

KIIL/SE/2022-23

10th February, 2023

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**To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai – 400001(M.H.)
BSE Script ID: KRITIIND, BSE CODE: 526423**

**To,
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051(M.H.)
Symbol: KRITI**

Subject: Transcript of conference call held on 08th February, 2023.

Dear Sir / Madam,

We enclose herewith transcript of Conference call of Kriti Industries (India) Limited with the Investors and Analysts held on Wednesday, February 08, 2023.

The aforesaid information is also being hosted on the website of the Company www.kritiindustries.com.

Please take note of the same in your records.

Thanking You

Yours faithfully

For **Kriti Industries (India) Limited**

**Pankaj Baheti
Company Secretary & Compliance Officer**

Encl: As above

Kriti Industries India Limited
Q3 FY23 Earnings Conference Call
February 08, 2023

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY23 Earnings Conference Call of Kriti Industries India Limited. As a reminder, all participant 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 this 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 Ms. Purvangi Jain from Valorem Advisors. Thank you and over to Ms. Jain.

Purvangi Jain: Good morning everyone, and a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the investor relation of Kriti Industries India Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the third quarter of financial year 2023.

Before we begin, let me mention a short cautionary statement. So, me of the statements made in today's concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated such statements are based on the management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, let me introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. Shiv Singh Mehta, Chairman and Managing Director and Mr. Rajesh Sisodia, Chief Financial Officer. Without any further delay, I request Mr. Shiv Singh Mehta to start with his opening remarks. Thank you and over to you sir.

Shiv Singh Mehta: Good morning, everyone. And welcome to the earnings call of Kriti Industries India Limited for the third quarter and nine months ended of the financial year 2023. I'm happy to inform you that this quarter has seen revival in the financial performance driven by strong growth. This quarter has been significant, particularly to earlier quarters post fire at our work, company had suffered due to erosion of value of stocks. Falling prices trend, continued till end November, but by then we had liquidated most of our old stocks. In this quarter we saw surge in demand

and also faced challenges in meeting the surge. The company registered a volume growth of 192% year-on-year and 115% in terms of value. We had to give preference to agri to meet the demand in the agriculture segment and achieve 200% of year-on-year sales growth. The continued decline in PVC resin prices from 141 per kg in April to 77 per kg in November has negatively impacted the polymer industries profit, in the first half year 2023. However, beginning December the prices have increased and stabilized at around Rs.90 per kg. Because of correction in PVC prices products have become more affordable and demand from agricultural segment has increased significantly. Unfortunately, though due to higher price raw material inventories, the margins have declined. We believe that once there is stability in the raw material prices, the margins will also stabilize and normalize at earlier levels.

For nine months ended the company registered a growth of 64% year-on-year and 41% in terms of value on a year-on-year basis. Our company's focus will continue to develop both agri and building products. We also continue to expand our markets geographically in state where the company has already made successful entries and has also extended gains. The company has undertaken CAPEX of Rs.30 crores, and has completed building full range of SKUs related to building products and column pipe segments. It has plans to focus aggressively in this segment, due to their non-cyclical nature and higher value addition. Now, I hand over this call to our newly appointed CFO, Mr. Rajesh Sisodia to give you financial highlights.

Rajesh Sisodia:

Thank you, sir. Good morning dear stakeholders. Let me take you through the financial performance of our company on a consolidated basis. The revenue for the third quarter of financial year 2023 was INR 256 crores which was 115% higher on a Y-o-Y basis and 145% higher on Q-o-Q basis. Our EBITDA stood at about Rs.10 crores and net profit was reported at 4.6 crores. The revenue for nine months ended of financial year 2023 was INR 544 crores, which grew 41% on Y-o-Y basis. EBITDA loss reduced to INR 23 crores and net loss was around 39 crores.

Talking about the segment wise revenue for this quarter, agriculture, industrial solutions and buildings contributed 75%, 15% and 9% growth respectively. Sales volume from the agricultural segment grew by 200% while industrial solutions grew by 140% and building products grew by 13% Y-o-Y basis. I thank you for this opportunity and now we would like to open up the floor for questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain:

Sir, firstly with the kind of volumes we have done in the quarter three, how do we look at the next two quarters, is the momentum sustained in terms of the different segments agri, industrial, each segment wise can you share some insights about the overall demand scenario. And whether what kind of volumes do we see considering that, the next quarter that is April, May, June is our best quarter. That is my question number one.

