



KRITI INDUSTRIES (INDIA) LIMITED

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Online filing at: www.listing.bseindia.com and
<https://neaps.nseindia.com/NEWLISTINGCORP/login.jsp>

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 Earning Conference Call held on 13th February, 2025.

Dear Sir / Madam,

We enclose herewith transcript of Earning Conference Call of Kriti Industries (India) Limited with the Investors and Analysts held on Thursday, February 13, 2025.

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**

Tanuj Sethi
Company Secretary & Compliance Officer

Encl: As above



KRITI INDUSTRIES (INDIA) LTD.

**“Kriti Industries (India) Limited
Q3 FY '25 Earnings Conference Call”**

February 13, 2025



KRITI INDUSTRIES (INDIA) LTD.



**MANAGEMENT: MR. SHIV SINGH MEHTA – CHAIRMAN AND
MANAGING DIRECTOR – KRITI INDUSTRIES (INDIA)
LIMITED MR. RAJESH SISODIA – CHIEF FINANCIAL
OFFICER – KRITI INDUSTRIES (INDIA) LIMITED**

**MODERATOR: MS. DIPALI KUMARI – ARIHANT CAPITAL MARKETS
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Kriti Industries Limited Q3 FY '25 Earnings Conference Call hosted by Arihant Capital Markets 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Dipali Kumari from Arihant Capital Markets Limited. Thank you, and over to you, ma'am.

Dipali Kumari: Thank you, Sejal. Good afternoon, everyone. On behalf of Arihant Capital Markets Limited, I welcome you all to Q3, 9 Months FY '25 Earnings Call of Kriti Industries India Limited. I would like to thank the management for giving Arihant Capital the opportunity to host the call. From the management, we have Mr. Shiv Singh Mehta, Chairman and Managing Director; and Mr. Rajesh Sisodia, Chief Financial Officer.

I will now hand over the call to the management for their opening remarks, post which we can open it for Q&A. Thank you, and over to you, sir.

Shiv Singh Mehta: Thank you. Good afternoon, everyone, and welcome to the earnings conference call of Kriti Industries Limited for the third quarter of the financial year 2025. Let me start by giving you some brief highlights for the quarter. Last six months and particularly last quarter Q3 have been very challenging for the company.

Company is under annual contract to procure its raw material from regular PVC manufacturers. However, during this period, open market prices of PVC were substantially lower than the prices at which company was buying. In addition to this, international polymer prices continue to decline. All these factors not only impacted overall business, but also operating margins.

The Agri segment volumes grew marginally by 2% year-on-year basis to 16,511 metric tons as compared to 16,230 metric tons in Q3 financial year '24. The Building Products segment total volumes grew by 30% year-on-year to 2,262 metric tons as compared to 1,753 metric tons in Q3 financial year '24.

While the Industrial segment volumes declined significantly from 3,496 metric tons in Q3 financial year '24 to 931 metric tons only in the Q3 financial year '25. Therefore, in Q3 financial year '25, total sales volume were 19,704 metric tons as against 21,479 metric tons in Q3 financial year '24.

I'll now hand over the call to our CFO, Mr. Rajesh Sisodia, to give you financial highlights.

Rajesh Sisodia: Thank you very much, sir. Good afternoon, everyone. Let me take you through the financial performance of our company on a consolidated basis. Our revenue for the quarter was around INR210 crores, which declined by around 14% on Y-o-Y basis. There was an EBITDA loss of INR1.4 crores and a net loss of INR11 crores for this quarter.

For the 9 months ended financial year 2025, our revenues were around INR584 crores, which declined by around 13% on Y-o-Y basis. EBITDA declined by 38% on Y-o-Y basis to INR28 crores with EBITDA margin reported at 4.83%. The net loss for the period was around INR60 lakhs.

We can now open the floor for question-answer session.

Moderator: The first question is from the line of Shiv Ramakrishnan Kodali, who is an individual investor.

Shiv Ramakrishnan Kodali: Sir, the question is that from whatever the statement, I understood that your procurement contract is at a particular price for -- throughout the year, normally, in which case your selling price also should be fixed. How is it that market prices are very low compared to your procurement price of the raw material? And what do you intend doing going forward? How long would this continue because of two quarters of losses. So as an investor, one would be concerned. So what is the strategy for the company to alleviate this problem?

Shiv Singh Mehta: See, the contracts are annual. So they get over by March 2025. Thereafter, company will have to revisit the -- I mean, procurement based on current given market realities and situation. We are already working out on that once the contract period is over.

Shiv Ramakrishnan Kodali: But normally, when input prices are on an annual contract, normally you would have an output price also should be an annual contract. Is that true? Do you not follow that?

