



KRITI INDUSTRIES (INDIA) LIMITED

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The Listing Department
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Tower,
Dalal Street, Mumbai (M.H.) 400 001

Scrip Code: 526423

Subject: Transcript of Conference Call with Investor and Analyst held on 16th August, 2021.

Dear Sir / Madam,

We enclose herewith transcript of Conference call of Kriti Industries (India) Limited with the Investors and Analysts held on Monday, August 16, 2021.

The aforesaid information is also being hosted on the website of the Company viz., www.kritiindia.com.

Please take the same on your records.

Thanking you,
Yours Faithfully,

For KRITI INDUSTRIES (INDIA) LIMITED


APEKSHA BAI SAKHIYA
COMPANY SECRETARY &
COMPLIANCE OFFICER

Encl: As above

Kriti Industries(India)Limited
Q1 FY22 Earnings Conference Call
August 16, 2021

Moderator: Ladies and gentlemen good day and welcome to the Q1 FY22 Earnings Conference Call of Kriti Industries (India) Ltd.

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 an assistance during the conference call please signal an operator by pressing '*' and '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over the Mr. Anuj Sonpal of Valorem Advisors. Thank you. And over to you, sir.

Anuj Sonpal: Thank you. Good afternoon, everyone and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of Kriti Industries (India) Limited. On behalf of the company I would like to thank you all for participating in the Company's Earnings Conference Call for the 1st Quarter of Financial Year 2022. Before we begin, I would like to mention a short cautionary statement.

Some of the statements made in today's earning conference call maybe 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 management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not place any undue reliance on these forward looking statements and making any investment decisions. The purpose of today's earnings conference 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 conference call. We have with us Mr. Shiv Singh Mehta - Chairman and Managing Director and Mr. Shashank Belkhede – Group Chief Financial Officer. I now request Mr. Mehta to give his opening remarks. Thank you. And over to you, sir.

Shiv Singh Mehta: Thank you Anuj. Good afternoon all of you, who are participating in today's call. It is my pleasure to welcome all of you to this earning conference. Friends, we are certainly in better times and have little relief from the initial second wave which we have faced in last couple of months. Certainly, we can look forward to better times with rollout of vaccination, which is

progressing very well and which will help in terms of economic revival. I just hope that all of you are keeping safe and you are taking full care under the current circumstances.

Before we get into discussion on quarterly performance, let me give you a brief background about company, because some of you might have joined for the first time in this investor's conference. I will give you a brief overview that Kriti Industries is a manufacturer of premium quality piping products and solutions for agriculture, non-agriculture applications like building products and industrial solutions. We are headquartered at Indore, Madhya Pradesh and our plant is very well-placed, at a strategic location, which is equidistant from large consumer markets like Maharashtra, Gujarat, Rajasthan, Telangana, some parts of UP and so on and so forth.

So, being located strategically locational, well-placed plant, we have been able to get good manufacturing capacity, which will be one of the large capacities in India with the total capacity of about 1,25,000 tons per annum, with state-of-art facilities like 21 extrusion lines in PVC; 14 extrusion line is HDPE and Drip; 25 injection moulding machines. And all our products are sold under brand "Kasta" which is well-known in central India for its superiorproduct quality, services, reliability, and generally a very well, strong distribution network of more than 400 dealers spread across 16 states of India.

Now, I will request our CFO Mr. Shashank Belkhede to give you financial highlights for the quarter.

Shashank Belkhede:

Thank you very much sir. And good afternoon, everybody. I once again welcome all of you to the earnings concall of Kriti Industries (India) Limited. My name is Shashank Belkhede and I am the Chief Financial Officer in Kriti.

I would now like to take you through the key financial and operational performance of our company on a consolidated basis. The operating income for the quarter was around Rs. 154 crores which was an increase of approximately 22% on quarter-on-quarter basis. The operating EBITDA reported was Rs. 13.6 crores. The EBITDA margin stood at 8.83%. The Net Profit from the continued operation has been reported as Rs. 6.4 crores, and the Net Profit after taking into consideration the one-time profit from the discontinued operation stood at Rs. 12.3 crores. The PAT margin of 7.99%.

Friends during the quarter the operations, the business were impacted by more than 15 days, in the month of April, May and beginning of June, due to the second lockdown. The first half of April was still very good on the business front. But from the second half onwards, the business environment was impacted. The global PVC prices continued to gain strength in Q1 FY22 initially, and then softened at the end of Quarter. Q1 is generally considered to be a peak season for agri sales. And there was a drop in volumes due to the second wave of pandemic as most of the dealer shops were closed. However, the business started picking up

well from the third week of June. The demand momentum has improved in July, and it has seen a growth in the month of August. The company was able to maintain the EBITDA margins in spite of drop in global PVC prices and decline in the agri sales volume on a YoY basis.

With that, now, we can open the floor for question-and-answer session. Thank you so much.