Shiv Singh Mehta: Should I respond to your first question before we go for the next.

Rahul Jain: Yes, sir.

Shiv Singh Mehta: You see at current prices of raw material, which looks to be now stable. There is a definite comfort on the part of a customer to buy product. And also, there is a pent up demand because of high raw material prices in the last year and a half, there were many people who had deferred their procurement. So, we continue to believe that coming quarters will show robust growth in volumes. Regarding agriculture, on building products, we are on a smaller base. So, there is every good opportunity to grow. So, they should also show significant volume growth. As I have been maintaining for institutional sales, we are conservative and we continue to maintain that unless and until we have secured payment line. We will not be selling or exposing ourselves beyond a limit to industrial solutions, so you will see more or less stability in industrial solution, but you will see growth in agri and BP segments.

Rahul Jain: Sure. Sir in your previous remarks, previous interaction also and today also you mentioned that since the agri demand was quite robust and we have been in this segment for a long, long time to compare your sacrifice the building products volumes for the agri part. So, two parts to that one, how do we see the scenario going ahead now, is it like the building products now the demand is good and probably the capacities are sufficient now, and there is some advance planning so that you may deliver to the good robust agri demand as well as the building product volumes also can see a sharp jump.

Shiv Singh Mehta: You see what has happened that, due to fire we had limitations of supply for almost seven months before this peak season had again come in. So, we had to give preference to our existing long term relationship of dealers. So, we had to sacrifice to some extent building material supplies during this period. Seeing the robust growth, we are further adding capacities towards our extrusion side, which can offer comfort both to agri and BP segment. So, we would see that we are more or less ready and well prepared both sides of raw material as well as processing to increase demand. Now, if demand exceeds our preparations still we may have some challenges but we are preparing ourselves as best as we can to cope up with the challenges.

Rahul Jain: Sure. Sir this has been our best quarter in terms of revenue and last almost right from June 18 till date, this has been the highest sales for us in a quarter. And in terms of volumes with whatever data I have, this is the second best volumes right from June 19 till date. So, going ahead and typically more so for April, May, June quarter do we feel we can be higher than this volume as well as the revenue. And yet one more thing.

Shiv Singh Mehta: Both on these numbers, as there is a continuous demand and market is seeing these prices more comfortable and we are seeing there is a continuous improvement in terms of total numbers.

Rahul Jain: Sure. And last one thing, with regards to the inventory. So, I believe you must be having some inventory losses, else probably our margins would have been much higher. So, typically now going ahead, so two parts. One is what was the inventory, kind of if there was no inventory loss, what could have been our margins in this quarter. And going ahead can we see a sharp increment in our operating margins?

Shiv Singh Mehta: Till end of November, that is 30th November prices were continuously coming down from a 88 level on October 1st, they had come down to 72 on November 30th. And by this time we had exhausted our all old inventory. So, whatever trading losses were there were grouped into books by end of November. It's only in December that we had material which is as per the current raw material prices and there was again increase in the month of December from 70 to almost 88, 89, Rs.90. So, this is why you would see that we could recover whatever trading losses we had in this quarter three. And we were able to show profits at the end of quarter because of robust volume and erosion of all old inventories.

Rahul Jain: So, sir the margins going ahead if you could share some insights from where we are today, we are at about 4% operating margins in December.

Shiv Singh Mehta: As I have said in my statement as well, that margin should get back to in every segment as per our normal regular margins. And in BP segments also we will see better margins. So, overall we certainly see that quarter-on-quarter we should be seeing EBITDA margins, over 10% everything. Let's see how the market moves in terms of raw material but, we are hopeful to have much better margins going forward.

Moderator: Thank you. The next question is from the line of Tushar from Kamaya Wealth Management. Please go ahead.

Tushar Raghatate: Sir, my question is on the inventory, so in terms of the high cost inventory, what will be the percentage of the total inventory the high cost one?

Shiv Singh Mehta: Now, it's all exhausted, now we are all inventories which are current and present leap processed.