Shiv Singh Mehta: Actually, there is a certain basis on which most of the companies manage their prices. They are flat. These are international agencies who give indicated prices. But in this particular situation in India, in last six months, the governing prices in local markets are much, much below all these referred prices or linked prices to certain basis points.

Shiv Ramakrishnan Kodali: So what would be the solution for this, sir, going forward for the company?

Shiv Singh Mehta: Government has been talking about putting ADD. For last four months, we have been all waiting -- all processes have been completed by government. Already notification details have been also circulated. But the final -- I mean, announcement is just not happened, and everyone is waiting for that.

Shiv Ramakrishnan Kodali: And how about the growth in the revenue because in the first quarter conference call, I mean, you are pretty confident about growing 15%, 20% for a year, but it looks like there's a degrowth?

Shiv Singh Mehta: Degrowth is only on account of institution. Both major businesses of ours that is agriculture and building material are growing. But yes, we have been very cautious about institutional business, and that is where there is a degrowth. Degrowth was, as we had explained in the last call itself, the company is quite conservative and careful in taking businesses.

More importantly, as most of the institutional business is linked to EPC contracts and these are mostly government contracts. And that is where most of the EPC contractors, unless we are sure about timely payments and cash flow cycles are positive, we don't end. That's why we have been very restrained in this area of business.

- Shiv Ramakrishnan Kodali:** And you talked about expansion of production capacities in – investor conference , what is that? Is it higher value-added products or is the same products being?
- Shiv Singh Mehta:** We are going ahead with our expansion plans. Already during this current year, INR20 crores capex has been -- payout has been already made, and we are further going ahead with our plans.
- Our plans are almost towards conclusion before end of this financial year before we make annual operating plan for the coming year. And as you must be aware that we had raised warrants and that's where we would be working towards medium to long-term growth plans, which will be finalized by the Board and then it will be available.
- Shiv Ramakrishnan Kodali:** Would they be what you call new products with higher margins or would be similar products of existing capacity?
- Shiv Singh Mehta:** No, we will certainly look towards higher-margin products. And we will also look at the opportunities around which we would like to cash.
- Moderator:** Sir, does that answer your question?
- Shiv Ramakrishnan Kodali:** Yes, I'll come back if I have any more clarification.
- Moderator:** The next question is from the line of Tanish Jhaveri from Omkara Capital. Please go ahead.
- Tanish Jhaveri:** Yes. So, I would like to know like considering the inventory losses for everyone, how long -- like how long do you see that -- like after how long will we normalize the margins? Like how long do you think this will sustain?
- Shiv Singh Mehta:** I mean, everyone is waiting for, I mean, additional dumping duties, which government has already circulated all drops and everything and still that has not come through; One. Number Two, even the local raw material manufacturers are now aligning their prices. And I mean, it's not that fully the gap is fully bridged between open market prices and manufactured prices. But still, they are -- in this month itself, they have brought some corrections.
- And we hope that looking to the industry demand and requirements, there will be realignment in prices where the local prices may look up or raw material manufacturers may adjust a little bit here and there. And also, if ADD comes, then all these situations may also rectify.
- Tanish Jhaveri:** Okay. That's great. And the next thing I would like to move on is, have you seen any pickup in your industrial segment during Q4 or is it still stagnant?
- Shiv Singh Mehta:** The industrial segment is looking up now because now after elections, I think the new finances are getting cleared and those monies will flow. But as I've been maintaining, we will keep ourselves circumsised to limited numbers as far as the industrial segment is concerned. We'll not go aggressively on this area of business.
- Our major focus will be BP, where we are growing well, and we are getting reasonably good response. And this is along with Agri that will be our major focus of business.

- Tanish Jhaveri:** Okay. That's great. And how do you foresee building products growing? Like is it going to -- the momentum is going to get better or how do we see that playing out?
- Shiv Singh Mehta:** Can you repeat your question, sir?
- Tanish Jhaveri:** The building products, do you see it moving at the same rate that it is moving? Or do you see a slowdown? Or how do you see the Building Products segment moving ahead?
- Shiv Singh Mehta:** Building Products segment will grow faster than what we have grown so far. Thinking that the growth rates will be faster than what we have today.
- Tanish Jhaveri:** Okay. And I understand that we have a fungible capacity, right? So, do you foresee like some of the -- like the capacity used for IP like the industrial segment will be used for building products?
- Shiv Singh Mehta:** There is a fungible capacity. Not everything, but quite a substantial portion of the extrusion is possible, but molding is specific to our business because molds are specific.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Company.
- Saket Kapoor:** Sir, firstly, have you factored in any inventory losses also for this quarter? Or what explains, sir, although our revenues are up Q-on-Q from September to December, but the PBT losses have increased?
- Shiv Singh Mehta:** You see there are definitely inventory losses. But more significant was the margins because the local prices of raw material are much lower than at which rate at which we are getting from our suppliers.
- Saket Kapoor:** Okay. And sir, can you give some color, firstly, what majorly constitute our RM basket and the price trends in the raw material trajectory that has changed over Q-on-Q and year-on-year basis?
- Shiv Singh Mehta:** You see, the question is that you see when prices are on a declining trend, your imports normally arrive on Indian shore after 40 days or 45 days of shipments. So, there is a time lag between the price contracted to the material delivered.
- Number two, the local prices of local manufacturers generally are aligned with -- and the local market prices are aligned with a marginal difference maybe here or there. But this time, because of huge imports into country and I mean, a lot of trading stock floating, the local market prices were very suppressed.
- Saket Kapoor:** Sir, can you give some more color on the RM basket? What -- in percentage terms, what are the key constituents? And how have been the RM basket price?
- Shiv Singh Mehta:** I mean, the difference between local market and the raw material manufacturers or landed prices were to the significant extent of 8%, 7%, 9% with month-to-month, they will be even higher than that. But now for the first time, you can see that even local manufacturers are correcting their prices.