Before we move on to the question-and-answer session, I would also like to mention that Board on the basis of the quarterly experience, we believe that it will be prudent to give a revised guidance for our expected turnover of Rs. 1200 crores. So, earlier we had projected that this could probably be achieved by the year FY23, but now, because of these two lockdowns in the year 2020 and 2021, most of the opportunities were lost by most of the companies. And feel it's prudent to give a revised guidance on the same that probably the number which we had predicted to be achieved by FY23 we are hopeful that with the vaccination speed going on in the country and with the control in the pandemic new cases coming down drastically, we should be able to achieve this number by the end of FY24. Thank you very much. Now the house is open for question-answer session.

Moderator: Thank you very much. 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: Sir my first question is regarding our volumes, if we look at, the revenue is flat whereas the volume drop is north of 30%, which means the prices went up by almost 40-45%. If I look at this trend in some of the other players the rise in price does not seem to be so steep, it probably is between 15% and 25% across most listed players. Can you solve this dichotomy for us please?

Shiv Singh Mehta: If you look at Kriti's business profile, we are developing building product segment now. We are mostly entrenched into agriculture segment where overall GP margins if you look at different player's operational balance sheet and Kriti, you will find that our EBITDA margins are lower towards about 10% around plus minus, while any player who is more entrenched in building product space would have a higher EBITDA margins. The prices have dropped in raw materials only towards June, not before that. So, obviously with the downward quantities, the prices were higher and that's why the turnover were much higher in comparison to the volumes sold, because last year to this year, the price increase has been almost 35-40% on PVC.

Viraj Mehta: My second question is regarding the revised guidance of Rs. 1200 crores. When you say Rs. 1200 crores what I wanted to understand is that, what are you indicating in terms of volumes, because prices is anybody's guess, would the volumes be closer to 1.25 lakh which is our capacity, is that what you are saying?

Shiv Singh Mehta: You see, 1.25 lakh is the total capacity and we have to see that when you produce consistently there are dye changes, different sizes, different times of the year where peaks and troughs come. So, this guidance of about what we said Rs. 1200 crores should be achieved with the processing of about 80,000 plus minus 10%.

Viraj Mehta: So, this is only at 80,000 we should be able to achieve Rs. 1200 odd crores.

Shiv Singh Mehta: Right.

Viraj Meha: Also sir, last thing regarding, we had a longer term vision of putting up a plant in South India to reduce our costs in terms of freight and everything. At What, I would say are the milestones in terms of market share in some of those states that we are feeling today, will you go ahead and plan that new plant?

Shiv Singh Mehta: I had given this indication in last call also that we are first looking at developing markets. And once we achieve critical volumes, we will plan a plant in the location based on the volumes we create in that particular region. And our estimate is that, it is not based on the percentage of market share, but the processing cost should offset the, additional processing manufacturing cost disadvantage should offset the freight costs which we have to incur from a distance.

Viraj Mehta: And just sir one, last thing in terms of there is a sale transaction and some exceptional gain of one of our subsidiaries, Kriti Auto, share a little bit more light on it, what was it and what did we, just a little bit what happened?

Shiv Singh Mehta: We had put up this plant for automobile ancillary, supplies to automobile companies. And we were doing it for last couple of years where we were not able to really develop a business in the space which we would have liked, because automobile industry itself is going through a lot of difficult times. And then to bring more focus where we as a company thought see more opportunities in comparison, we thought and the board thought it's prudent to specifically focus areas which are offering much better growth opportunities, looking to the company's stage and placement at this point in time.

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

Ankit: Sir on the moulding side, given the sharp decline in volume we have seen in Q1 of this year because of rural market being also impacted in this second COVID wave. So, do you think we will be able to obtain last year's volumes given Q1 has seen such sharp decline?

Shiv Singh Mehta: Q1 is one of the very important quarters of the year. But this time, unfortunately even rural India was deeply impacted. And we had seen the most of the shops and areas were closed and movements were restricted. However, after the month of June, from July there is a positive movement, everywhere the shops have opened and commercial activities have

begun. With the rollout of vaccination and generally what we are seeing that situation is improving. So, looking at the coming three quarters, we are quite hopeful and optimistic for a good revenue growth, because of #1) There is a good monsoon, #2) There is a pent up demand of last time which is coming to the market. And #3) Overall realization by average farmer is much superior to earlier years, because the most of the commodities are much better priced so feasibility is better. And again Company is focusing in building product segments where there is a reasonably good acceptability and we are hopeful that our plans towards building products would be able to help us further in the coming quarters.

Ankit: Coming to the last point that you spoke about building product, can you throw more light on how has been the, because 1st Quarter has been flat in terms of volume and that can be expected because of COVID second wave. So, how are the remaining three quarters looking like in building product segment? And overall, our ambitions for achieving Rs. 200 to Rs. 250 crores of revenue in terms of building segment over the next three years, how does it look like going forward?

