



Chaman Lal Setia Exports Ltd.

(A Govt. Recognised Star Export House)

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To

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Ref :- CHAMAN LAL SETIA EXPORTS LTD. (530307)

Sub :- Transcript of the Conference Call held on Friday 14.08.2020

Dear Sir,

Pursuant to the provisions of Regulation 30 read with Para A of Part A of Schedule III of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), please find enclosed herewith the transcript of Conference Call held on Friday 14.08.2020

This is for your information and record.

Thanking You

Yours Faithfully,

For Chaman Lal Setia Exports Ltd.

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“Chaman Lal Setia Exports Limited Q1 FY-21 Earnings Conference Call”

August 14, 2020



**MANAGEMENT: MR. RAJEEV SETIA – DIRECTOR & CHIEF FINANCIAL
OFFICER, CHAMAN LAL SETIA EXPORTS LIMITED
MR. SANKESH SETIA – DIRECTOR, CHAMAN LAL
SETIA EXPORTS LIMITED**

**MODERATOR: MR. SHIRISH PARDESHI – CENTRUM BROKING
LIMITED**



*Chaman Lal Setia Exports Limited
August 14, 2020*

Moderator: Ladies and gentlemen, good day and welcome to the Chaman Lal Setia Exports Limited's Q1 FY21 Earnings Conference Call hosted by Centrum Broking Limited. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shirish Pardeshi from Centrum Broking. Thank you and over to you, sir.

Shirish Pardeshi: Good evening my friends and on behalf of Centrum Broking Limited, I invite you all for this excellent forum by Chaman Lal Setia Group. I am happy to announce that we have been present Mr. Rajeev Setia, he is Director and CFO in the company, and he is joined by Mr. Sankesh Setia, who is Director. So, to start with I will handover to Mr. Setia to give the opening remarks and after that we will run the Q&A.

So over to you, Rajeevji.

Rajeev Setia: Good evening everybody, all members and friends. This year which ended at the pandemic period happen to be very good for the company for our overall performance of revenue of around Rs. 800 crores, profitability before tax is Rs. 76.83 crores and net profit Rs. 52.47 crores. The next quarter, first quarter of the current year have been again excellent particularly through this tough time which we all know Rs. 243 crores turnover sales.

And EBITDA is Rs. 34.78 crores and net profit is Rs. 25 crores. These are the figures and I believe it is considerable improvement if we compare with the corresponding quarter and corresponding year too. I will little bit explain more. This quarter in particular was really a tough time for all of us and I would say luckily the banks around the world were open even in India and so their inward remittances and the banking with limited staff continued and the second part was shipments. It was held for 12 to 15 days. The beginning of the lockdown.

Thereafter being the essential commodity, everything was resumed, transportation was redeemed, shipments were happening. And the best part is though the below fleeting which is the negotiable instrument and we have to send documents to the foreign buyers directly or through banks either as an open delivery or through bank, couriers were closed. It was a big problem suddenly for banks and as well as us, but the shipping lines came to our rescue. They even though it was difficult to receive VL from them because some issues in port areas Mundhra or in Bombay and how could that we send to our offices in North.

So, on the basis of copies stamping cancellation crossing or putting the accomplishment of the document they released the cargo at destinations. And the buyers because of the company's goodwill they were trusting us remitting us the payment and we were finishing the delivery job here in India and they were getting their cargo.



*Chaman Lal Setia Exports Limited
August 14, 2020*

Despite the tough period the company has been able to work in this quarter of tough time of pandemic and achieved good sales and excellent profitability. So, I think this is how we could because it is some of you must be wondering how the company worked so good in such a tough time, so these are the two reasons.

Had the bank being closed, had the shipping lines not been delivering it would have collapsed the quarter and collapse for the company. So, with this beginning note, I welcome anyone who has any question or query in their mind, you are welcome.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

Our first question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Hi Rajeevji. I will just try and fill in. There are some queue up which is happening for question and answer. Could you give some color because the competition we heard saying that there was a jam at the logistic issues at the port and the export was delayed drastically. During the lockdown also there was not much transportation available within India and that has also delayed some shipments. So, would you say how it is now panning may be give some color how June and July looks like?

Rajeev Setia: Your question is valid and absolutely true. The initial first day of the lockdown it was totally closed. We were lockdown our homes, our workers were lockdown in their home, moving out of the house was not permitted particularly in our factory area Haryana. But keeping in mind to maintain the delivery of essentials after 14 or 15 days the ban for essential was lifted. So, the moment we opened the factory after 14 to 15 days and of course with all arrangements for this COVID sanitization, we made a tunnel for sanitizations for every entry and exit from the factory.