- Saket Kapoor:** Okay. And sir, this is a demand issue or an – only an inventory clearing because of the international pricing correcting because sir, you have clarified this point that institutional activities and government capex -- projects due to lack of funding release, you were not able to move forward or supply your institutional projects. So, if you could explain in more detail the factors that are playing out in the vertical wise business environment if you could explain in more detail?
- Shiv Singh Mehta:** Look, as far as the international environment is concerned, most of the economies are struggling. So, the extra polymer production that normally goes to the world market -- India is only green shoot as far as material is required or consumption is there. So, most of the material is getting diverted towards our country.
- And number two, even the international rates have come down. So, that's why their prices, landed prices as compared to they were, are much lower. Now, Indian manufacturers, normally their contracts are based on certain international linkages like PLAT or ICs and other such boards.
- But when the volume of material is very high in local trading channels, the prices are depressed and prices are -- in a declining market, we are sold more aggressively. So prices further go down because in anticipation of prices go down, you want to liquidate your stock. So this is why the local prices of raw material are much lower.
- So now everyone is now realigning and correcting this position. And even government is quite aware and that's why they have taken these steps of ADD and all these initiatives to protect local industry.
- Saket Kapoor:** So we are anticipating an ADD on PVC resins or...
- Shiv Singh Mehta:** Absolutely. Government has already issued and circulated country-wise manufacture-wise ADD, which they would like to apply. The only notification is awaited, which we are still not...
- Saket Kapoor:** Only the getting part is left, that is what you are saying.
- Shiv Singh Mehta:** That everything has been circulated.
- Saket Kapoor:** Okay. And what has been the notification sir? Where is our main dumping coming from? And what are their suggestions?
- Shiv Singh Mehta:** I can't give you the exact numbers, but generally, what people discuss and industry talks is the major dumping is coming from a country next to us.
- Saket Kapoor:** Sir, if we take the segment-wise our operational performance, Agri industrial and building products just a bit, if you could just explain how these segments are forward going revenue trajectory looks like and the factors that will influence the volumes going ahead since your focus has always been in developing this building products segment and going slow on industrial and maintaining the Agri part.

If I'm correct, these are the way you have guided earlier. So sir hypothetically, ADD comes in after that how will scenario change and what your anticipation is for the coming time in terms of at least utilization levels improve and these two verticals of the building product and the industrial line agriculture behaving going ahead?

Shiv Singh Mehta: Agriculture will continue to grow as per the regular 8% to 10% annual growth rate. BP will grow much faster for us, particularly because we have a low base, and we are seeing good traction from market. So BP growth rates will be far more than what we have achieved so far.

As far as Industrial is concerned, I mean, after election is, almost new budget has also come, money allocation has been made. So there will be better demand in institutional business or supplies. But as I have been maintaining, we'll be careful. We will not go very aggressive on this.

We'll try to have a reasonable business volume for particular category of products where the margins will be better, where competition is less, and where the customer or the EPC contract cash flows are protected.

Saket Kapoor: Sorry for my ignorance, but what is our product profile in building products? As per our institutional sales, what are our receivables in nine months?

Shiv Singh Mehta: We don't have outstanding receivables Saket because our policies are of very firm payment cycle from all the dealers. And we are mostly engaged with our own dealers. And as far as institutional sales are concerned, as you are saying, our sales have come down significantly. So I mean, there are hardly any outstanding as far as institutions are concerned because you would see that from a level of -- I mean, we have come down from in institution by 73% sales are down. So you can understand hardly outstandings are there.

Saket Kapoor: And sir, here, we do business by order booking that is what the trend is for the government. So there are no further orders in backlog...