Shiv Singh Mehta: On building product segments, there was definitely a little impact in the 1st Quarter in terms of total volume growth, what we had planned because of limitation of market, because as I had explained earlier also that our focus is that we will use our existing networks to strengthen our sales and thereafter we will progress to the next step, next level. However, the total growth has been quite encouraging and we are hopeful that we should be able to achieve our plans of next three years in buildings products.

Ankit: Sir, last question on the new states that we are planning to enter Karnataka and Andhra, so how has been, have we started supplying to them in 1st Quarter or you are still planning to enter them in the coming quarters?

Shiv Singh Mehta: Andhra and Telangana we have been supplying. Karnataka there was initial start but because of COVID there was no local movement permitted. So, actual actions only start once the free movements are permitted. We were constrained and restrained in terms of movement in Karnataka during the last quarter.

Ankit: But have you started supplying in Q2 or like have the supplies been ramped up in Q2?

Shiv Singh Mehta: Q2, we have just made the beginning but you see these are months of rain so real impact how successfully we are able to do it, we will be able to really assess it from the month of October only, because now it's a full-time rain so these sectors generally come considerably when it rains.

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

Dhwanil Desai: Sir, first question is on industrial product pricing, in FY20 our volume was around 11,000 tons then it dropped to 5,000. And this quarter, I think we have done around 1,100 tons. So, I wanted to get your views that do you see enough activity and demand on that side to go back to our FY20 level this year or the next year? And is margin profile in that segment somewhere closer to building products or closer to agri sector?

Shiv Singh Mehta: Institutional sector generally was constant during this period because of pandemic the actual ground activities were limited. However, going forward as I had said, we will be very watchful, because most of the supplies are through EPC contractors and they are in turn dependent on government payments and then only we are getting payments from EPC contractors when their payment position is comfortable. So, as I said, we will be very careful and watchful on institutional supplies and we have that's why kept a limited exposure or plan in our AOP also that we will be targeting about Rs. 120 crores during the current year and we are hopeful that we should be able to achieve that.

Dhwanil Desai: And sir the margin profile of that is similar to building products or lesser than that?

Shiv Singh Mehta: No, it is less than building products and it is always you know volume on product wise what kind of a business opportunity comes through.

Dhwanil Desai: Second question sir, I think you mentioned that we command around 10% market share in Maharashtra. And if my understanding is correct that's around Rs. 3,000 crores kind of a market. So, somehow we are not able to connect the dots as to 10% of that Rs. 3000 crores is a very large number. So, 10% are we meaning to any specific product segment or can you throw some light on that?

Shiv Singh Mehta: You see Maharashtra BP, we are just beginners in building product space. It is a very large market in Maharashtra. We are only talking agriculture, or water pipes supplies to Maharashtra market. And that is where we are getting traction in the areas and the districts we are now focusing. I mean we are not in all the districts, but we are in majority of districts of Maharashtra now.

Dhwanil Desai: So, that means that this 10% market share is for the district which we have ?

Shiv Singh Mehta: We have launched ourselves and in agriculture space, not in building product space.

Dhwanil Desai: And sir, my last question is on the building product. So, I think, we did around 2,500 tons in FY21 and even in Q1 our volumes at least we were able to maintain on, it's the same run rate as last year Q1. So, do you see this segment growing at 30% to 40% at least this year?

Shiv Singh Mehta: You see building product growth will be certainly more than agriculture. And we are very hopeful for two to three reasons, 1) Wherever we are present in agricultural sector, we are

able to utilize our distribution network to sell BP. So, there is an immediate access to the markets. 2) Our brand is helping us to relate with the customers who are coming to buy building products. And 3) Our range as I explained up to two and a half inch is fully now ready so that we are able to offer the full-basket of products in that range.

Dhwanil Desai: Okay, so we expect some decent growth over last year?

Shiv Singh Mehta: We are quite hopeful that we should be able to encash our brand and network to promote building products.

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

Rahul Jain: We do understand Quarter 1 has been really tough for the industry, given that second wave of COVID was really quite disturbing. And typically this time it affected the rural towns much more. And that's how, our business being dependent on the agri part, we have been affected. But just to understand sir the various segments, all the three segments put together. Just to understand because of our Quarter 1 is always a very heavy quarter in terms of the agri demand. How much of this demand which we must have lost due to the COVID, due to the lockdown? Has that demand come, is it completely lost or there is some kind of pent up whereby someone will still come and purchase? How do we understand this in different segments?

Shiv Singh Mehta: For agriculture, the demand lost is not that it is gone, because what we understand that a customer will definitely come back to buy, if he has a urge, if he has a need, if he feels that he has to improve his infrastructure. Because of limitations of market or movement, or because of any other reason he may not buy at that point in time. And that is why, he has not come to market. But sooner or later, he will come back, because he needs irrigation products to do his work in the field. So, if not yesterday, maybe today or tomorrow, he will come back to buy this is how we look at it.