Social distancing was maintained and everybody was supposed to be in mask and above all you must have seen a lot of labors moving back to their villages walking all the way 1,000 kilometers, 500 kilometers like that and in our case, we were giving food, shelter and medicines for normal diseases any kind of. We cared for our labor. They speak to us, nobody moved out of the factory or wherever they were residing close premises. So, when it opened, we could start, and the transportation was also started simultaneously and yes containers we were getting that is why we could export in this quarter. In the April we did reasonably good business.

Shirish Pardeshi: Yes, okay sir. Inba, you can take the questions.

Moderator: Sure sir, thank you. We will take our next question from the line of Rajeev Agrawal from DoorDarshi Advisors. Please go ahead.

Rajeev Agrawal: I have a few questions. The first one is on your gross margin number. If I look at the gross margin it is supposed to be around 22% in the last few years and this year as in financial 20, we saw it



*Chaman Lal Setia Exports Limited
August 14, 2020*

jumped to 25%. So, the question is, is this something that is sustainable and also what is driving this higher gross margin waiting for us?

Rajeev Setia: Can you repeat the question, the end part I could not hear?

Rajeev Agrawal: Sure, so I was saying the gross margin has gone up and so I wanted to understand is what is driving these higher gross margins and are these gross margin sustainable or can they continue to go up?

Rajeev Setia: Can be sustained or can go up in the future? Look it is commodity business first thing first. So, commodities are volatile by nature. You know what happened in this particular year. Whenever the prices at the point of our procurement are lower and because we are spread into around 90 countries around the world and about 400 buyers around the world. So smaller buyers, the effect on our sales did not come through, but our purchaser were at considerable low price. Either we sell at a high price or we buy at a lower price, this is how the profit comes.

So because in the last conferences I talked about Iran a lot and I stressed that I took a decision to fast sell my rice even at breakeven my quarter was not good those days and that fall out which I visualized Iran is going to be on the dead end of the business and that is reality of the day now. So, when Iran is not there, the prices are coming down. I am buying at a very attractive prices and I have market around the world. My brand is moving all around, private label is moving, everything is happening, the profits had to come.

Now the question arises. This is how the profits came, higher profits. Now the question is of sustainability. First part of the sustainability is the spread risk all around the world. The first part is of sustainability, the buyers is hard to get, but once they come to you, you give them good service, good quality, good supply and above all in this particular period of the COVID, they were not scared to remit me total payment advance. That is the biggest honor or goodwill or respect my company got and I had been delivering them these things, which are hard earned of the life will continue with us.

Now market forces are not in my hand, the prices can go up. My profitability can little bit come down. My profitability can go up if I am stronger and stronger with my buyer to fetch better prices, if my procurements are at higher rate and if the procurements are favorable because it is a wholesale market immediately comes down and the pass on of the benefit is not too essential for me. So, my buyers are happy at a price, I am making money. Hopefully you got the answer.

Rajeev Agrawal: Yes, no that was very, very comprehensive. Thank you very much. My next question is this is some sort of a pattern I have seen and I want to see how you think about it, but whenever the paddy prices goes down, I have noticed that the company does tend to do much better in terms of profitability. When the paddy prices goes up, our profitability comes down, so it seems like we are not able to increase our prices when the paddy prices goes up, but we do not have to decrease it when the paddy prices goes down. Is that a fair observation?



*Chaman Lal Setia Exports Limited
August 14, 2020*

Rajeev Setia: Yes, but there is one fact which I will re-explain here. When the prices go down, for example I have two, three buyers around the world, big-big buyers, even there are buyers in this world those who can buy the entire production of mine in one stroke. There are such big buyers. If I sell to 5, 6, 7 selected buyers, good buyers, good paymaster around the world, they will not let me on anything. They have information of every day's pricing internationally, so I cannot make money from these people.

The funda of the company, the moral of the company is smaller consignments, multiple buyers, multiple countries and if the prices come down, I am a wholesaler buyer, I can immediately buy at a lower price and I do not need to reduce the prices and sometime the prices go up I am unable to increase immediately, but gradually I start increasing my prices also and buyers understand and they pay. Sometimes I have to accommodate them, sometimes they have, but the rapid fall and up is here and when it falls, it helps me.

And for your information yesterday I was reading the Punjab has highest area of cultivation in this year and their hectares were it is 4% increase in the area of cultivation in this year and this is around 6.7 lakh hectares, 7 lakh hectare is the maximum, which we always perceive can go under production, but the highest so far had gone 6.50 lakhs hectares and it is 5% to 7% increase. So, this year area under production will be higher. Iran as usual is a debt country. We will get at very good prices. Haryana report I do not have, it is not published, but Punjab report has come.

Rajeev Agrawal: Sir, and so you are implying that therefore the paddy prices should go down because?

