Chaman Lal Setia Exports Ltd.
(A Govt. Recognised Star Export House)
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CIN No. : L51909PB1994PLC015083

An ISO 22000 : 2005 Certified Co.

Dated: 07.05.2024

To

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

Scrip Code: 530307

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

Symbol: - CLSEL Series: EQ

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

Sub: - Intimation regarding Credit Rating for bank facilities

Dear Sir,

This is with reference to Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015. We hereby inform you that Company has received credit ratings from **CRISIL LIMITED** which are as follows:

Total Bank Loan Facilities Rated	**Amount (Rs. in Crore)**	**Rating**
Long -Term Rating	**Rs. 350 crore (Enhanced from Rs. 165 Crores)**	CRISIL A/ Positive (Reaffirmed and outlook revised to 'Positive')

This is for your information and record.

Thanking You,

Yours Faithfully,

For Chaman Lal Setia Exports Ltd.

Kanika Nevtia Digitally signed by Kanika Nevtia Date: 2024.05.07 17:41:27 +05'30'

(Kanika Nevtia)
Company Secretary & Compliance Officer
ACS:- 29680

Chaman Lal Setia Exports Limited

Rating reaffirmed at 'CRISIL A '; outlook revised to 'Positive'; rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	**Rs.350 Crore (Enhanced from Rs.165 Crore)**
Long Term Rating	**CRISIL A/Positive (Reaffirmed and outlook revised to 'Positive')**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million
Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has revised the outlook on the long term bank facilities of 'Chaman Lal Setia Exports Limited (CLSE) to '**Positive'** from 'Stable' while reaffirming rating at '**CRISIL A'.**

The revision in outlook reflects improvement in business risk profile which is expected to continue to improve over the medium term. Improved business risk profile, driven by ~48% year-on-year growth in operating income to Rs.1393 crore in fiscal 2023; the growth is supported by healthy growth in volume sales and improved realization, which is further supported by geographically diversified operations with customer presence in more than 90 countries. During the nine months ended December 31, 2023, company has achieved revenue of Rs.972 crore and is expected to achieve revenue of Rs.1350-1400 cr. for the full fiscal 2024 and the same is despite moderation in volume sales although the realization have gone up in fiscal 2024. Business risk profile of the company is expected to improve further with focus of the company in branded sales along with sustenance of healthy market position in the export market.

Operating margins of the company improved to 11.85% in fiscal 2023 which has further improved to more than 12.99% in 9MFY24 (improved from 10.71% in 9MFY23). In FY23 the margins improved aided by better absorption of fixed costs and decline in freight cost. Operating margin is expected to remain at more than 12% for the full fiscal 2024. In the case of further increase in freight cost on account of prolonged Red Sea crisis, CLSE will revise its prices to safeguard its operating margin, on account of its strong market position in the exports markets. Operating margin is expected to remain range-bound at 11-12% over the medium term.

The rating continues to reflect the company's strong market position, healthy financial risk profile and healthy operating margin. These strengths are partially offset by susceptibility to volatility in raw material prices and regulatory changes, and low brand penetration.

Analytical Approach

Unsecured loan of Rs 49.4 crore as on March 31, 2023, from the promoters has been treated as 75% equity and 25% debt as the loan is expected to remain in the business over the medium term.

Key Rating Drivers & Detailed Description

Strengths:

Strong market position

The promoters have experience of more than 45 years in the basmati rice business. This has enabled strong market position across domestic and global markets and healthy relationships with international customers. Export to 90 countries contributed to 90% of the sales in fiscal 2023. Moreover, the company caters to private label businesses, but around 15% sales come from its own brands: Mithas, Begum and Maharani. CLSEL deals in basmati rice, which contributes to 90-95% of the sales. It has established healthy relationships with suppliers in Haryana and Punjab. Because of high dependence on them for milling of rice, suppliers are rarely changed to maintain quality standards. Strong relationships with suppliers enable the procurement of rice at comfortable price. The company is also increasing in presence in domestic market through online retail stores like Amazon, Big basket, etc for which the company is also required the hold the inventory.

Healthy financial risk profile

Company is maintaining strong financial risk profile which is reflecting in the strong networth was around Rs.565 crore as on March 31, 2023, and is expected over Rs.690 crore as on March 31, 2024. In the absence of long-term loan and moderate dependence on working capital limit, gearing and total outside liabilities to tangible networth ratio were healthy at 0.15 time and 0.21 time, respectively, as on March 31, 2023 which is expected to remain in the similar range in fiscal 2024 as well. Debt protection metrics were robust, as indicated by interest coverage and net cash accrual to adjusted debt ratios of 22 times and 1.5 time, respectively, in fiscal 2023. The interest coverage ratio is expected over 25 times in fiscal 2024. The financial risk profile will improve over the medium term backed by healthy profitability and no major debt-funded capital expenditure (capex).