Rahul Jain: Sir it's not a demand which is completely lost forever, it will --?

Shiv Singh Mehta: No, it's an infrastructure product so one needs it. It's not a consumption product, so one will require it. So, there is certainly a definite reason to believe that tomorrow he will come back because he is needing it to irrigate his farmland.

Rahul Jain: And the same would be the case with the other segments also of industrial and building products?

Shiv Singh Mehta: Absolutely.

Rahul Jain: And second question, you alluded to a previous participant question with regards to revenue growth this year. But just to understand on the volume part sir, like last two years, our volumes in March '20 were around 55,000 tons, in March '21, it was around 51,000 tons. And the current year, our 1st Quarter volumes are 11,000. Just doing a pure math, even if we want to maintain similar volumes of last year, in the remaining nine months, you need to probably grow your volumes almost to the tune of 20-21%. Is that possible for you to achieve or can we have a flattish volume this year compared to last year?

Shiv Singh Mehta: Now having lost the 1st Quarter, which is very crucial and important and in uncertainty as we are travelling in terms of some possibilities here or there of COVID impact in some form or other, we are keeping, that's why we gave this guidance at the beginning itself that looking to whatever we are faced in 1st Quarter, there is a prudent need to revise our guidance for our future of Rs. 1,200 crores projection to 2024. So, we will be very watchful. But only I would like to qualify what I am saying by saying that 1) We definitely see the intent on part of farmers to buy, because in our interactions wherever we have, we find that he wants to buy pipes for his field, there is a pent up demand. And again, there was a substantial increase in the raw material prices last year, which are there to stay. So, the mental acceptance of new price base also is helping him to convert his intent into a commercial decision.

So, we are hopeful that there will be a growth, but how far that growth will culminate into actual numbers, we have to be, another two months are very important for us to see. Because initial rain forecasts were very, good so far August rains were reasonable and how the rest of the one month of monsoon progresses and what kind of water availability is there is to be seen.

Rahul Jain: Sir just to clarify when you talked about, assuming the situation to be normal, you said we can expect growth, that growth as far as FY22 is concerned, you are talking in terms of volume, is my understanding right?

Shiv Singh Mehta: Yes volume, we are talking in terms of volume. And we are hoping our assessment based on the progress of monsoon, as well as what kind of pandemic situation evolves hereon. And we are hopeful that the pent up demand will come back to the market.

Rahul Jain: Last question, so with regards to Maharashtra, Telangana, Karnataka, if you could give some more details about how the traction has been in last three to four months? And what steps now we have taken further in last three to four months to improve our reach, improve our distribution, to improve our sales in the newer areas, the newer states which we have been targeting for last two to three years. Just to understand what kind of steps we have taken further in the last three to four, five months. And we plan to take in next two to three months so that we can accelerate our growth in the newer markets?

Shiv Singh Mehta: A general point of observation we saw that in this 1st Quarter pandemic impact, we found, South was less impacted. MP, Maharashtra, Rajasthan were impacted more. So, if you ask me what was the region wise impact, so, I would say that we, in our sales number what we see that from our projections, we did better in the Southern states as compared to Central that is Madhya Pradesh or Maharashtra state where the lockdown was total, total movements were almost difficult. So, if you see our efforts, we are continuing our efforts in all the states like Maharashtra, Telangana or Andhra Pradesh. And our dealers are also quite hopeful there that they will be able to find good market in the coming months.

Rahul Jain: Thank you. The next question is from the line of Jatin K. from Alder Capital. Please go ahead.

Jatin: Sir, I wanted to understand how much would be the inventory gains or loss for this quarter as well as for the past year?

Shiv Singh Mehta: Last year numbers I had given you that we had an inventory gain of Rs. 6 crores. But this quarter, there was no inventory gain, we had little inventory loss if you ask me, because towards the month of June prices had come down. So, if you look at in numbers, it will be very difficult to give exact inventory numbers but about Rs. 2 crores to Rs. 3 crores plus minus something would be the loss in this quarter.

Jatin: Sorry sir, I lost last year's number, can you please repeat that?

Shiv Singh Mehta: If I remember right, Rs. 6 crores was our inventory gain last year. But this time, this quarter, we had an inventory loss, which would be around something plus minus Rs. 3 crores. I don't have exact numbers here but around that.

Jatin: And sir in terms of current, as in our 1st Quarter and 3rd Quarter are quite good. So, now you are saying 1st Quarter, we had a lot of issues. So, we expect things to be improving in 2nd and 3rd Quarter or are we seeing difficult times to continue in coming quarters?

Shiv Singh Mehta: No I still feel the 2nd Quarter should be reasonable, 3rd Quarter should be quite good. And 4th should be also good. So, things have started improving in this quarter from the last quarter.

Jatin: And sir on FY24 Rs. 1,200 crores guidance, would you like to split it in-between the regions?

