



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 07.06.2019

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 07.06.2019.

This is for your information and record.

Thanking You

Yours Faithfully,



For Chaman Lal Setia Exports Ltd.

Chaman Lal Setia
Chaman Lal Setia
(Managing Director)

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Chaman Lal Setia Exports Limited Q4FY2019 Earnings Conference Call

June 07, 2019

ANALYST:

Mr. Sayam Pokharna - The Investment Lab

MANAGEMENT:

Mr. Rajeev Setia - Executive Director and Chief Financial Officer



Chaman Lal Setia Exports Limited
Q4 FY19 Earnings Conference Call
7 June 2019

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY19 Earnings Conference call of Chaman Lal Setia Exports Limited.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sayam Pokharna from The Investment Lab. Thank you and over to you, Mr. Pokharna.

Sayam Pokharna: Welcome everyone and thank you for joining us on the quarter 4 financial year 19 earnings call with the management of Chaman Lal Setia Exports Limited. The results have been uploaded on the stock exchange. To take us through the results of this quarter and this financial year, we have with us Mr. Rajeev Setia – Executive Director & Chief Financial Officer.

We will be starting the call with opening remarks from Mr. Setia followed by a Q&A session. I would like to remind you all that everything said on this call that reflects any outlook for the future which can be construed as a forward-looking statement. It must be viewed in conjunction with the uncertainties and risks that they face. These uncertainties and risks are included but not limited to what we have mentioned in our prospectus filed with SEBI and subsequent annual reports.

With that said I now handover the call to Mr. Rajeev Setia. Over to you, sir.

Rajeev Setia: Good evening members of the company shareholders. I am Rajeev Setia – Executive Director of the company. I would little bit introduce about the company because we had one con call last year and it is the second one but still there will be a lot of new investors, new shareholders. So I would little in detail give, I will take not more than 4, 5 minutes.

This company came out with the public issue in 1995 and since inception we have been giving dividend all along to all the investors even the partly paid shareholder were been given dividend. We did not forfeited we tried to be always honest with the investors and till now we are paying dividends. We have been quite transparent with the investors and my turnover was

around Rs. 23 crores or Rs. 24 crores when I came out with the public issue of Rs. 101,000,000 and now I am ranging around Rs. 750 crores.

It is a long milestone. So recently I attended one conference of Mr. Bharat Shah he is the Executive Director of Ask Group and I was quite impressed and this conference was along with HDFC people. It was may be sponsored by them and I was nearly very much impressed by what he said.

He said only the honest companies, only the company's managements are ethical these kind of companies who run the business principally and those who care for everyone involved in the business be their own staff, be their member shareholder, be their bankers, be the government departments they have to be honest with everyone if they really want to grow.

The time has gone when hanky-panky things were coming I mean were helping now only transparent, honest, clean business is going to happen and these kind of companies will always grow.

I should share with you little more. We as a company have been borrowing from banks since 1976 when I entered the business in 1976-77 personally. We have been borrowing every single year and adjusting the account every single year all this career. We pay to our vendors absolutely timely as per the due dates and presently whatever we buy we deduct 2% discount and make payment in three, four days.

We are too clean with our vendors; we are too clean with the bankers I am paying I started I do not know long back what were the taxes but right now I am paying Rs. 20 crores, Rs. 22 crores company corporate tax every single year. So I have tried to remain clean all along with the investors. I have told you we have paid to the even the partly paid shareholders. In one case one shareholder from Kolkata had 14,000 shares of Rs. 40 each, we traced him through this electronic media because it was hurting us we could suffer a lot if the shares are forfeited.

And we founding and he always says Rajeev you will be my guest in Kolkata whenever you come. 14,000 became 70,000 and then whatever is the market price today or earlier he was so happy.

With that I open it for the questions whatever you have you may have few reservations this time but I will be very happy to answer and with very clean hands I will answer.

Moderator:

Thank you. We will now begin the question-and-answer session.

The first question is from the line of Viraj Mehta from Equirus PMS. Please go ahead.

Viraj Mehta: I just had a few questions. Sir, our margins in Q4 were extraordinarily low at 4% which is like a 3, 4, 5 year low. So what I want to understand is what is our stable margins in our view because our margins have kept on coming down for last two years?

Rajeev Setia: The question is complete or you want to ask little more?

Viraj Mehta: No, this is my first question sir.