Tushar Raghatate: Sir considering the current capacity, how much revenue time we get from the current capacity and what is the current utilization level?

Shiv Singh Mehta: Capacity with different sizes, we are operating at full capacity, whatever we could in month of November, December, but going forward April, we will have been adding some extra capacity in our processing side. So, we would be quite hopeful that we will be able to utilize the entire capacity April onwards whichever is the increased capacity we have.

Tushar Raghatate: Fair enough sir. Sir CPVC and fittings would comprise what percentage of our total sales?

Shiv Singh Mehta: Can you repeat it?

Tushar Raghatare: Sir, CPVC pipes and the pipe fittings would comprise how much percentage of our total sales on an average?

Shiv Singh Mehta: So, about 8% it is at the moment, but it will go up because in last as I have said, in last quarter let say Q3 we had limitations in agriculture processing area, so we had to give it priority over BP because our dealers were suffering for almost seven, eight months and this was peak season.

Tushar Raghatare: Okay. Sir, I could see that we have now almost all the SKUs for the building product. Can we expect the building products to go near to 20% range of the revenue?

Shiv Singh Mehta: This is a process because there will be robust growth in agriculture as well. So, percentage wise the percentages may improve, but significant the volumes will improve but percentages wise what kind of ratio we achieve, this will be improved from whatever current percentages are, but significant percentages growth will be difficult to define at this moment.

Tushar Raghatare: Sir my last question, considering the prices and the stocking which have, so what kind of growth you are seeing in the Q1 for next financial year?

Shiv Singh Mehta: Q1 will be a significant growth because last year because of fire, beginning from 28th of April, we had limitations of processing and sales.

Moderator: Thank you. Next question is from line of Dhwani Desai from Turtle Capital. Please go ahead.

Dhwani Desai: Sir, the first question is, we did around 17,600 metric tonnes on agri side this quarter, can you say that you may be able to continue along, but Q3 and Q1 has been our strongest quarter. Though Q4 compared to last year or FY19 numbers, do we see 25%, 30% growth on that is that what current market expectation based on what your assessment of demand is?

Shiv Singh Mehta: You see this quarter agri was, so Q3 was 17675 which is a significant growth of last year. We hope to maintain at least upward 10% growth even in Q4 in terms of volumes, 8% to 10%. And going forward in Q1 of next financial year it will all, as I was saying last year was a challenging time for us. So, we see again a good growth.

Dhwani Desai: Okay. My understanding was that Q3 is a very large quarter and Q4 generally the demand starts picking up end of Feb, March for the stocking for Q1.

Shiv Singh Mehta: Q4 we may see a growth over last year.

Dhwani Desai: Okay. No, but you are saying that we may be able to at least as much volume as Q3 and Q4 that is what you are saying?

Shiv Singh Mehta: No, not Q3 and Q4, I said over last year we will be able to show you a growth of 10% as compared to what we did last year Q4 to this year Q4.

Dhwanil Desai: Sir aren't our aspiration higher to grow at maybe 20% plus, on Q1 on a Y-o-Y basis?

Shiv Singh Mehta: That is what will be our effort, but what I can commit here is what I clearly see doable, and we will definitely strive to do much better than what we think is what we are talking at the moment.

Dhwanil Desai: Okay, got it. And any softness in demand you are seeing currently because of the there is no channel inventory being restocked last quarter is there any impact that you are seeing in terms of demand on the ground?

Shiv Singh Mehta: I am seeing there is a robust demand from customer that is a farmer. So, the material is getting even consumed from channel partners stocks, and they are again buying on a regular basis.

Dhwanil Desai: Sir on building product side, in spite of we were kind of short of capacity we still did very descent in terms of volume, we did close to 1100 tonnes, 1125 tonnes this quarter, which is growth over even last quarter. So, without constraint do you think that we should be able to do 1500 tonnes kind of a number going forward?

Shiv Singh Mehta: I certainly look forward to these numbers because the constraints removed and building products fortunately has a sustained demand across the year, it does not have cyclic nature as agriculture demand has.

Dhwanil Desai: Right. So, our we were kind of targeting 100 crore numbers which we may slightly fall short of this year, but how do you look at this building product numbers next year, do you have any budget in mind that this is the number you want to achieve?