Shiv Singh Mehta: Let me do my homework, get back to my drawing board and come back, because things have been so uncertain. We are still making ground level assessments state wise, product wise, region wise. And the impacts have been fairly fast in terms of what, like up to April 15th we were very hopeful, things were going very well. And just at the end of first 15 days of the quarter, there was a total lockdowns all across. And this time the rural impact was far greater than what we had ever anticipated. So, that's why I am saying we are going through the

data,going back to drawing boards of product wise, I will be able to give you after a detailed analysis some feedback on this.

Jatin: And on margin any guidance for this year or for the future.

Shiv Singh Mehta: Margins should be reasonable. You see last year we had inventory gains, I am not sure that there will be inventory gains for the current year. But yes, margins will be as we had said, we will be definitely able to maintain or improve than what we have been doing, that is 10% plus minus wherever we see, because, in the market, everyone is trying to looking at markets with EBITDA margins, and we are focusing more on building products and fittings so they generate generally better EBITDA margins.

Jatin: So, close to 10%, sir?

Shiv Singh Mehta: Yeah sure.

Moderator: Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Could you share your revenue split between the three main market of yours, Madhya Pradesh, Rajasthan and Maharashtra?

Shiv Singh Mehta: You want state wise revenue?

Rajesh Ravi: Revenue mix, yes, for the year as a whole that would be more useful, quarterly may not be --?

Shiv Singh Mehta: For the whole year, projection?

Rajesh Ravi: Not projection sir. For example, in FY21 what was your revenue split between the three states?

Shiv Singh Mehta: Last year revenue, I don't have it handy. Can you give me your email we can try and send you the detail.

Rajesh Ravi: I will reach out to the IR people. And second I see you have grown from Rs. 300-Rs. 400 top-line to Rs. 600 crores all but three years have been under pressure, but even being a small company, you have been continuously growing. If we look into the commentaries of the five major, they continue to talk about industry consolidation you know smaller players, specific niche and that is whereby the market share gain has been fast for larger players. How do you look at all these arguments and can you throw some light on these?

Shiv Singh Mehta: I certainly see a merit in the statement that there is a consolidation which is likely to happen in the industry, because that's how the whole industry is evolving. Advantage with Kasta is

that our brand is very popular in the areas where we dominate markets, and we are far ahead in terms of market share. So, this has come out of certain companies, product, quality, services and supply range. And once we have gone to the new territories, we have found that we have been able to find good acceptance, and we have been able to make reasonably successful penetration in the area in last two to three years. And this is what gives us confidence that we will be able to develop market and our journey as per our plans should be possible.

Rajesh Ravi: So, that's right, going forward, we have been talking about Rs. 1,200 crores top-line FY24 and its happening, you know I was more about the last, the past four to five years, which are the companies which has gone down under or have seen significant erosion because you as a company has been growing. I would say from Rs. 300-Rs. 400 crores top-line to Rs. 600 crores, there have been a few hiccups because of COVID FY20-21 both have been, you know, for the industry as a whole. But then since, a small sized company, a regional focused company, we have been able to grow, what sort of companies are faced the heat or have got adversely impacted?

Shiv Singh Mehta: See I personally feel that now, buyer is becoming discerning. He wants products and a value for his investment. He wants to trust a known brand. So, if one is able to travel the journey, there is every reason for him to see future with optimism. And that has been our journey. So, any company which has not been able to develop a brand or has a wide or a happy customer base or a dealership friend would have to find reasons how to succeed.

Rajesh Ravi: And lastly, for the three segments, what would be your desired, next two to three years abroad revenue breakup between all the three business segments? And what could be sustainable margins for all these three segments?

Shiv Singh Mehta: Maximum, what we had said when we had planned out our projections, we said that we will take our building product to about Rs. 200 crores on three or four years. We had said that institutional sales we will limit to about Rs. 200 crores around that because that is where we are not very sure about payment cycles with EPC contractors, so will be watchful and careful in terms of sales. So, obviously the rest of it will come through our existing product portfolios. So, this is how the general breakup would be. As far as margins are concerned, building products offer better margins as compared to agriculture and institutional sales.

Rajesh Ravi: So, the last few years margins are there any benchmark sort of numbers that we should be looking at?

Shiv Singh Mehta: No, we have been saying that we will definitely try to be double digit in terms of agriculture. And building product we will like to, I mean target ourselves against the industry's average. And that's what we will try to aspire to achieve.

Rajesh Ravi: And you have already mentioned that 80,000 tons plus or minus 10,000 tons; 80,000 to 90,000 tons you would be able to achieve this Rs. 1,200 crores top-line?

Shiv Singh Mehta: Yes.

Rajesh Ravi: So, this doesn't entail any future expansions, CAPEX it's an assets rating which will drive your revenues, right?

Shiv Singh Mehta: Our CAPEXs are only towards improvement of efficiencies, product development and that's where, and some marginal CAPEX for specific product markets, what we are developing wherever we see a growth.