Rajeev Setia: Yes, should remain very attractive for manufacturer and secondly there is another one country, one market which has been prompted by President of India notification has come. They have removed market fees. We can directly buy from farmer 4% will no longer be charged. This is the law. Let us see what practically happens on the ground because states are reluctant. They will start to fall in line. They cannot disregard central government ordinance. We are in Haryana, Haryana will follow it is the same government. Punjab we will see what happens.

Rajeev Agrawal: Got it. Now do you have insight especially in Punjab where you mentioned that there is a higher cultivation area. I think one of your competitors mentioned that their survey saying that may be it will be not 1121 variety, but 1509 I believe variety, which is being sold more and so may be one variety prices will fall, but others will rise. Do you have any view on that?

Rajeev Setia: I do not agree truly. Admittedly 1509 crop has increased and it may be if not double but because datas are not as yet available, but it is considerable rise in the production of 1509 and 1121 of course is the prime good quality, but when it depends again 1121 can go up also but when the equivalent quality, parallel quality is too low, then it is difficult to raise the price of upper quality also. Now it will have to be exactly seen how much 1121 comes, how much it is in Haryana, how much it is in UP, MP and other states, it will have to be seen. It may sustain its price



*Chaman Lal Setia Exports Limited
August 14, 2020*

depends, it cannot go up when the substitute basmati variety is selling at a very low price, possibility is not there.

Rajeev Agrawal: Got it. One additional question is on your inventory right, so when I look at your financial year 2020 inventory, again and if I look as a trend over the last multiple years, earlier you used to have very low inventory and over time the inventory has jumped from financial 17 to 20 almost 2x, right. So, is there a change in the business model in terms of whether are you storing more inventory or are you just keeping inventory which is to be sold over the next few quarters? Can you talk about your inventory management now?

Rajeev Setia: Actually, we procure according to our orders, according to demand. If I calculate today, we have orders of 25,069 tons, 357 contracts and values about Rs. 193 crores. So, I will have to procure. I have to have reasonably good rice, but again it depends on gradually buying some of the contracts are little open ended, they might be lifted in 100 days, 120 days, new are coming, so it is a revolving process, so I had to maintain stock also.

Rajeev Agrawal: There is no change. In the past you have not kept inventory for very long and that continues till now, right?

Rajeev Setia: Yes. Company has strength also, company have finance also, it is better to put money on our own product, where to put money then? We do not want to diversify here and there the way the other sector.

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

Ankush Shah: Sir, my question is what is the book order value for this coming quarter?

Rajeev Setia: Book order value. I just told Mr. Agrawal also, but I would like you to talk to Sankesh Setia because he is handling exports, next generation and he will explain the best way possible to you. Over to you, Sankesh.

Ankush Shah: Sir, just wanted to know the book order value for this coming quarter?

Sankesh Setia: The total order value?

Ankush Shah: Yes.

Sankesh Setia: It is about Rs. 193 crores at the moment.

Ankush Shah: All our plants are working on 100% capacity?

Sankesh Setia: Yes, all our plants are working on 100% capacity. We are working for almost 18 hours a day.



*Chaman Lal Setia Exports Limited
August 14, 2020*

Moderator: Thank you. We take our next question from the line of Ayush Jalan, an individual investor. Please go ahead.

Ayush Jalan: I just wanted to know do you have any plans to expand your footprint into domestic market or are you all mainly looking at the export market only?

Sankesh Setia: See no doubts that we do focus on exports more and you can say out of the total sale, 91% is exports and almost 9% is the domestic market, 9% to 10% is domestic and domestic has a very good future if I see. So yes, we do have plans to exceed on the domestic market, but not in a very short period, maybe it is about a four- or five-years' process. It would not be very immediate. You would not see anything in next year, but surely next three years you will see yes, we have increased our domestic sales by at least a double of it. So that would be about 20% of the total revenue within next three years.

Ayush Jalan: Okay, but do you find the margin profile being different on the domestic and the export sector, or it is more or less the similar?

Sankesh Setia: See if you look at the company's model, we are into our own brand and we also do private label for the people. So, anybody sitting in any part of the world wants to have their private label, it can be done by us then on the other side we also sell our own brand in the same market. So, if I talk about the domestic market it is completely a branded market. It takes a little bit of time. We have to very gradually because there is a lot of competition in the market and we have to go very gradually. In the beginning we will not be able to make good profits out of it, but later on yes, the margins are good.

Of course see if I sell my brand automatically the margin has to be better, but in the beginning there might be some pennies going out of your pocket because you are launching a brand and that to a commodity because we are not selling a product. If you look at any rice brand in India what they are doing is they are just simply having a commodity and a beautiful packaging that is it. End of the day our commodity will remain a commodity, it will not become a product.

Like for example, if I talk about Maggie, Maggie is a product. It cannot be achieved by me or ITC tried it so many times, other companies tried it to make the same taste and they did so much on, they invested a lot of R&D, but.