Healthy Operating margin:

The margins of the company improved to 11.85% in fiscal 2023 which has further improved to more than 12.99% in 9MFY24 (improved from 10.71% in 9MFY23). Margins improved due to reduction in the freight cost along with improvement in the realization of the company due to the company's focus on better quality aged rice which helps the company to enter in new market and get better margins as compared to its peers. EBITDA margins are expected to sustain at around 11%-12% at group level over medium term supported by healthy realization per tonne and sustained gross margins. Return on capital employed was above-average at 27% in fiscal 2023 and will remain at a above 20% over the medium term, supported by healthy profitability.

Weaknesses:

Susceptibility to volatility in raw material prices and regulatory changes

Cost of raw material (paddy) accounts for 75-80% of sales cost and hence prices directly impact operating profitability. Paddy, being a kharif crop, is harvested from September to December. The water requirement for basmati is high, and though the rice-growing states (Haryana, Uttar Pradesh, Uttarakhand and Punjab) have good irrigation systems, there is high dependence on monsoon. Hence, the company remains exposed to the risk of limited availability of raw material during a weak monsoon, resulting in low operating income and subdued profitability. Moreover, government regulations directly impact raw material availability through minimum support price and procurement policies. Operating margin is expected to remain at above 12% for the full fiscal 2024. In the case of further increase in freight cost on account of prolonged Red Sea crisis, CLSE will revise its prices to safeguard its operating margin, on account of its strong market position in the exports markets.

Low brand penetration:

Majority of export is under brands of customers (private label business). To maintain quality, customers continue to procure their requirement from CLSEL, which helps in maintaining the operating margin. In the domestic market, the company sells rice under its own brands. Overall, branded sales were modest around 15% in fiscal 2023 and should improve over the medium term. Low brand penetration limits the ability to charge high margin compared with industry players Significant increase in brand penetration should strengthen the market position and operating margin and will be a key rating sensitivity factor.

Liquidity: Strong:

Cash accrual is expected above Rs.120-135 crore per annum against nil debt obligation in fiscal 2024 and 2025 and will cover working capital requirement and capex. Fund-based working capital limit was utilised at 24% on average during the 12 months through Feb-2024. The promoters will continue to support liquidity through unsecured loans. Unencumbered cash and bank balance stood at Rs 229 crore as on September 30, 2023. Current ratio was healthy at 6 times as on March 31, 2023 and is expected at 5-6 times over the medium term.

Outlook Positive

CRISIL Ratings believes CLSE's business risk profile will continue to improve over the medium term driven by strong presence in exports market.

Rating Sensitivity factors

Rating Sensitivity factors

Upward factors

- Improvement in business risk profile driven by diversification in customer profile along with increasing contribution from own brand sales.
- Sustained improvement in revenue while maintaining profitability over 12% on a sustained basis.

Downward factors

- Substantial decline in scale of operations or operating margin falling below 10%, leading to lower-than-anticipated net cash accrual

- Large, debt-funded capex or acquisition or substantial increase in working capital cycle weakening the financial risk profile.

About the Company

CLSEL was set up as a partnership firm in 1983 by Mr Chamanlal Setia, Mr Vijay Setia and Mr Rajeev Setia in Amritsar, Punjab. It was reconstituted as a public limited company in 1994 and was listed on the Bombay Stock Exchange in 1995. It undertakes milling, sorting and packaging of basmati rice for the domestic and global markets. It has its own brands in India, such as Mithas, Begum and Maharani.

It has milling, sorting and packaging plants in Karnal, Haryana, and Amritsar. In Karnal, the company has milling capacity of 12 TPA and sorting capacity of 40 TPA. In Amritsar, however, the plant is currently shut for remodeling.

Key Financial Indicators

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	1393	932
Reported profit after tax	Rs crore	119.10	62.84
PAT margin	%	8.55	6.74
Adjusted Debt/Adjusted Networth	Times	0.15	0.17
Interest coverage	Times	22.6	14.05

List of covenants

Status of non cooperation with previous CRA: Not applicable

Any other information: Not applicable

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity Level	Rating assigned with outlook
NA	Export Packing Credit	NA	NA	NA	165	NA	CRISIL A/Positive
NA	Packing Credit	NA	NA	NA	50	NA	CRISIL A/Positive
NA	Pre Shipment Credit	NA	NA	NA	135	NA	CRISIL A/Positive

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	LT	350.0	CRISIL A/Positive		--	05-04-23	CRISIL A/Stable	17-11-22	CRISIL A/Stable	20-08-21	CRISIL A-/Positive	CRISIL A-/Stable

All amounts are in Rs.Cr.

Annexure – Details of Bank Lenders/Facilities

Facility	Amount (Rs. Crore)	Name of Lender	Rating
Export Packing Credit	40	HDFC Bank Limited	CRISIL A/Positive
Export Packing Credit	125	HDFC Bank Limited	CRISIL A/Positive
Packing Credit	50	Punjab National Bank	CRISIL A/Positive
Pre Shipment Credit	135	HDFC Bank Limited	CRISIL A/Positive

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