Rajeev Setia: Your question is very important because this question I was expecting I mean a lot of people because this is something little extraordinary and everybody will ask and I believe whatever I have answered to you will help me to answer others also. There are two reasons for this quarter, one is external and one is internal both sides. First I will come to internal problem, internal what has happened. In this quarter I mean in this year we suffered a loss of Rs. 5.25 crores in exchange rate because exchange was totally unpredictable. All the time it was said the BJP government will come and rupee will appreciate.

We would book forward and suffered the losses. These things has happened and in the preceding year, 2017-18 we had Rs. 6.78 crores profit. It is other way it is a double effect kind. There is another (Inaudible 9:20) have gone up by Rs. 3 crores to Rs. 4 crores in this particular year there was a loss of around Rs. 85 lakhs we lost 5 ton tender in Saudi Arabia.

There are some bad prices I mean we shifted from conventional packing to new latest packing which costed us high and the results will follow. These are business things, but this does not mean with the losses there, business is also going on so some part of compensation is always there in the business. But the major reason is external, very big reason.

You know what happened, 30% of India's exports is to Iran though we do not deal with Iran because Iran business is very difficult and many people have burnt their fingers, burnt their hands, burnt themselves while bringing business with Iran and company for the last six, seven years is not doing business with Iran but because it is 30% of our entire India's export so any changes in Iran affects us very badly.

And this time the US sanctions were come they were to come in operative in the month of May. In the first week of May they were announced that import of crude will be stopped that was the biggest sanction and we were expecting earlier that even India as a country was expecting the assumption that this will be extended for us as usual.

But as the time became closer, they started coming closer, closer, closer means January, February onwards, it started appearing that come what may sanction will be applied now and that has been done import from Iran for crude is stopped. Now how does it affects us? I think as a perception also how did it affect us? We had large stock, we keep large stocks also, we had

huge stock of paddy. Three questions were coming out in our mind. If sanctions are imposed, though under UN sanction nobody can stop food export. We knew that but it depends how much money Iran has in India with UCO Bank, that Indian mechanism system.

How much will they import, will they stop import for the time being? One, will they stop importing basmati rice they import non-basmati rice from India which is one-third of the price because you never know when the import of crude will be resumed by India. Two, if they start importing non-basmati rice then and the third was if the swift which is through Belgium swift mechanism runs through Belgium then to bank if that part is also stopped, what will happen here?

The prices would have gone of rice by 30%, 40% they would have been colossal loss of total wipeout out of my profitability. So these kinds of scales were there. So we in the last quarters I know I have sold some rice almost at breakeven to Saudi Arabia, 3,000, 4,000, 5,000 to one or two parties I have sold at almost breakeven and because the prices were coming down, down, down and all along around the world people were asking we went to the Gulfood, I had met around 100 existing buyers in Gulfood and everybody was asking sanctions are coming, prices are coming down we will wait, we will buy.

We did good business in the last quarter too but I mean it was one sided story okay go ahead and buy. If somebody is buying he is negotiating finally we are negotiating as per his rate because we were too scared. Fortunately, or unfortunately after the sanction it is the other way around. It is other way around. Iran is buying like mad; prices have gone up by 20%, 30% in just few days. Iran bound rice was Rs. 68, Rs. 69 during February-March and it was Rs. 82 these days. Now again it is little bit coming down.

I mean it is very different you know commodity business we have to be very careful. And there were some internal reason than external reason we could not make much profitability in our regular sales. That is the only answer.

Viraj Mehta: So sir, if I look at the March balance sheet, we have roughly Rs. 180 crores of inventory on our books. And now you are saying that the prices have gone up. Then will we see significant improvement in the margins this year because of that?

Rajeev Setia: Whatever is unsold that margins will definitely go up. We have commitments also that part will not render us profitability much, normal profitability and whatever is unsold is definitely going to give more money in the time to come if the commodity up and down.

Viraj Mehta: Sir, this year how much increase or decrease in the acreage do you see in basmati?

Rajeev Setia: What is the question, please repeat I could not hear you?