Ayush Jalan: Alright. If I could just squeeze in one more question, during the COVID time have you all been able to get new clients from new geographies or is the customer base more or less the same?

Sankesh Setia: In terms of COVID times?

Ayush Jalan: Yes. Have you all got the new enquiries from new geographies or have you all made new clients during this time or is it more or less the same?



*Chaman Lal Setia Exports Limited
August 14, 2020*

Sankesh Setia: We did have a few new queries, so what happens there is a team of people, so we have datas for complete around the world. I have a data that what is happening in what country. If you ask me today let us say example UK, so I know who are the top 20 importers of UK. I know each and everything about the top 50 importers. So, I have a set of teams who is marketing them frequently every week or 15 days. So there are always some queries coming in, so at the time of COVID also, we were able to achieve about 9 or 10 new customers around the world and in terms of sales, the more of sales were on my B2C buyers instead of B2B buyers.

For example, there is a customer in New York his sales are in supermarkets. He is more into the catering business, so his sales were very high compared to the person who sells into B2B a wholesaler in New York. He was not given me too many orders. So, there was too much pressure from the B2C companies who do B2C business and B2B the sales were fallen, but it did not affect us at all because that the B2C customers covered it completely.

Ayush Jalan: Okay, so these 9 or 10 new clients also you all reached out to them for business. They did not approach you directly.

Sankesh Setia: We are always in talking terms with a lot of companies, so conversion can happen today, conversion can happen tomorrow. So, we are already in touch with so many companies that they know us, we know them and when there can be a time, they can place us an order.

Moderator: Thank you. Our next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani: What is the sales volume in this quarter?

Sankesh Setia: Sales margin?

Deepak Lalwani: Sales volume?

Sankesh Setia: Sales volume, so what I have in hand or in future?

Deepak Lalwani: What you executed in Q1?

Sankesh Setia: What I executed in Q1. So, the total sales. Mr. Rajeev will answer you.

Rajeev Setia: Hello. Yes, repeat your question please?

Deepak Lalwani: Sir, in the current quarter what was the sales volume?

Rajeev Setia: Sales volume quantitative and amount both I will tell you. The quantitative volume in this quarter was 328,952 quintal and from the corresponding period of 2019-20 it is up that was 234,253 quintal. So, the increase is about 30% increase in volume quantitative.



*Chaman Lal Setia Exports Limited
August 14, 2020*

- Deepak Lalwani:** Which geography contributed to this increase sir in volumes?
- Rajeev Setia:** Yes.
- Deepak Lalwani:** No, we are just trying to understand how you are able to ramp up so successfully between domestic and exports, so if you could just help us understand that?
- Rajeev Setia:** Mainly in this quarter is exports in this quarter, let me see one second. Yes, in this quarter it is around 95% is export I have just taken the percentage and volume basically we are into all continent of the world and it is Far East, it is Africa, it is Europe, USA, Canada, Australia, Russia, Central Asia, all Gulf, all areas.
- Deepak Lalwani:** What is the average cost of this inventory that you are holding in your books right now, what is your average cost?
- Rajeev Setia:** Average cost is approximately, no, I have correct figures. just a minute give me the paper one second. The average cost of paddy with me is Rs. 2,371 a quintal for paddy whatever I have in stock and my rice has average price of Rs. 5,300 a quintal and this quarter is Rs. 5,236 rice.
- Deepak Lalwani:** Okay so rice is Rs. 5,236?
- Rajeev Setia:** Yes, first quarter.
- Deepak Lalwani:** No sir, I was actually asking what is the volume of paddy and volume of rice you are holding in inventory?
- Rajeev Setia:** Quantity?
- Deepak Lalwani:** Yes.
- Rajeev Setia:** Quantity one second. Value wise I do have.
- Deepak Lalwani:** If you have the value you can share the value.
- Rajeev Setia:** Yes, I can share with you later maybe I missed one paper of stocks.
- Deepak Lalwani:** So, but it looks like sir in Q1 of this year your average realization has come from about Rs. 23 to about Rs. 32. Sir, I was just trying to understand that on a YoY basis your realization seems to have fallen, you just talked through the basis of that, why it is quarter on quarter happening in the market place? Are you seeing increased dumping in foreign markets by budget players, or by say Pakistani players what is happening?



*Chaman Lal Setia Exports Limited
August 14, 2020*

Rajeev Setia: Actually, I am not understanding your question correctly, but I have understood is you said fall in my average price that is not there. My average price is somewhere around Rs. 71, Rs. 72 average.

Deepak Lalwani: Yes sir, but then last year it was Rs. 88?