Shiv Singh Mehta: We are working on our AOP exercise at the moment. So, our numbers will be, certainly we look forward to have better numbers, this year we are constrained and we are likely to be short of 100 crores, but next year we will show a growth over number what you are talking about.

Dhwanil Desai: And sir you indicated that you are adding more extrusion capacity. So, I was assuming that our capacity would be good enough to serve at least couple for couple of years. So, if you can elaborate on how much capacity we are adding, what kind of CAPEX and are we also adding capacity on the fitting?

Shiv Singh Mehta: See within product is a continuous process of adding new range and new SKUs for fittings, but we will not rush into major fitting expansion, but we will certainly see the volume as they grow we will have to add capacities which will be marginal investments over a period of next couple of months. But on extrusion side as we clearly see we have fall short. So, we are increasing our capacity by almost close to 30 tonnes per day which is about 800 tonnes a month.

Dhwanil Desai: Okay. So, close to 10,000 tonnes addition on a yearly basis?

Shiv Singh Mehta: You see, it is a cyclic nature. So, you cannot consume the entire capacity throughout 12 months cycle. So, there will be some months where you will not be able to utilize the entire capacity, but in some months you will definitely use them.

Dhwanil Desai: Got it. And sir last question, if you can give us some sense that this very good volume performance. Is it contributed only, the large part of that is coming from MP, Rajasthan and Maharashtra or even new states have started gaining up some sense on that?

Shiv Singh Mehta: When we were short of material suddenly our peaks, MP, Rajasthan, Maharashtra got preference particularly when our dealers had suffered for a reasonable six, seven long months. So, we did prioritize our sales in these areas where our existing strong brand and dealership had to be given preference over others, but we did grow in other states as well. But there was a marginal growth when there was a shortage, major growth came from these states.

Moderator: Thank you. Next question is from the line of Ankur Kumar from Alpha Capital Group. Please go ahead.

Ankur Kumar: Sir my all questions on the company have been answered. I just wanted to know about the industry, PVC prices fell a lot in the last six, eight months can you please comment why and now since it has started going up also can you please comment why is that happening and our view on the prices for next six months?

Shiv Singh Mehta: See, if you look at, what I get to know when I talk to my suppliers who are overseas and worldwide. If you see even today Europe is not picking up in terms of economic side of the, this is under recession. US has improved but property in US has still not improved because of high interest. And China is still struggling with the Coronavirus, so the local situation is not very clear. So, major requirements for particularly PVC is coming from Asian countries and markets. So, that is where we see overall demand supply situation where it is quite comfortable. Overall, that's why we don't see much upside, but India demand being very robust. I think that prices will remain within this range of current prices, because anything around this level is comfortable to seller as well as buyer and market should look towards better healthy growth because these are acceptable prices to Indian consumers as well. So, I see a stability rather than any kind of a major change in prices.

Ankur Kumar: Sure, sir. And last question would be, you've talked about normalized margins of 8% to 10% odd so can we expect those margins to start coming in from the Q4 also?

Shiv Singh Mehta: Because our inventories have eroded. So, we are quite hopeful that the margins from this quarter should improve.

Moderator: Thank you. The next question is from line of Ankit Gupta from Bamboo Capital Partners. Please go ahead.

Ankit Gupta: Sir coming back to the question on the demand, the sustenance of demand specifically. So, if you can talk about, how does Q1 of next year look like for us, because last year if you look at it, like Q1 was pretty subdued. We did volumes to the tune of around 11,500 metric tonnes so how does the Q1 of next year look like as of now?

Shiv Singh Mehta: As I have explained I'm quite hopeful for a robust Q1, particularly last year we had a challenge post our fire on 28th of April, we were constrained both on production and supply side. And as such we are seeing the prices at current level gives a good reason for customers a comfortable price level for customers. So, we can see a good demand growth. So, in addition to what we suffer, we have a ability to supply and demand looks to be robust.

Ankit Gupta: Sure. So, does it look like we will be able to achieve best ever volumes which we have done in Q1 FY19 we had achieved quite robust volume, so will we be able to cross that?

Shiv Singh Mehta: Do better than what we had done ever before.