Rajesh Ravi: So, how much would they entail in terms of CAPEX for the next two to three years FY22-23?

Shiv Singh Mehta: As per our current plans there is a regular CAPEX for the efficiency gains or product development, like in fittings you have to have range. Today we have a limitation of up to a certain size, now if you want to expand that range, then we will have to go for investment for those moulding lines or those moulds which are required. So, this kind of annual CAPEX will keep happening, but mostly it is planned out of internal generation network.

Rajesh Ravi: And how much this number would be sir, annual basis, sir any ballpark number?

Shiv Singh Mehta: Any way I mean for any plant of our size would be spending Rs. 10 crores plus or minus 10% to 20% any time every year that is minimum for maintenance and development. And any major plans which we succeed and development happens then there will be additional CAPEX.

Moderator: Thank you. The next question is from the line of Varun Sheth, an individual investor. Please go ahead.

Varun Sheth: Most of my questions have been answered, just a clarification on the CAPEX part, sir just wanted to understand, currently we are building for the capacity which is 1,000 metric tons per annum and if I do sir mathematics on what turnover we have achieved in this quarter or the previous quarter, it is roughly (audible 00:43:02) likely to be achieved as per capacity and if we are targeting Rs. 200 to Rs. 250 crores turnover from building products, sir we would need some additional CAPEX on that side building products. So, if you can throw some light on that, please?

Shiv Singh Mehta: See this growth will require additional CAPEX if we are able to succeed with our numbers within the financial year 2022-2023 not in 2021-2022. Because by the time we grow to that level we would reach, to this level we will reach with the current CAPEX and an additional investments for mould and moulding machines what will be required, will be at that point in time. That's what I was explaining just now.

Varun Sheth: So, I basically understood that in order to achieve Rs. 1,200 crores and to process 80,000 tons turnover you do not need any additional CAPEX as such?

Shiv Singh Mehta: No, it is not on the, I mean that's what I am saying for moulding and moulding machine, because if you expand your range, and you grow beyond, you will have to invest and that will happen in next financial year. We don't foresee in the current financial year.

Varun Sheth: And that would be in the range of Rs. 10 crores or more?

Shiv Singh Mehta: No, it will depend on how much range you build up, otherwise it should be minimum, reasonable expenditure for developing the range and the capacities, but we are hopeful that most of it can be done through internal accruals in the coming year.

Varun Sheth: So, sir my point was basically in order to achieve Rs. 200 crores I am sure you would have identified the range and all --?

Shiv Singh Mehta: Yeah, but that will be the next financial year that is 2022-2023.

Varun Sheth: Okay, when the CAPEX will start and when those designing will start?

Shiv Singh Mehta: Yeah.

Varun Sheth: Then will you be able to sell immediately in FY23 and FY24?

Shiv Singh Mehta: No, we are building so 6,000 tons is our existing capacity. So, first let's achieve up to say close to that and then we keep on investing. It doesn't happen that it stops here and starts, it is a continuous process, it's a journey, you see it happening simultaneously.

Varun Sheth: And just one more, last question on the agriculture side, so how much sir would be the replacement demand and how much would be incremental demand according to you?

Shiv Singh Mehta: India is still largely, enormous potential to irrigate. If you see the consumption per capita and possibilities of irrigating land, it's a huge potential. Even the most developed areas, because India is not uniformly developed. Some of the districts are much more developed than others. But even the so called Indian developed districts the demand is fairly robust even now for this. So, the next 10 years we don't see anywhere close to where we can see a replacement demand will be the basis of calculation, it is the pent up demand and replacement demand which are adequate and enough for market and industry to grow.

Moderator: Thank you. The next question is from the line of Anand Mundra, an individual investor. Please go ahead.

Anand Mundra: Just wanted to check, historically we have done around 7% to 8% margin at Rs. 500 crores revenue, now this quarter we have done 9% margin on Rs. 110 crores revenue. So, I was just thinking that what has changed since there is no inventory gain as you had mentioned sometimes back?

Shiv Singh Mehta: As I have said, we are working on our new territories where slowly we are getting our brand recognition and helping us. For the last two to three years, we are working on new territories. And new territories when you have brand recognition you start getting better market margins, When you are building product sales improve or your fitting sales improve they offer you better margins. So, it's aggregate sum of all these initiatives which are reflected in margins.

Anand Mundra: So, can we safely assume sir that Rs. 500 crores size we will be able to do 9% to 10% EBITDA?

Shiv Singh Mehta: Yeah we certainly should maintain and we should try to improve.

Moderator: Thank you. The next question is from the line of Yachna Bhatia, an individual investor. Please go ahead.

Yachna Bhatia: You just mentioned to the previous participant that as you expand into new geographies and your brand gets established, you start seeing improving realizations and better margins. My question was that, right now we are on a phase that we are adding even more geographies right now. So, for example, we are talking about Telangana, Karnataka. So, in this interim period do you see that there could be pressure on gross margins as you need to establish a brand in these places?