Rajeev Setia: Last year Rs. 88, yes you are absolutely right, it has to be Rs. 88. I will give you the just one second, prices. In this year the main quality is in our export is steam basmati 1121 variety and this year the price is Rs. 60 to Rs. 63 in wholesale market. If you want to buy 5,000 ton now, I can buy in Rs. 62 to Rs. 63 in my factory and the prices of the same rice in the wholesale market loose, unpacked was Rs. 72 to Rs. 73 in the last year.

Even the paddy price last year was Rs. 2,600 average for basmati varieties was average Rs. 2,600 and this year it is Rs. 2,200 without expenses. The Rs. 4 is the paddy prices, but paddy we have seen most often has not true relevancy with the export prices, I mean rice prices, so the rice was higher priced last year and the Steam 1121 during the month of April last year had gone as high as Rs. 80, even Sella Iran bound rice was selling Rs. 70 so the difference is there.

Your question is absolutely right. Difference was there. Last year it was higher price, this year it is a lower price and I explained in the beginning this lower cost of my procurement is reason for my higher profits. My sales are in different part of world, smaller consignment and I am by and large getting the same price.

Deepak Lalwani: Also, can you give me a ballpark of how much inventory you are holding in tons? I mean just a ballpark would do? Because I understand you track this very closely, just a ballpark of how much tons of rice and paddy you are holding?

Rajeev Setia: Right now?

Deepak Lalwani: Sir, if possible, yes.

Rajeev Setia: I do not have that figure right now. But we have, figures I did not take the stock figures. In five minutes, I will give you. Let us skip this question. Skip this information, it is very important, but I skip, you will get.

Deepak Lalwani: Sure sir. Thank you, sir.

Rajeev Setia: It is just a call away, you will get.

Deepak Lalwani: Sure sir, once you get the answer, please do share it, we will be waiting in the queue. Thank you very much.

Rajeev Setia: Yes sure, go ahead.



*Chaman Lal Setia Exports Limited
August 14, 2020*

Moderator: Thank you. We will take our next question from the line of Ayush Mittal from Mittal Analytics. Please go ahead.

Ayush Mittal: Sir, I have been a shareholder in the company for last several years and it is really good to see the good performance by your company after challenging last year, so congratulations on that sir.

Rajeev Setia: Thank you very much.

Ayush Mittal: So, sir last year we had faced lot of margin pressure and in last two quarters in March and June we have seen very good margins in fact since December. So sir, broadly can you guide us how this thing has changed and what can be broad sustainable thing because in earlier years also we used to do operating margin of 12% to 13%, but then FY20 in several quarters they had fallen to 6%, 7%, 8%, which was a big fall and now we are again doing very good margins of 12%, 13%, 15%. So, what have we done, any changes or something that we have done may be Sankesh can help us guide on this something at the company level which has?

Rajeev Setia: Yes, I will explain.

Ayush Mittal: How will you make it sustainable going forward?

Rajeev Setia: Sustainability also. As regard export side is concerned, there are regularly we are getting new buyer. We are pruning the good buyer we are selecting and their loyalty to us is paying. One part is on the sales and the other part it is a commodity business, I explained in my introduction also today then the prices at the point of our procurement are lower.

We are bound to make more profit. It gives us profit and I also explained to some earlier somebody question, I explained myself let us assume I have four, five big buyers then I cannot make money. Some people have that. My model is multiple buyers, multiple countries.

Ayush Mittal: I appreciate that perseverance.

Rajeev Setia: So, whenever my procurement, my first profit is my purchase. I always say the first profit is purchase profit. Second profit is production profit if your quality is good and the third profit is your expenses control, rationality of expenses and the biggest and most important profit is your sales profit. And sales profit you see is not totally in your hands, it is the buyer also who negotiates for every single business. Somewhere you have to compromise, somewhere you have to reduce the prices to sustain.

You have to face the competition and we have changed the model of our company. I was today counting we have 394 buyers around the world now. It is a very big thing. So this is how we try to sustain our profits, though it comes down when the prices go up sharply in Indian market, but



*Chaman Lal Setia Exports Limited
August 14, 2020*

at least we can make reasonably good profit, but yes this win for gains comes and the prices go down.

Ayush Mittal: Sir, in earlier years we used to see good volumes. Yes sir, sir we were discussing about the margin thing, you were telling that when the prices are low the margins will be good; otherwise they will be in a range I believe.

Rajeev Setia: Yes, depends how we could sell.

Ayush Mittal: Yes, so sir one thing which I have noticed in the company in earlier years what that we used to do very good volume growth and last year like to give the numbers the volume growth was poor. We had degrown it seems and again we have done very good volume growth. So, can you share what kind of volume growth do we target and what are we doing because price is not in our hand, so volume is what we can look forward to?

Rajeev Setia: Quantitative, one second. Your name is Ayush?