Ankit Gupta: Sure. At least cross the Q3 volumes that we have?

Shiv Singh Mehta: Yes, sure.

Ankit Gupta: And sir coming back to the question of margins, given and how agri is performing and BP now has taken a bit of a backseat primarily because of constraint on capacity side. So, do thing with higher proportion of agri our aspiration margins of 11%, 12% that we were aspiring from an EBITDA side, will be around 10% itself because of agri, even agri is a relatively lower margin product compared to BP?

Shiv Singh Mehta: Yes, you are absolutely, your guidance is right, because agri will not offer the margins which BP offers and agri is also growing. So, overall our volumes should show a fairly good growth and overall EBITDA margins will skew towards the numbers we have achieved earlier that's 10% to 11%.

Ankit Gupta: Sure. Sir, last question on the capacity addition side, we are only a single location company in terms of our plant NBCC rest of the peers in the industry, even the ones which are near our size in terms of volume and diversified plant locations. And we also had plans to enter at least in order to set up new plants at least in some of the locations in South India, you are now increasing presence there. But now we are adding a smaller capacity at our existing location itself so, how do you see ourselves opening up new plants across geographies or you think for a year or two we will be expanding capacities at our existing location only.

Shiv Singh Mehta: As industry has seen that any organized players sooner or later have to diversify locations of manufacturing to meet the local demand more logistically competitive situation and in terms of turnaround times in the sense that the delivery times are within control. So, we will have to do that, because of coronavirus time and last year's episode, we had to defer our such plans for the time being but we are absolutely clear that this is a need for growth and development.

Ankit Gupta: Sure. So, we might look to put upon a plant at new locations, maybe in a year or two time?

Shiv Singh Mehta: We will do it as soon as we get over and see a good quarter or two and that will be certainly looking at.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir now as you mentioned the PVC prices would stabilize to Rs 90, but we don't expect rise from these levels because globally when you see demand subdue, though India demand is quite robustly.

Shiv Singh Mehta: If I have understood you right, that you are saying that the prices are like to remain within a close range around current levels. That's our anticipation yes.

Deepak Poddar: Okay. And if I have to assume that the price stabilizes at Rs.90 per kg, so at this PVC price range our 10% to 11% EBITDA margin that we are targeting in general that is achievable right?

Shiv Singh Mehta: That looks achievable, yes.

Deepak Poddar: Okay. And you mentioned that this range we are looking to achieve from fourth quarter itself right?

Shiv Singh Mehta: Yes. This is what I'm saying. Now going forward, we should look at this kind of EBITDA margins.

Deepak Poddar: Going forward, and this quarter what was the inventory loss in rupees or crores?

Shiv Singh Mehta: Last quarter. We must have had, I don't have exact numbers here but it should be around close to 15 crore is the inventory loss 15, 16 crore.

Moderator: The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Sir, just one data point, so MP and Rajasthan which are contributing around 88% in March 18, for March 22 as per the annual report that was down to around 75%. I'm talking about MP and Rajasthan percentage of sales. So, if you can share the data with regards to the current year, nine months or the current quarter also whatever is possible?

Shiv Singh Mehta: You see, as I have explained earlier, we gave preference to MP, Rajasthan and Maharashtra this time in this quarter because of shortage, and our existing dealers were suffering for some time. So, the total percentage for these states remains robust and we could not supply to other states as much in the shortage time. But still I'll try to get you the numbers.

Rahul Jain: Sir, I do understand what you're saying and I fully appreciate that. I was just looking for the data point that MP and Rajasthan in current year have contributed what percentage of sales?

Shiv Singh Mehta: MP had come down to 60%, 15% is Rajasthan and Maharashtra is about 13%.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Sir just one question on dealer addition. So, in the last call you guided that we have restarted the dealer addition because we had stopped in between due to challenging time. So, can you give us the total number of dealer addition that we have done so far and what is the plan going forward. And if we can also give some color on whether dealer addition would be on only on BP side or will it be all product and then which geographies we are adding?