- Viraj Mehta:** Sir, change in the acreage for basmati?
- Rajeev Setia:** Change in the acreage, you see it is yet to be sown, the sowing will start from June onward. And the harvesting is in September-October the harvesting starts depending up on the various varieties of basmati rice.
- Viraj Mehta:** Sir, so when we talked last year you said that FY19 will be very little growth because FY18 was big growth. In FY20 sir, how much growth are you expecting?
- Rajeev Setia:** Look, my first concentration is the bottom line of the company that is all. I am not targeting right now I am not targeting any growth. I am targeting bottom line only.
- Moderator:** Thank you. The next question is from the line of Ayush Mittal from Mittal Analytics. Please go ahead.
- Ayush Mittal:** Sir, in continuation with the previous discussion, if you look at the numbers of the company two, three years back earlier or till few quarters back we were doing very good margins of around 10%, 12% to 13%. But what is the reason our margins have come down and you explain that because you have been increasing your turnover as you have got new customers and all those things so these margins down?
- Rajeev Setia:** That is natural with any business, if you increase your customer you have to start with a breakeven or limited profit and then they eventually become your customers.
- Ayush Mittal:** So what is the stable margins do you see going forward because there is a huge volatility in margins and last quarter we did good margins now again the margins have gone down quite a lot?
- Rajeev Setia:** This quarter you know what business is. You buy something at x price and sell at x plus one price, that is the difference is the margin. And I have explained to another in the last this Iran issue even the Iran issue was problem for us in the last quarter also because you see the crop comes in October, the production takes place already in November. So you see as a matter of fact, this financial year does not suit us. You see the rice people the commodity people when there was not 31st for everyone they were most of the people were having season to season for their business and March is almost mid-season for us.
- And you see any mishap or anything happens last time you know suddenly Iranis came and there was one company Mohsin I can name him now, last time I did not name it. I think around Rs. 4,000 crores of our industry is swallowed by him. Rs. 4,000 crores is not a small figure, around 50 to 60 companies in India have lost money to him, Rs. 10 crores, Rs. 20 crores, Rs. 50 crores something like that. That was the period he was buying and whatever we had sold in the evening prices would go up, our margins have freezed in the last year also.

And in this year we were expecting such big axe from US by sanctions and it is totally our perception as a company was because if anything happens as was expecting basmati exports will not happen to Iran. They may buy non-basmati why should they spend too much because the crude export to India is crude import is banned. Shortly their money will exhaust. And then what will happen?

How the Iran business still happen? It is the mechanism kind of a barter exchange through UCO Bank Indian Rupees. If we will not be importing crude then we will not be eventually owing them anything to Iran. We will not be owing them. If we do not owe, how we do business?

So when these kind of external things are apparent in your front, your decision would definitely gain and now those who kept the rice with them did not sold or had I stopped my sales or brought down my sales at Rs. 50 crores or Rs. 100 crores in the last quarter I may have been getting highest rewards in this quarter.

Ayush Mittal: Going forward, do you think your margins can get better now?

Rajeev Setia: It should increase for whatever stock I have brought earlier. And whatever I have sold I am yet to deliver I will be suffering, making limited profits.

Ayush Mittal: Sir, if we look at your balance sheet, it is concerning to see that your credit receivables have been increasing since last two years. Earlier this number used to be around Rs. 30 crores, then it increased to Rs. 80 crores and last year it has become to Rs. 105 crores. Why is this reason for higher increase in receivables?

Rajeev Setia: First thing first. This receivable is 95% in exports. We are spreading business around the world and US we are exporting a lot. And US we are giving with a guarantee I mean with the responsibility we cannot guarantee anything we are giving the responsibility of FDA clearance, because our unit is approved for US export and we have all infrastructure in place and give best price. So there is no rejection at all.

One detention by FDA and that was after reexamining nation one container that was cleared and we are giving 14 days DA to everyone. 14 days payment leverage is given to every importer who is buying for the first time and then the spread is increasing but now we are I am everyday looking into it. It is all nothing except US, there is no clean exposure anywhere. I mean it is document through bank and without payment nobody can take the rice and if nobody takes then if I callback the cargo it is....

Moderator: Thank you. We move to the next question which is from the line of Mr. Jiten Parmar from Aurum Capital. Please go ahead.

Jiten Parmar: My question is we have an inventory of Rs. 180 crores and you said some of it has already been contracted. So will it be possible to share how much of it has been contracted and how much of it is not?

Rajeev Setia: Exact figure is not with me because every day some sales happens and everyday dispatch happens. And we are spreading to different countries now that is the answer of the earlier question also. The spread is to 80 countries now. Number of buyers are increasing but yes, it is well within our limits and we are debt free company as on the date. I do not owe any to the bank today. And we have stocks, we have sales also but this figure I have not worked out and I must work out.

It is going to help me a lot. Even I look into if somebody has delays a lot he has repudiated the contract already last date of shipments are gone and I will look into that. It is a good question which is going to help me also.

Jiten Parmar: Okay, now few questions on the results. What is the employee expenses despite same sales so the expense has down from Rs. 4.35 crores to Rs. 2.90 crores. Despite lower profit tax incidents has gone from Rs. 1.45 crores to Rs. 1.67 crores and there is a big difference in the inventory of finished goods. That figure is Rs. 44 lakhs to Rs. 16 crores. Can you throw some light on these?