Ayush Mittal: Yes, sir. I am saying that in earlier years we used to have good volume growth and then last year it seems that our volume had degrown; now again in this quarter you have done very good growth. What are you expecting going forward and what are we doing to increase our volumes?

Rajeev Setia: Increase the volume. It is continued pursuit to increase business that is all. No other choice. We have to participate in exhibitions. We have to travel a lot and now everything is stuck up to sustain our existing buyers. Because at this point for discuss between me, Vijay, Ankit, Sankesh everybody when this COVID happened, when suddenly this breakdown came and when this was resumed business and it was made a strong conviction between us this is the tough time.

It is the grief for the world. If we supplied and lived up to the expectation of buyers, they will never leave us. This is the time to service the people around the world and that is what we achieved. That was one of the aims, if we were able to do the job at this juncture then we can do it always.

If we lost this opportunity, it was opportunity as well. So, it is the tough time for our buyers, it is of course tough time for us, but if we lived this time, if we performed in this time, we will keep on performing. This is what we very seriously discussed with each other that somehow keep yourself healthy, keep your mask on, but keep on working, so our staff also.

Ayush Mittal: If we have done so well in this challenging time should we assume that the company can maintain such good performance in coming times?

Rajeev Setia: Why not. These people will continue and one thing more I would like to share with you in fact it is the prerogative of Sankesh to speak, let him because it is better if he explains about the brand international marketing. Sankesh, it is Ayush Mittal.



*Chaman Lal Setia Exports Limited
August 14, 2020*

Ayush Mittal: What we were trying to understand is that as we have done so well in this challenging time, what is the outlook going forward and what we are doing to keep our volume growth intact?

Sankesh Setia: So, see the volumes will be good only in future. Of course, we have passed through a very tough times, so first we have to understand that what has happened actually. So when the pandemic happened, when the news came and even India got lockdown, so we have to understand how did we sustain and how did we kept our sales at a good pitch, everything went so well, how did it happen?

So I added a baton calculation, so what I saw so we have so many customers around the world, almost 394 customers, so out of all these customers there are a lot of customers who buy from us and then they are into kitchens, catering and B2B business you can say.

For example, I have a very big customer in Bahrain, and he has another sister concern company in Saudi, so I am giving you one example. So, his company is into kitchens and a B2B business, so a lot of weddings, so they are into supply of caterers, they are into supply of wholesale market. So what they do is they are into B2B business, so they feel he used to pick up a lot of quantities from me, but unfortunately he said I do not have any business, so he had one contract with me, so he said can you just hold it for the moment and do not ship it right now.

So, his sales went down drastically. So, he had no business, he had no sale, so automatically it gave me affect negative point over there that I lost his sale. So similarly, there were lot of companies whose order did not come to me, they said okay hold on our orders, or the new fresh orders were not there.

Now on the other side looking at the B2C people who have their own established brands in the supermarkets and who are into supermarket business, so those company said that my order was 10 container, make it 20 containers and they were very bullish at that time that please send us the shipments as fast as possible and I was running on a very low capacity of labor at the same time, not a very low, but I had a decent amount of labor, so the cost of labor also went up, but end of the day I was able to achieve any kind of price what I offered them.

So, I had of course we cannot go out of the way, but the companies were able to give us a decent amount of margins, a decent amount of profit at this time. So somewhere the sales went down, somewhere the sales went up on the other side, so it made a good balance and the things went in a good way.

Now on the other side, if I look at the future now, so what I have been talking terms with a lot of my B2B buyers who do B2B business who have a supply to restaurants who do not sell in the supermarkets, who supply in the restaurants to the catering companies. So, these things were shut at the time of pandemic everywhere in the world, so now they see a lot of weddings, a lot of people did not go out, so they see a very big potential upcoming orders.



*Chaman Lal Setia Exports Limited
August 14, 2020*

They say when there will be a vaccine, when the things get open, when the things get normal in the world, so we expect for example somebody was supposed to get married let us say in India, somebody was supposed to get married in April, so he did not get married, that does not mean he will never get married, so let us say he will get married in let us say November or December or may be after the vaccine comes. So, they are very much prepared that we will have a very good sales in the future in terms of those buyers, whose sales went down.

So there will be opposite reaction which will be feel in the market in the upcoming future, so this is the best part of this about our company what I see competitive to other companies that our eggs are not in one basket. See we are around the world we are into multiple countries; we have numbers of buyers.

So, if I had only there are buyers who do only B2B business and their sales I can achieve from one buyer Rs. 100 crores of sale also, but we do not want to have such kind of buyers who can be left or right any moment. I do not want to stand on a thin stick, so I have multiple buyers, so if any kind of pandemic comes, I am losing somewhere, but I will gain somewhere else.

Ayush Mittal: So broadly do we believe that we can maintain these kinds of volumes that we have done improve upon them going forward?