Shiv Singh Mehta: As I told you earlier, I would still say that this is the time of consolidation of new dealers because they have to be matured in the way we work. So, instead of rampant increase in number of dealers we are focusing on ensuring our dealers understand the –38:10 way of working and work as a team work. So, there will be few dealers which will be doing very well and some dealers will be not coming up to our requirements. So, we will be in this process rather than increasing in numbers. We will be working on consolidation and efficiency or effectiveness improvement. So, going forward from next quarter that is Q1 we may again go for expansion of dealerships.

Moderator: Thank you. Next question is from the line of Jatin from –38:54 Investments. Please go ahead.

Jatin: Two, three question. First is, when I look at your overall capacity on the agri side, it's about 100,000 tonnes and this quarter we have done 17,000 if I annualize that 68,000. So, is 70% kind of the max possible that you can do because you're doing different diameters on your capacity, is that the right way to look at your capacity?

Shiv Singh Mehta: You are absolutely right.

Jatin: That's fine. I had a couple of questions on your balance sheet, sorry I'm just kind of starting to look at the company. So, one is, when I look at your accounts payable, I see that as a very large number and when I look at the profile of the buying PVC from like somebody like a Reliance Industries. I would be surprise as to why they would give you that bigger credit period. Just wanted to understand why is that accounts payable number so high?

Shiv Singh Mehta: We buy from them against LC, letter of credit. So, letter of credit is normally 60 days payment, the Reliance gets their payment by discounting the LCs immediately and then we pay after that 60 days period.

Jatin: Understood. And on your September 22 balance sheet the capital work in progress was about 34 crores. So, what is this new investment that you have made?

Shiv Singh Mehta: We have added building material as a major initiative on part of organization where we were not present earlier. So, we developed full range of products in building material as well as in column pipes. So, the whole CAPEX was allocated for that development.

Jatin: I thought that was completed by September 22, as this was showing in CWIP.

Shiv Singh Mehta: So, that was completed only towards middle of this current year because it takes a lot of time to get more than place.

Jatin: Understood. I was going through your annual report a few years back and you made lot of focus on trying to go into the industrial side of the business on telecom pipes on gas side, but when I hear you today you are kind of de-focusing on the industrial segment and focusing a lot more on agri and BP. So, what has brought about this change in kind of focus areas?

Shiv Singh Mehta: The reason is one, the Indian infrastructure companies, the EPC depends a lot on government orders and government business. And we have invariably experience that government payments, they link our payments to their receiving government payments, which puts us into a lot of difficult situations at times because they have not received payments, they are not releasing payments. So, we are keeping ourselves limited exposure, so that we don't get caught into a cycle where we are push into little financial stress because of non-receipt of payments from such EPC contractors.

Jatin: Right. And as you look to build your building products business, traditionally I've seen, you've been kind of very focused on direct marketing rather than doing TV advertising or out of home advertising to build a brand. But as you look to build your building products business, do you think you would need a different kind of approach there?

Shiv Singh Mehta: Initially till we reach a critical mass and volume, we'll still continue to focus on BTL because we have a strong presence in rural market, agri markets there also building material find a good business potential, because construction activities are across whether it's urban, semi urban or rural area. So, our strategy is very clear, we will first focus on areas of strength, we will deliver to the company a reasonable volume and then only we look at ATL once we see there is a value doing it.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Shiv Singh Mehta: Sir, what portion of our sale is towards export?

Shiv Singh Mehta: No, we don't export here.

Saket Kapoor: We are totally domestic oriented?

Shiv Singh Mehta: Yes, totally domestic.

Saket Kapoor: Okay. And what is the impact of, so there is no impact of foreign exchange fluctuation also, since our imports are also denominated although in dollars but will be in rupee conversion only?

Shiv Singh Mehta: That's right. In both material which is always in dollars, so there we have as a policy we hedge it immediately on contract.

Saket Kapoor: Okay. And what portion of our sales, what is the order book size currently and how do we go ahead with the order booking?

Shiv Singh Mehta: You see for dealer normally you get orders regularly and you keep supplying within seven days cycle to the received orders because you don't have a bulk booking, our dealers are at distribution point they maintain certain stock and they keep selling and they replenish their inventory as per the sales. So, the dealership is a widespread network where our dealers keep stocks and sell to a budding customer. So, order book is a regular flow of business on everyday basis, you get it.

Saket Kapoor: And sir how our quarter three utilization levels been?