Rajeev Setia: First you asked about this employee cost. Employee cost has come down from last year maybe we are managing with less people but I do not how come it has come down. There may be some lower cost, some employees left, something like that. It is very minor fall.

Jiten Parmar: And what about the tax and the change in the inventory?

Rajeev Setia: Change in the inventory is very subjective thing if we feel this is going to give good profit we buy. It is very subjective we should buy or we should not buy, it is a very subjective thing. It depends upon the demand, it depends upon the market sentiments also sometimes. It is when the selling pressure comes you get cheaper rice or paddy and in anticipation you buy these things. But we stay within our limits always. We will not gamble and go for Rs. 2,000 crores borrowing and buying. We will not do that.

Jiten Parmar: My final question is basically you might have seen the price. We have already seen the price of rice coming down and all that, the selling price. Did that commensurate in the buying side I mean did the prices come down and how is the basically if you can throw some color on what is the current situation and I know in future we will know only with the crop, but what is the current situation?

- Rajeev Setia:** Current situation I told to the first questioner also. You see maybe our anticipation went wrong but it was absolutely logical and right. The crude import is banned by USA, it is a very big thing for the country okay and the same country is buying from us. There could be corresponding effect also from Indian Government you do not give us but we are friendly with Iran, we knew business would continue. They could opt for lower variety they could do anything Iranese.
- Jiten Parmar:** I think you got my this thing wrong, sorry to interrupt.
- Rajeev Setia:** Maybe I took your question wrong, please repeat, little loud?
- Jiten Parmar:** I was asking about the buying price the procurement price for us, how has that played out regarding us?
- Rajeev Setia:** We have first in first we have our own demands, one. We have our own production capacity, we have our own distributions in India and abroad okay. That we have to take the call how much we have to buy, one. Secondly the satellite that of the crop is available. If the size of the crop is higher so we will be slowed down in buying but again it is subjective.
- If the international demand come more then we will jump in the market. These are all business decisions which you know sometime overnight we think something and we do something else. Like buying the share you opt out and you opt in.
- Moderator:** Thank you. We move to the next question which is from the line of Niteen Dharmawat from Aurum Capital. Please go ahead.
- Niteen Dharmawat:** First of all I wanted to tell you that you will be conducting such con calls more frequently going forward that is what I hope. That will help us a lot.
- Rajeev Setia:** If not quarterly at least twice in a year I promise.
- Niteen Dharmawat:** Yeah that will be great.
- Rajeev Setia:** Yeah because quarter is too short to make a fresh judgment. Anyway you ask your question please.
- Niteen Dharmawat:** Yeah so I have two questions. One is about the rice price. So we deal primarily with basmati that is correct, but I am talking in general about the rice there is a bumper crop that I hear about rice and there is some stress related with that. So how do you take that in account with our business? That is my first question and I have a second question which I will ask after that.
- Rajeev Setia:** Repeat your first question quickly.

Niteen Dharmawat: So I was talking about the bumper crop that has happened say for example in Bangladesh. So rice bumper crop is there and there are a lot of stress which is there in that region. So does it affect us as well despite us in basmati area?

Rajeev Setia: Good question. First thing first we are mainly into basmati rice business and Bangladesh has no basmati and basmati in India is grown in seven states which is defined geographically in the area that is Punjab, Haryana, UP, Uttarakhand, Himachal Pradesh, Delhi and J&K these seven states, one. And secondly, I should share a new information which is very, very important and special for others also to hear out.

There is likely to be a big change in India. Earlier all non-basmati paddy government used to buy, government agencies like Food Corporation of India, state wise they used to buy from the farmer and sell in PDS system deliver and everybody knows they was lot of preference lot of shortages, lot of colossal loss to the government, Food Corporation and all government governed bodies. Now government is changing the system maybe it will be implemented in this season also, if not so it may be in the next season but most probably it will be this year only.

Government is planning to stop buying paddy from the farmer. All private players any trader can buy paddy from the farmer and there will be lot of arrival of the crop and obviously if the MST Minimum Support Price is Rs. 16.40 or Say Rs. 17 today, and government increases to Rs. 18 or let us assume Rs. 17 and the paddy sales at say Rs. 12 in the mandi. I buy the paddy I buy at Rs. 12, then Rs. 5 difference of MSP and actual selling price government is going to pay cash to the farmer directly to his account.