Sankesh Setia: Yes. In fact, we will see improvements. We will be able to achieve better sales. We will be able to achieve better sales and a lot of new things, a lot of new buyers will be added to the portfolio. So automatically see I am present in let us for example any country, so automatically if I am selling my brand first of all, okay I am selling my brand at about 38 countries at the moment.

Ayush Mittal: And how much would be the total value of our brand, in total turnover?

Sankesh Setia: So, our brand total is Rs. 199 crores in the export. Rs. 199 crores of export and in the domestic market is Rs. 72 crores.

Ayush Mittal: And how much of the export is in our brand in domestic?

Sankesh Setia: In domestic it is 100% our brand, but this is the total Rs. 72 crores of domestic sales and that is completely under the umbrella of Maharani brand.

Ayush Mittal: And in export how much would be your own brand?

Sankesh Setia: In exports we have Rs. 199 crores of sales under the brand name Maharani. So total is 33% of the sales, so the total sales is 33% brand and balance.

Ayush Mittal: Got it. Sir, earlier we used to do the con call in quite quantitative details, which was stopped in between. I hope the same can be continued as that more in a better way so that these things are



*Chaman Lal Setia Exports Limited
August 14, 2020*

not bothered during the call. We can put out investor presentation or something, which will be a more transparent and professional way of doing the things.

Sankesh Setia: I did not understand the point.

Ayush Mittal: Going forward like earlier we used to do the investor call and provide the quantitative data which people ask, going forward if you can do a press release or investor presentation that will help everyone and save the time in going through all the numbers and I hope this con call can be done a continued basis and other suggestion I had was.

Sankesh Setia: What do you suggest? Do you suggest it should be quarterly or should be monthly?

Ayush Mittal: No, it should be quarterly at least.

Sankesh Setia: Okay we will do that 100%.

Ayush Mittal: Earlier we used to do, but then we had stopped in between and along with that a press release can be given in which all these details are there, so people will not be bothered with all these numeric things.

Sankesh Setia: I got it.

Ayush Mittal: And one more suggestion I had when I look at the dividend payout ratio it has fallen over the year, the dividend that we payout as a percentage of profit has been falling and that is important. I would suggest that promoters rather than rewarding themselves by way of salary if they can reward more by way of dividend it will be helpful for promoters and shareholders and everyone and will lead to more value creation. So that is a suggestion from my side.

Sankesh Setia: Yes, so actually looking at the financial part, Mr. Rajeev can answer this question better than me. I will explain him the question and hand it over to him.

Rajeev Setia: I think 25% is recommended.

Ayush Mittal: Sir the payout ratio, basically the dividend which you are giving, for example if you gave Rs. 1 crore total dividend, but earlier also it was like that, but now our profit has increased from Rs. 10 crores to Rs. 30 crores, then also the amount is the same. So as our company has grown, the overall dividend amount should be grown.

So what I am suggesting is promoters should reward themselves more by the way of dividend so it will be beneficial for everyone rather than increasing salary and this will lead to more value for the company in the longer time.



*Chaman Lal Setia Exports Limited
August 14, 2020*

- Rajeev Setia:** Salary we are not increasing. Salaries are almost constant, almost quite over a year. Yes, some more should be there. Let us see.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the floor back to Mr. Shirish Pardeshi for closing comments. Over to you, sir.
- Shirish Pardeshi:** Rajeevji, there are no more participants who are asking questions.
- Rajeev Setia:** Somebody asked in fact I left a sheet on my bedside and a question was asked about stocks. So, it is Rs. 118 crores for rice and Rs. 15 crores stock is for paddy and about Rs. 9 crores of bags stock in hand. This question was raised by someone.
- Shirish Pardeshi:** Yes, Baidik Sarkar from Unifi Capital.
- Rajeev Setia:** Yes, you can convey to the gentleman if he is on the line, he can hear it.
- Shirish Pardeshi:** Yes, I will do that. So sir, I have just last two questions from my side. And then we will close the call.
- Rajeev Setia:** Please go ahead.
- Shirish Pardeshi:** Yes, so I think we have heard the competition talking about a big surprise which is coming from Iran and I think what people are trying to do is that now Dubai has become a hotspot and people are transshipment happening from Dubai to Iran. So, is there I mean I just wanted to draw your comments that what is the reality and whether this is going to be a niche game changer for the industry?
- Rajeev Setia:** Yes, first thing first. If that transshipment from Dubai to Iran happens, I will be the first to jump into it. Because about 10 years back before this INR system of Uco Bank was started prior to that I was doing very large business for Iran through Dubai. But this is not happening now. In February of course during **(Inaudible 56:58)** I was there, and nobody could travel after that and I did not see. I enquired if the rice is going in the launches, they said, it is not going.
- May be very limited quantity if somebody because now it depends because Dubai, UAE and Israel they have joined hand and America has made a bridge for them. So, let us see which way the wind blows in the gulf and Iran sanctions if Trump just looks at Dubai that rice you cannot export. You cannot deal with Iran; they cannot dare to do anything. That is the issue. It will start happening then sky is the limit for me.
- Shirish Pardeshi:** So, you mean to say right now the entire export to Iran is completely standstill now?
- Rajeev Setia:** Almost standstill and after I think 15 to 20 days I do not have exactly date then it is going to be stopped and will be resumed in November or at the most from September from one date it is