Shiv Singh Mehta: Quarter three, we had a shortage in terms of capacities and challenges were because of sudden surge in demand. Now, we are seeing that we are stabilizing on raw material as well as processing, but the quarter for normally we don't have a challenge because in the cyclic business there are peaks which suddenly shoot up to very high demand as compared to a normal average.

Saket Kapoor: Sir, you are speaking about the seasonality factor?

Shiv Singh Mehta: Seasonality factor yes, in agriculture we see a seasonality.

Saket Kapoor: So, if we take Q3 base because of the factors which you have elaborated if you give us some outline on how the utilization levels have been out of the total capacity of power, the volume number?

Shiv Singh Mehta: What we foresee that during month of April, middle to June, you normally run short of your capacity, but you would have some available spare capacity in the Q4 that is from January to April. So, this is cyclic because most of the demand suddenly comes from every segment of the agriculture business. So, agriculture business is **(Inaudible) 46.13**, while building product is a sustained volume throughout the year.

Saket Kapoor: Okay, sir. And two points, first I will come to the building product but firstly sir you mentioned that there is an impact of 15 crore on the bottom line on account of negative impacts because of the inventory losses?

Shiv Singh Mehta: I don't know the exact numbers but that's my estimation about 15 to 16 crores.

Saket Kapoor: 15 to 16, the simple definition is that PBT would have been higher by that amount, had that the inventory loss not been there.

Shiv Singh Mehta: Absolute.

Saket Kapoor: Okay. And we don't foresee this playing out in the current quarter?

Shiv Singh Mehta: Yes, because now material all, you see we had surplus material which was lying with us because of fire, which was at a very high prices. We had to erode those inventories over a period of time.

Saket Kapoor: Sir, in the building products segment if you could elaborate more by building product, which item are you catering to and which sectors are you speaking about?

Shiv Singh Mehta: When we talk of building material, there is SWR that is sewage water and drainage area, rainwater area which we have to cater to. When we talk of water it is plumbing, plumbing means the pipeline's which supply of water to the entire housing and residential area. Sewage is for the sewer has to be passed on and cleared. And rainwater is something which you could water pipes where one rain water is collected and taken away. So, building material, these are types of pipes in addition that we make water storage tanks, which are put on top of buildings generally for storage of water.

Saket Kapoor: Sir, these are those tanks compared to the Sintex part of the storage?

Rajesh Sisodia: We have a limited range at the moment, up to 1000 liters. We may expand our range over a period of time.

Moderator: Thank you so much. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir, I wanted to understand on the revenue thing, what sort of revenue growth we are looking at, in the previous calls we have been mentioning about 18% to 20%. So, going into FY24 is that the range what we are looking at?

Shiv Singh Mehta: Can you repeat that, I'm not getting it clearly.

Deepak Poddar: So, I was just trying to understand on the revenue growth part, in the previous calls as well we have said that, we are looking at 18% to 20% kind of revenue growth. So, in FY24, as well, is that the rate we might be looking at?

Shiv Singh Mehta: Yes, surely we are looking at that range.

Deepak Poddar: And this 10% to 11% margin is what we have already?

Shiv Singh Mehta: What we anticipate EBITDA margins will be.

Deepak Poddar: Correct. And in general on the demand scenario, if we speak the call of or the peers as well, they are quite positive on the demand side, now with the PVC prices also kind of stabilized. So, do you see that this demand scenario which we are seeing an uptick, you expect to extend it to FY24 as well?

Shiv Singh Mehta: If prices remain within the range as they are, we certainly see a growth for the entire financial year 23-24.

Deepak Poddar: A good demand scenario right?

Rajesh Sisodia: Yes.

Moderator: Thank you. Next follow up is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir when we look at your profile, it includes SDP, LDP, CPVC you have the entire gamut to it and as you mentioned sir about this SWR point, there is a lot of this will be towards supplying to the EPC contractor. So, in this building product segment are we catering, the end buyer is again the government agencies only catering to the Swachh Bharat Mission and Jal Se Nal Scheme?

Shiv Singh Mehta: No, presently we are focusing on our dealership and our dealership sells through retail distribution network, where a consumer is a average house builder who builds his own personal property.