Now there will be very big advantage of this scheme. As a rice exporter, I can compete Thailand, I will be buying paddy at Rs. 12 or I will be buying rice which will be at least Rs.10 cheaper than the present price. I can export to Bangladesh, I can export to African countries like wherever non-basmati rice is going from Thailand or other parts of the world, our price will be cheaper and we can export. This I am expecting a very big change coming in the industry.

So then we will be doing a lot of non-basmati business also because we have demand also but we avoid African countries and because we are more into basmati rice and this area is Punjab and Haryana predominant for basmati. This is our preference. But when the opportunity will come, with the low cost and reasonable profit, we will go ahead with that. This answer your Bangladesh question also.

Niteen Dharmawat: Yeah, so we do not see right now that is a competition, that is what you are suggesting?

Rajeev Setia: There is a backhand force policy so far they stock non-basmati export the resume they give quota these things are happening. But if it is a free trade at lower prices then we can compete. And there will be no losses for the government as subsidy whatever they are giving will go to

the farmer direct. Government is very seriously planning and we are expecting it. This is already happening this formula is already happening in soya bean buying and one more agro produce I am not aware of those.

Niteen Dharmawat: Now my second question is about the dividend payout. Like you mentioned that we are debt free now and we?

Rajeev Setia: We are always debt free with all seasons all 40 years of my business.

Niteen Dharmawat: And our profits have also jumped but the dividend payout is still quite low, it is about 8%. So is there any plan to increase the dividend payout?

Rajeev Setia: Actually it is like conserving the resources always and you are right, it can be higher but first and first we want to maintain it forever. Come what may dividend has to be given, this is our thought process. Something must be given. The continuity must be maintained which has been maintained all 25 years now. Let us see on 21st September will be the 25th anniversary of the company.

Niteen Dharmawat: Now my last question is about the turnover growth so what is the target for next two, three years?

Rajeev Setia: Frankly speaking this year I have said it earlier, I am not targeting my turnover. Let the business grow on its own but bottom line I will increased the profitability. I am getting hit most by Iran for the last two, three consecutively two years and I have to come out of it. Maybe I increase my sale in India my dependency on international markets sometimes hits me and I have to come to Indian market also.

Niteen Dharmawat: What is the profitability number that you are targeting just let me know that and that is it?

Rajeev Setia: Look, last year it was around Rs. 60 crores it is Rs. 53 crores this time. It is a big fall for me, it hurts me too. First it hits me and I at least I should have gone better than the last year and I have come down, for me it is already Rs. 15 crores loss for me.

And one thing is there, I am very clear in my mind and we as a company we are absolutely clear. Has the Iran stopped there would have been more than 50 insolvencies in India in rice industry. Even now some people are suffering losses. Those who sold earlier and buying now if somebody has sold, I mean if the price was Rs. 68, Rs. 69 they sold at Rs. 72, Rs. 73; Rs. 2, Rs. 3 margin whatever is the larger business and they are procuring at Rs. 80, Rs. 70, Rs. 78 then what is the story behind. Its not a business. We were too wise or lucky or fortunate when we left the Iran business seven years back. You can search the industry. It has killed one Best Foods Limited, I mean finished.

Moderator: Thank you. We move to the next question which is from the line of Mr. Anand Bhavnani from Unifi Capital. Please go ahead.

Anand Bhavnani: I have two questions and one book keeping question so three questions in all. And first question is the FX loss. You mentioned that we had a loss of Rs. 5.25 crores in the full year FY19. So is that loss entirely like in Q4?

Rajeev Setia: No, not in Q4, it cannot be in Q4 but most of it is in, 70% is in Q4 that has been going on or maybe I may not be exactly right how much is, but it is booked at the end of the year.

Anand Bhavnani: Okay so that was the first question. Second question on the inventory side. You mentioned that at times you opportunistically buy it is a business decision and then you commented that you might never go with a Rs. 2,000 crores kind of inventory. But what is the strict upper limit like is the upper limit Rs. 200 crores, Rs. 250 crores, Rs. 350 crores at our current revenues and what kind is upper limit for inventory have you set for at least let us say next couple of years?

Rajeev Setia: I mean very difficult to answer but you see there are three fundamentals I always say. One is our buying capacity purchase which strictly relates to your finance. Then your production capacity and then you have a selling capacity, three things okay. And they have to be in harmony and balanced. If you buy at high price, you do not have funds, you borrow or you take credit from the vendors and buy too much you are definitely going to land with a higher cost.

If you have funds, you buy you promptly pay, there is cash discount in our industry for rice 2% and as regards paddy is concerned, some mandi have 7 day payment, some have 10 days, or maximum 15 days mandi dara.

