the rice companies are also going into food products like though you mentioned that you are trying to go into fruit or something but apart from that the natural extension is like going into other food products which are related to rice or may be going into value addition or increasing our range. Are we doing something on those lines that other companies are doing?

Rajeev Setia: First we have to always look at our own product rice. We have come out with the brown rice which quickly cooks, the brown rice takes 30-40 minutes to cook. Though it is healthier, but it is not famous because of the longer cooking time. LT Food has also brown rice which cooks quick, 15-14 minutes and maybe a little less, I am not sure about that. And we have also come up with the brown rice which cooks in the same period. We achieved that none else has, yes, we have one competitor, friendly competitor, no problem. So that what we have done. We are also trying to produce, Vijay is very hard working on it with the roast and then processing. Roasting is nowhere in this industry except us, but it is not something unknown, it used to be, UP farmers were doing 50-45 years back, roasting manually. So that mechanical process Vijay has established then discontinued and now again we have started doing that. That kind of rice when I was selling in Dubai, people were holding my arm, "*hame bhi de do...hame bhi de do*". I am telling Vijay that come out with the quality, which is unique so brown and 1121 rice, and once the rice is roasted, bring it and I will sell wherever you will say. I will find good distributor and yes apart from that value added, we have not gone in the rice different products quick cooking, I mean readymade rice or something like that because in that you have to burn a lot of cash to market these things. It doesn't sell quickly. We prefer improving our product, as I said earlier. We have changed exclusively in the rice and yes, I will go for other quality products, that as I said earlier in Gujarat.

Ayush: Okay thank you Sir and all the best.

Moderator: Thank you sir. As we are short of time, this was the last question. I now handover the call to the management for closing comments.

Rajeev Setia: Thank you everybody for joining us, not a lot of number of people could speak to us but I believe we have answered all the questions which may have come to their mind,

those who could not talk to us or who had another question in all as a group it is completed. If you have any questions and query, please do contact us. No problem, we are always open to answer and available to our respected investors. That is all, thank you very much. I will be definitely again call you or meeting after the annual results. Let us hope for the best. Thank you very much.

Sankesh Setia: Thank you very much. Have a good day.

Rajeev Setia: Thank you.

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(This document has been edited for readability purpose)

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