Saket Kapoor: Okay. So, the end user it is not going towards the government end?

Shiv Singh Mehta: Not at the moment, our present focus is developing a robust dealership because we enjoy good brand equity in the areas where we are strong and we want first to develop a retail base which we find is more robust and sustainable.

Saket Kapoor: Sir, companies which are addressing the rural market have experienced or have shown stress in the system. And your focus is on putting more towards the agri and the rural segment. So, where is this divergence, how are we explaining this divergence when players are saying that?

Shiv Singh Mehta: I will re-communicate what I said agri demand is growing very well, where our focus is in agri. But when you ask me about building material, I said building material our focus in distribution. So, if suppose in state of Madhya Pradesh, Rajasthan and Maharashtra we have a strong presence. We are trying to develop a retail network which will be able to cater to customers in all the segments and areas we are present.

Saket Kapoor: Correct sir. So, the rural economy having stress has lesser impact on your sales that means this should be a conclusion?

Shiv Singh Mehta: No, in all these case the urban areas, semi urban areas and rural areas, we will be at present all across.

Saket Kapoor: My point was you are putting more thrust on the agri segment, the agri segment will be catering to the rural economy and the rural economy is finding stress has been seeing in other companies which are focusing especially to the rural segment. So, where is the.

Shiv Singh Mehta: I am again saying, we are seeing a positive growth in revival of rural demand.

Saket Kapoor: Right sir. And sir this CPVC segments, what portion of the sales is attributable towards the CPVC pipes?

Shiv Singh Mehta: It is going and as building material has both CPVC and UPVC segments and both are growing well.

Saket Kapoor: Last point is on the industrial solution part, if you could give us sir, we have seen in your presentation that both the industrial as well as the building material has shown substantial increase in definitely in volume as well as the revenue. So, if you could give us some understanding on the industrial solution part also, which industry that you are catering to and what are the pillars from them?

Shiv Singh Mehta: You see, in industrial solutions our focus is on telecom, gas and water. Now, in industrial solution we have restrain ourselves from the major growth because normally we have seen that we have to ensure that whatever the payment cycles our EPC contractors or buyers are comfortable with, because we don't want to increase our exposure beyond a limit to this segment.

Saket Kapoor: No, sir I am not able to understand what you are saying. Please come again.

Shiv Singh Mehta: Because we don't want to extend credit, normally what happens is that EPC contracts are depend on government supplies and payments, when there government payment stop, they are unable to pay to the supplier in time. And then the credit gets a little stressed, because till the time government revenues or their EPC contracts has received their payment, they are not able to pay to suppliers. So, we find it a little risky in terms of long-term strategic growth in this area. That's why we want to retain a limited share which we think we can be comfortable with.

Saket Kapoor: So, we will be in this vicinity of 12% to 13% only to this industry?

Shiv Singh Mehta: That is right, it will not unnecessarily grow the segment beyond a limit, unless you are sure that cash flows are positive and payments have no limitations.

Saket Kapoor: But the CAPEX cycle is going to skewed towards these segment, the gas distribution and telecom companies is spending a lot of money. So, there will be a good flow of orders from the segment.

Shiv Singh Mehta: When the order flow will improve, and cash flow cycle is also better. And we will not enter into unnecessary very low margin business areas in this segment. So, we will keep all these things in perspective. And we will be cautious about our growth on building products.

Moderator: Thank you very much. The next question is from line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: So, rry sir, just to clarify you mentioned the inventory loss in this current quarter is around 15 crores?

Shiv Singh Mehta: That is my estimation, I don't have exact number, but that 15 to 16 crores we're trading loss for this quarter, because prices fell from 88 to 72, by the time we had exhausted our stock.

Rahul Jain: Got it, so in that range about maybe 13 to 16 crores plus or minus.

Shiv Singh Mehta: That's right.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Shiv Singh Mehta from Kriti Industries for closing comments.

Shiv Singh Mehta: I would like to thank you all for finding time and being with us. We look forward to your support and we will assure you that we will put in our best efforts to overcome whatever difficult period we have gone. Thank you very much and all the best to all of you.

Moderator:

Thank you very much. On behalf of Kriti Industries India Limited that concludes this conference.
Thank you for joining us. You may now disconnect your lines.