If you do not pay on 14th day or 15th day do not pay on the due date, then the rate of interest is 18% which is colossal, huge. So we have to manage I have never paid a interest of a penny because my all payments are timely for paddy suppliers, and rice I have been buying with 2% discount wherever I buy. So that part is I will do it by availing these two concessions I mean no penal interest on the paddy. After 15 days if I have to pay (Inaudible 41:31) of mandi I will be losing a lot, one and if I am unable to avail the benefit of 2% cash discount I am not only losing cash discount maybe the supplier will raise the prices, this party is not that good. So that is one balance.

Second comes our production so the production should be totally quality product, excellent and not such a huge capacity to buy so much paddy. It should be balanced with our buying capacity accordingly we have to have production. And then third is our sales capacity. And sales you know that should not be desperate which we had to do for the Iran, this is some unconventional happening we should not have but anyway these things happen in life. We should sell profitability with a quality command with our I mean we should not be desperate.

If all these things are okay and uniform and that should be the balance to calculate your stock. That is the right method and it was told when I was doing CA. And I could not complete it. This was part of my studies in 1977-78. I will not forget that this has to be balanced, in harmony the world was in harmony in my book.

Anand Bhavnani: My last question on the accounting thing. Now other expenses were Rs. 85 crores for last year, they are about Rs. 102 crores for this year so that is Rs. 17 crores difference?

Rajeev Setia: I had already explained to because I think it was the first question. As a matter of fact, Rs. 5.25 crores is the exchange loss and last year there was Rs. 6.78 crores profit. Double effect you know.

Anand Bhavnani: So Rs. 12 crores is that I just wanted to confirm that. Rs. 12 crores difference is?

Rajeev Setia: Yes, and Rs. 3.75 crores has been calculated for ocean freights others are minor, minor small, small there can be increase. There are multiple haves and it does not make sense to go in every detail. That will be for my costing team to decide where, what to do, what to show, what not to show.

Anand Bhavnani: Okay sir, I will come back in the queue but I will just say that still on the inventory front, we do not have understanding of the actual upper limit that you have set because that I think is little key aspect that you do not want to know whether you will ever have inventory let us say more than 500 in the next two years, that kind of clarity people need?

Rajeev Setia: Because the growth should be natural, growth should be absolutely genuine, not at the cost of anything. Not at the cost of profitability, not at the cost of any. All fundamentals has to be uniform. Three things I have explained but I have been taught by finance.

Moderator: Thank you. we move to the next question which is from the line of Rahul Jain from Credence Wealth Management. Please go ahead.

Rahul Jain: Can you give me the volume data for the current year 2019 in the previous three years the volume data what I have in my data sheet was 10.5, 10.7 and 12.44?

Rajeev Setia: What is your question, I am unable to understand?

Rahul Jain: Sir, volume of rice sold in this current year?

Rajeev Setia: Yeah, volume in the current year is around 93,000 tons.

Rahul Jain: 93,000 tons for the full year?

- Rajeev Setia:** Full year I am giving the figures. I have not made it quarter wise.
- Rahul Jain:** Sir, just added to one of the previous participants questions. You have an inventory of Rs. 182 crores which is at the highest level in last ten years. Now you said that you do not have the exact figures but the out of that Rs. 182 crores how much would have been contracted and how much has been the unsold inventory as on 31st March roughly say a percentage ball park figure?
- Rajeev Setia:** Around 50% approx is sold whatever we have I mean we do not take much risk. We do not gamble with the product buy and then sleep over it, it does not happen. We buy and sell, sell and buy next day. So 50% at least should be it is a hypothetical figure I am not absolutely right but from the way of working I can say whatever we sell we try to procure or whatever we have inside not fully we sell also. We have no stamina to buy next.
- Rahul Jain:** In fact Rs. 182 crores would be valued at what price you mentioned that price had moved up from Rs. 68, Rs. 69 to almost Rs. 80, Rs. 82 so I wanted to know at 31st March the inventory is valued at what price and what is the price today?
- Rajeev Setia:** No, inventory is not one price. You see in the whole inventory there are multiple things. There could be paddy of different varieties, there could be rice of different varieties and then in rice itself it is parboiled rice, it is steamed rice, it is raw rice, it is full grain rice, small rice, broken rice, we have complete inventory of everything and we evaluate it as per market value for broken varieties and cost price for the finished products to come to the correct result.
- Rahul Jain:** And sir what will be today's price of our products?
- Rajeev Setia:** Today something which was during the closing period say one seller rice which mainly affects our market which is Iran bound that was Rs. 68, Rs. 69 and it went as high as to Rs. 82 now. And today it is Rs. 77, Rs. 78; Rs. 3, Rs. 4 suddenly down in last four days.
- Rahul Jain:** Sir, one last question.
- Rajeev Setia:** Steamed rice also that has gone to Rs. 88, Rs. 87 even Rs. 90 also a few transactions smaller to Rs. 90 is back to Rs. 83, Rs. 84 now, Rs. 85 may be. Prices are too volatile you know. we have to be very, very careful in the business, very, very careful.
- Moderator:** Thank you. We move to the next question which is from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.
- V.P. Rajesh:** Rajeev ji, you said your debt has become nil now.?