Shiv Singh Mehta: Wherever you are established and where the brand recognition starts responding, your margins keep improving, so one point is for this acceptance. So, this is a combination of two that how far the logistic you have to manage and what kind of brand acceptance you create in the market. So, it's a combination as I was saying too. And this is where in one of the questions I was asked, when would you plan a new unit. So, the question the new unit will be based on critical mass and that is the time again there will be a better contribution towards margin, because the logistic cost will be compensated by a local manufacturer. Am I able to explain your question?

Yachna Bhatia: Yeah.

Moderator: Thank you. The next question is a follow-up from the line of Viraj Mehta, from Equirus PMS. Please go ahead.

Viraj Mehta: Sir just one question, you said, we had the inventory loss of Rs. 2 crores this quarter, is that the correct understanding?

Shiv Singh Mehta: Yeah you are absolutely, I mean I don't have exact numbers as I said. It should be around that something plus minus 10% here or there is possible, I can't give exact numbers.

Viraj Mehta: So, sir EBITDA it was around Rs. 13.5 crores quarter is 16.5 odd crore of 10% even on such volumes. Just wanted to understand the scale and --?

Shiv Singh Mehta: So, I will tell you, I will try to explain this point to you. Kasta brand today enjoys a brand premium and customer pull enables us to sell at premium, at certain point in time when the market prices were dipping, we were able to hold our price line, because of the demand from whichever quarter, we were able to, that is why our overall margins in this kind of a market we were able to improve. But because of inventory loss, our overall targeted EBITDA margins were low.

Moderator: Thank you. The next question is a follow-up from the line of Ankit from Bamboo Capital. Please go ahead.

Ankit: On the building product side, how big is the market size of Maharashtra, Madhya Pradesh and Rajasthan compared to agricultural pipes?

Shiv Singh Mehta: You see building product market size almost I would say, if 100 is agriculture market, building product is about 75 in terms of proportions, if you ask me. It is a very large market and it is more, it's bigger market in the developed states like Maharashtra as compared to a less developed state like Rajasthan, Madhya Pradesh, because more of construction activities and progressing housing are done in these states as compared to Madhya Pradesh or Rajasthan or Bihar or certain backward states.

Ankit: On the launch of building product in this pace have we launched all across our distributorship which we had for agriculture pipes or we are covering it gradually over the next few months or over the next few quarters we will be able to cover them?

Shiv Singh Mehta: No, what we did, we have offered to all of our agriculture dealers, our building products, but we have to train them, educate them, develop them to sell building products, it is a process. Because selling building products and selling agriculture products has some similarities, but some different capabilities are required from the distribution and selling dealer side. So, it's a process. So, we have launched through them, but everyone is geared up, yes, no, this is how it is.

Moderator: Thank you. The next question is a follow-up from the line of Rahul Jain, from Credence Wealth. Please go ahead.

Rahul Jain: Sir two questions, one is sir with regards to the EBITDA margins or EBITDA per ton, so if you could share some details with regards to how do we look at our business in terms of say a per kg EBITDA or per ton EBITDA, could that be a better metrics to look around for?

Shiv Singh Mehta: There is a wide range.

Rahul Jain: Every state situation, what could be the EBITDA per kg, EBITDA per ton whichever, how should we look at?

Shiv Singh Mehta: Raw material prices have gone up from say about Rs. 80 a kg to Rs. 125 to Rs. 130 a kg. So, now if you talk in terms of percentage, it is a different metric at Rs. 80/kg and Rs. 125/kg. If you talk in terms of per kg EBITDA, it will be within a smaller range as compared to percentage range in terms of GP. So, at times it's better to talk in terms of per kg EBITDA at the time of as a percentage of sale, but you have to see a combination of two because fittings will offer a very different kind of EBITDA situation and building product and agriculture will offer a different kind of situation. So, if you want to really aggregate percentage maybe somewhere more appropriate to look at, but if you see product wise, it maybe per kg, maybe it is better to look at. That's how I would look at it.

Rahul Jain: I am trying to ask sir, so in a steady state raw material scenario --?

Shiv Singh Mehta: Steady state, at what level, at Rs. 130 a kg level or Rs. 80 a kg level, that's the issue. Historically, the prices have never moved about Rs. 85 to Rs. 86, this is only during last pandemic that is beginning April 2020 that prices saw a new curve, a new rarity where it went up to Rs. 130 plus. So, it is a very temporary, short-term phenomenon, but we are all feeling that to get back to the old realities of Rs. 80 a kg are now very difficult to think. But there will be new normal, where it will settle, we have to see, but today the worldwide the PVC is in shortage, logistics are big challenge in terms of container and ship movement. So, we are very, very clear that for immediate terms we cannot see again those prices which we are used to in this industry, for long many years.