*Chaman Lal Setia Exports Limited
August 14, 2020*

being shut because every single it is there when their own crops starts coming they stop it. And this year the crop is 40% or 45% higher. This is what because not any official data is available. It is hearsay or whatever you can call it. But their crop is too high.

They would not be depended too much on Indian but the taste of rice they will be buying. They will be, they have to buy. I do not know a country buy 1.4 million tons how they can go without this rice. Because some solution will come, it will go from which has happened. Otherwise other food products like dry fruits are coming from Iran to Dubai even now it is coming. If other product can come, why not the rice cannot go back. It can go back but it is not happening off late. And if it stops then I have a good opportunity through Dubai.

Shirish Pardeshi: And sir, last question. You mentioned that you have got 394 customers across the world. Can you share the top 10 customers or may be top 10 countries what is the contribution, and which are in top two, three countries?

Rajeev Setia: This question I was expecting but truly speaking, we will not answer this question. It is very confidential because some of the countries nobody can even think of we are exporting. Quite large quantities they are buying. Today because I knew somebody will ask and anyway it is from you. I can talk about the common countries USA; we are doing very large business. We have around 30 to 35 buyers there, 43 buyers in USA. We are doing good in Israel, we are doing good in Canada, UAE also we are doing.

Shirish Pardeshi: Sir, at least can you share how many customers you have who are B2C and how many are B2B out of 394?

Rajeev Setia: There is no proper segregation because it is their business. We cannot disclose their business of our buyers of course but there are three kinds of sales which Sankesh explained two only. One is the distributor or customer who buys from us, sells to supermarkets. And one who sells to the supermarket. There are few they only sell to the supermarkets and most of them they have one supermarket also and they sell to small stores, small shops.

All the oriental companies if they are of Irani region, Afghani region, Middle East region they sell to these people. And they have reference sales also and then sale of course came to halt or for this home supplies whatever are limited. That part was affected. But in all it is essential there were panic buying also.

Shirish Pardeshi: So basically, what I was trying to understand what is the margin difference because if you have large contracts with B2B and if you have large contracts with B2C I think how the pricing takes place? That is what I wanted to understand.

Rajeev Setia: The margins are same for us. The buyer is a buyer for us. And margins does increase and it has started increasing considerably because about two, three years back we had limited it was 15% about 10% to 15% of branded exports. Now it has gone up. Our branded exports and the brand



*Chaman Lal Setia Exports Limited
August 14, 2020*

the quality remain that has started paying dividend. We are getting better prices from countries wherever the brand is. Some of them are new brand is on way of establishment but yes, it is there in many countries now.

Shirish Pardeshi: So, thank you, sir.

Rajeev Setia: I can proudly say you name any country in the world, I will definitely we are there.

Shirish Pardeshi: Okay, got it. So, I think there are no more further questions, Inba. So, I think we should close the call. So, thank you, Rajeevji and Sankeshji for helping us to get how the growth is going to pan out. And again, thanks for the wonderful opportunity for Centrum selecting to run this conference call. May be Rajeevji, if you have any closing comments you can tell and then we will close the call.

Rajeev Setia: The closing comments are, you see there are wonderland of figures also. There are so many figures, questions are made but we as a businessman, I always speak on the model of my business, vision of my business, how I can make money, where I can lose money, this is how I have been coming up. This is how I am speaking all this. That is more important for the member investor to understand.

Figures everybody can check. Figures do not help, what helps is the modal of the business because sometime people say prices have gone up. If the prices go up, I may be losing also it matters. It is very subjective business; it is a very subjective. You still have you can make profit when you are buying, you can make profit when you are selling. If somebody have very complicate buying so price.

And one thing more this nobody raised the question about aging of the rice otherwise it used to have been first or second or third question in the past. Yes, companies have surplus funds now we are investing all the raw 1121 rice holding it and we will come with the qualities of the most favored brand like that.

That is our plan each rice will get **(Inaudible) 1.6.6** for the future sales. Company has spare fund, there is no problem if I hold 4,000 tons 5,000 tons, 7,000 tons, 5,000 tons, 3,000 tons.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Centrum Broking, that concludes this conference. Thank you for joining us and you may now disconnect your lines.