- Rajeev Setia:** It is like this that right now I do not owe a penny to the bank there are deposits and there are huge deposits at this time. Actually, even as on the closing date we have Rs. 12 crores, Rs. 13 crores in the what you call was in arbitrage fund we have borrowed Rs. 8 crores against that also which has been paid and that is still with us Rs. 13 crores or Rs. 12 crores it is in the balance sheet. And there is fresh around Rs. 25 crores to Rs. 30 crores deposit more. So obviously our outstanding must be lesser now. You will see that June result these are the current figures I do not know they are right, the company is still very comfortable.
- V.P. Rajesh:** You talk about top line sales how much was (Inaudible 51:25)?
- Rajeev Setia:** Anyway I have understood your question. Maharani is going now to 31, 32 countries 30 plus countries we are exporting Maharani rice. 30 plus and Indian market is all our own market.
- V.P. Rajesh:** So out of total sales of Rs. 765 crores in the year, how much is the branded portion versus the (Inaudible 52:04) portion?
- Rajeev Setia:** Look these branded sales in international market is around 30%, 35% and there are our different brands Maharani, Begum, Mithas, Green World and Zafar around four, five brands. But once it is a brand in that particular area it becomes famous it gives good revenues. And in Indian market it is all our own brands. In Indian market 95% is our brand, 5% there can be a few rejection sales, few broken some variety you sell to fellow exporter or something these things happens sometimes.
- V. P. Rajesh:** Okay and then finally on out of the Rs. 765 crores how is domestic versus international?
- Rajeev Setia:** Domestic versus international we are more dependent upon international business. 85% is in the export and 15% is within domestic market. Very largely we are dependent upon international market.
- Moderator:** Thank you. The next question is from the line of Rajat Setiya from Vrddhi Capital Investments. Please go ahead.
- Rajat Setiya:** My questions have been answered. Thank you.
- Moderator:** Thank you. We move to the next question which is from the line of Sudhanshu M from Enam Holdings. Please go ahead.
- Sudhanshu M:** My question is pretty much most of queries have already been answered. I mean I have a query regarding how could we see our business doing better on the margin side? Now just to summarize in terms of sales and all I believe we are in the top 3, 4 in India and we have a very fairly robust business from the export side with a very low I would say inventory cycle, I mean working capital cycle compared to others. So what are the points that you are looking at to

increase the margin which have been harping on you are not going to increase the sale but you are now focus on the margin.

So could you just tell me like what are the initiatives I mean are you going to focus more in the Maharani brand or is it some particular market like US where you see higher margins that is why you are hopeful the margins are going to go up like what are the strategies you are following for that?

Rajeev Setia:

Very good, your question is what is my project now because I have been asked revenue growth and I said no, I am looking first to the bottom line let the top line growing on its own. So there are two, three things very important. If I compare myself five years back we used to go to US, a very few people knew us. We used to go to Europe, some people were knowing us because we were quite old in Europe and US because of the FDI issues we had almost stop going.

Now we go to any part of the world people know us here. It is a very big gain changer for us. When there was a war in Yemen \$1.5 million was sent to me in advance by some many people. So my reputation all around is good. Anybody who has to send \$5,000, \$10,000 advance to me does not hesitate. It is a big achievement.

I can proudly say your company image is better than any company in India, listed or unlisted. You check it with the trade. And this thing is going to help us our goodwill, our ethics, our principles they are going to help us. We are in multiple countries. Today one side stops we have another going on.

And luckily for us our next generation is very hardworking, very dedicated Sankesh and Ankit in particular, they look after exports. So it has to grow. The competition is international is coming down for us. We have got I cannot name the companies, very big companies buyers are coming to us. They have no choice they have to come to us.

Recently a team from US of five, six buyers with one agent who was in my factory they have visited. They have been in my corporate office they talked with me they assume in their mind there was some imagination about my factory but when they went to Karnal and they came back they said we are astonished we never assumed it is such a good factory.