Rahul Jain: Sir I do understand the price movement of the raw material, that is why I am saying that in terms of EBITDA per ton, EBITDA per kg in a scenario where there is no inventory loss and there is no inventory gain. Because quarter wise it will fluctuate, because inventory gain in one quarter and then inventory loss in the next quarter. I am saying if there is zero inventory gains or losses what is the steady state EBITDA per kg at somewhere around the current volumes which we target? What kind of value addition we target on raw material?

Shiv Singh Mehta: I was telling you about the value addition only, this is fittings would offer a different EBITDA margin per kg, agriculture pipes will offer a different EBITDA margins, a smaller diameter of say about 20 mm to 25 mm to 40 mm will offer a different EBITDA margins to 160 mm diameter. Because there are different EBITDA and market realities of acceptance and

applications, so it is very difficult to aggregate in terms of any specific number of the entire range.

Rahul Jain: Could you share the number for the only agri part then, is it possible to share?

Shiv Singh Mehta: No, as such we target something for an extruded product different than a moulding product. But anyone would be looking at a number where at least it is adding say about Rs. 20 or plus minus something on an average on an EBITDA basis, which will be you know, but it maybe for a higher diameter it will be say Rs. 15. So, something like that will happen. So, if I am talking about, so it is difficult, because 20 mm, 40 mm is a different game as compared to 160 mm, 110 mm range. So, there will be difference in each segment.

Rahul Jain: And with regards to this inventory gain and losses, I understand that June '21 end prices were higher than March '21. But probably in-between the prices could be higher, which is why at the end of June quarter you may have some raw material, which you have bought in April or May, which could be at higher prices, that could have led to inventory losses by June end?

Shiv Singh Mehta: No June end prices were lower as compared to March end prices. That is why inventory loss.

Rahul Jain: And they have already moved up now?

Shiv Singh Mehta: Yeah.

Moderator: Thank you. The next question is a follow-up from the line of Rajesh Ravi, from HDFC Securities. Please go ahead.

Rajesh Ravi: So, this employee cost number seems to be volatile from Rs. 10 crores in March quarter back to Rs. 5 crores. And earlier also it was around Rs. 5 crores to Rs. 5.5 crores in the preceding quarters? Employee cost. March quarter number is Rs. 10 crores and now it is back to Rs. 5 crores, before March it was around Rs. 5.5 crores on a quarterly basis.

Shiv Singh Mehta: No, I will have to check, it should not be like that. There cannot be different like this Rs. 10 crores and Rs. 5.5 crores. For a quarter it should be around Rs. 5.5 crores. I will come back to you, let me check. Send me your address we will get back to you, it cannot be that much of a difference.

Moderator: Thank you. The next question is from the line of Keshav Garg from CCIPL. Please go ahead.

Keshav Garg: Sir I was wondering that since we are in B2C business and mostly we are doing retail sales then why are we having inventory losses. I mean why can't we just hold the prices? If the raw material is falling why do we need to reduce the prices immediately, since it's a branded product?

Shiv Singh Mehta: We try to maintain our prices but it's a competitive market where all competitions are operating in same market space. So, if you are in a market and if suppose raw material prices have fallen, then every other competition will be trying to see that they maximize their share. And in such a situation you have to be rational and objective. And you have to pass on the benefit to a customer.

Keshav Garg: And also wanted to understand sir that, for the same product as compared to let's say Supreme Industries, how is our pricing? We are selling at what discount to Supreme Industries for the exact same product?

Shiv Singh Mehta: Wherever we are stronger market presence and recall in terms of brand, we are selling mostly not comparing our prices at a cheaper price but at par or above.

Keshav Garg: So, basically you are selling at a premium to Supreme Industries?

Shiv Singh Mehta: Some products in our markets, wherever we are operating we have a strong market presence and our brand, that's where we sell at our price.

Kesha Garg: Which is higher than Supreme Industries?

Shiv Singh Mehta: I mean that would be size wise we have to check, it will be a wrong statement to make on a public platform. But if you better check with the dealers they will give you a clear feedback where we sell.

Keshav Garg: And sir lastly wanted to understand sir that if Maharashtra is our major market and one major player Jain Irrigation, sir I think they are not doing too well, so you think that that gives us an additional opportunity to increase our market share over there?

Shiv Singh Mehta: It gives to every processor who is present in that market with a branded image to gain because the market is same and if number of strong operators are reduced the gain for everyone will be there to share.

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. Over to you sir.

Shiv Singh Mehta: Thank you to all the participation that you have found time and being with us. And I hope that I have been able to give you some perspective and answers to your queries and questions. If there are any further questions and you want to know more about Company, please reach out to our Investor Relations Manager at Valorem Advisors. I again thank you and hope that you stay safe and healthy. Thank you so much.

Moderator: Thank you. Ladies and gentlemen on behalf of Kriti Industries (India) Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.