We could not find even a single insect in the summer days and if we go to other factories it will keep on blowing our hand to show up the insects. So clean systematic it is all one ton packing, all mechanical systems in place. And apart from that we have very strongly we are coming in our Zafar brand which is dry heat it is a roasted kind of product which UP farmers were doing 50 years back and that process was dispensed because of the hard work. It is mechanical now.

So future is great. What we need to hire is we need to take very professional and competent people with us to support us more. I was asked one question how can you grow. Now the stage is conducive I have to have very intelligent and very what you call professional competent person to help us. That is the need of the hour. We may have to pay higher to they have to high to hire such people but we need to have. We have the ability to some extent to stimulate that ability we need good people.

Moderator: Thank you. We move to the next question which is from the line of Samardha Ashok from Fort Capital. Please go ahead.

Samardha Ashok: Sir, in this 93,000 tons volume how much is the mix of basmati and non-basmati rice?

Rajeev Setia: Non-basmati just 10% of that because we are not in to non-basmati, it is 10% yeah, 90% is basmati.

Samardha Ashok: And the mix that we traded rice and manufactured one?

Rajeev Setia: Traded figure is still 0.5%. We are still more with the traded.

Samardha Ashok: In percentage can you?

Rajeev Setia: It is 20% because if you see the annual traded consumed is around Rs. 100 crores and Rs. 493 crores is the rice traded. Because we do have capacity we can increase the capacity also but as soon as we will buy we get cheaper from others we will continue with that. Because we have two kind of capacities, one is our manufacturing capacity and one is our packing capacity.

We have a very large packing capacity. And we have all kind of packing. Half a kg, 1kg pouch, 5kg pouch, 2kg we have jars, we have conventional bags and one-time bag also. All kind of yeah, because in the Europe there are some companies, they will e-pack and they buy one ton and with the shoot they take out the rice and packing the small because they do not have labors. They cannot take 50kg, 40kg bags on their shoulder which happens in India.

Moderator: Thank you. We move to the last question which is from the line of Ayush Mittal from Mittal Analytics. Please go ahead.

Ayush Mittal: In earlier discussion you mentioned the quantitative number the total sale done for the year is 93,000 tons that is 930,000 quintals, is that right?

Rajeev Setia: Yeah.

Ayush Mittal: Last year we had done 1,244,000 quintal?

Rajeev Setia: How much?

Ayush Mittal: 1,244,000 quintal I think is in the last con call you had mentioned?

Rajeev Setia: There is some mistake here. It should not be that much. I think last year it is higher last year. I do not have figure right now in my front we can discuss it later. You can send a mail and we can reply. It is less than 100,000. It should be 98,000, 99,000 something if I recall. There is some mistake in speaking some other figure is read out I just cannot comment on that. I do not have that figure.

I should have it is an important figure for comparison but I know the quantitative sales is less this year very little 4%, 5% value wise it is higher. Last year the price of US Dollar was Rs. 64, Rs. 65 all along this year it has been higher and the prices of rice have also been higher. Paddy price also have been higher all along this year. So that is why the difference is there. Quantitative business is slower value wise it is little higher, Rs. 18 crores, Rs. 20 crores is not a big amount.

Ayush Mittal: Sir, it is a request if you can arrange for a plant visit because you mentioned about the high quality standards that we have?

Rajeev Setia: When does it suits you all of you, whosoever wants to come I will arrange a bus from Delhi.

Ayush Mittal: Whenever the company can decide may be people can join in.

Rajeev Setia: Whosoever will make some kind of. It will be done. We will hire a bus from Delhi and you can go altogether.

Ayush Mittal: And as you have mentioned about exporting to America there was also an article about export to China. Can you comment on the new geographies?

Rajeev Setia: Yeah, the company is approved for export to China but some exports has happened to China. That is for non-basmati only. But on the basmati front I have just one consignment may be I do not know which company. China they have their own ways. They sell a lot of our. They are very, it is not our. It is the nation we are unable to diplomatically deal things. The buyer from Pakistan, they do not buy from us. They are Pakistan big brother, not ours.

Moderator: Thank you. Ladies and gentlemen, due to time constrains that was the last question for today. I would like to hand the conference over to Mr. Sayam Pokharna from Investment Lab for closing comments.

Sayam Pokharna: Thank you. On behalf of Chaman Lal Setia Exports Limited, that concludes this conference call. For any and every query that any of the investor or analyst has you may please write it down



to sayam@theinvestmentlab.in and abhishek@theinvestmentlab.in we will be happy to answer your queries at the earliest.

Moderator:

Thank you so much. On behalf of Chaman Lal Setia Exports Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.