Shiv Singh Mehta: We supply to EPC contractors.

Saket Kapoor: Yes, sir. That is what...

Shiv Singh Mehta: Who are under turnkey contracts for government.

Saket Kapoor: In a nutshell, we can -- the reason for this collapse if we say in margins and profitability is owed to some restraint from the part of government itself, wherein the EPC contractors have been affected and in line to that, we being the facing and at the receiving end of the EPC contractor have suffered in the profitability part. This understanding is correct, sir?

Shiv Singh Mehta: We had anticipated that post elections and the EPC contractor payment cycle will be under strain. And that's why we were not taking up any business in order intentionally going -- I mean, we were not pursuing business to be -- I mean, as I told you even from last quarterly reviews that we were not pursuing business. We were very careful. We wanted to be careful because we know that once you get stuck then you have your own challenges and problems with EPC contractors.

- Saket Kapoor:** Okay. And lastly, sir, what is our net debt number? I think we raised funds through QIP and also some payment for some warrant conversion by promoters have also happened very recently. So if you could just give some numbers on the, how much more money have we received after December quarter because of this conversion?
- Shiv Singh Mehta:** Only promoters have converted about 17 crores worth of warrants into equity. And the reason I always explain, you see in the current stock exchange rules, if you are having acquisition of more than 5% on a basis, it triggers certain other rules. So we wanted to be very careful. That's why we want to divide into two financial years. So 50% conversion was done here and 50% will be done in the next financial year.
- Saket Kapoor:** Okay. And the balance to the non-promoters, they will follow the cycle for 18 months.
- Shiv Singh Mehta:** Because we will take funds only when we are starting our capex cycle. We don't want to take any money upfront and pass the money here. We must be very prudent in our financials.
- Moderator:** The next question is from the line of Manoj from Trinetra Capital.
- Manoj:** Okay. My first question is regarding most of the infra players there is a delay in Jal Jeevan Mission. What is the impact on our business because of the delay...
- Shiv Singh Mehta:** I couldn't get you clearly. Can you help me by repeating your question?
- Manoj:** Yes, sir. Sir, like a few of the infra players talked about there is a delay in Jal Jeevan Mission. Like what is the impact on our business because of this delay?
- Shiv Singh Mehta:** Jal Jeevan Mission you are talking about, am I right?
- Manoj:** Yes like what is the impact on our business because of this delay?
- Shiv Singh Mehta:** You see, so far we were not active in Jal Jeevan mission. Even last quarterly call, I had said that going forward from next year, we will get active in Jal Jeevan Mission. So far, our entire sale is in retail network.
- Manoj:** Okay, sir. Sir, like if you look at South regions especially Andhra Pradesh and Tamil Nadu, it's been impacted because of unseasonal rains and floods and all. If you could share more demand environment region wise, Southwest, North because we have presented around 16 states?
- Shiv Singh Mehta:** Your voice is really echoing so much it's difficult to understand. Can you speak a little slowly and help me to understand?
- Manoj:** Yes, sir. Sir, like if you look at in South area, South regions, like especially in Tamil Nadu and Andhra Pradesh, a lot of unseasonal rain and flood has been impacted the overall demand. Like

I just want to understand how is the demand environment region wise, Southwest, Northeast because we have present around 16 states?

Shiv Singh Mehta: See, as far as building materials are concerned, the demand is consistent and across all segments across India. It is not affected by sudden rains or short rain cycles. There can be a temporary impact of 10 days, 15 days, nothing more.

Manoj: Okay. Got it, sir. Sir, sir, another question, the governments have been like planning for smart cities and water management side. We have any plan to introduce new product lines or regional expansions?

Shiv Singh Mehta: No, we will definitely look at opportunities and try to address them. But as I have said that for institutional business our focus is limited. We will not get aggressive in that area.

Moderator: Does that answer your question, sir?

Manoj: Yes ma'am.

Moderator: Thank you. The next question is from the line of Tanya from AUM Capital Private Markets. Please go ahead.

Tanya: I just have question covering your volume sales and price trends in all the segments. I could see that agricultural products despite contributing 78% to the total revenue, there is a fall in price by 4% in 9 months. And what are the key reason in that price decline, sir, do you anticipate a recovery in this price?

Shiv Singh Mehta: No, raw material prices have come down. The very material which is used to manufacture product like PVC has substantially come down in terms of prices of product, which we buy as our input raw material.

Tanya: Okay. Sir, the following question is say our 9 months raw material cost is INR450 crores. In this, how much have we imported and how much has been impacted by this price variation?

Shiv Singh Mehta: See, it is -- as I was explaining, the impact has been because of two reasons. One, the declining prices of material and you always carry some inventory and the prices -- declining prices definitely impact the trading loss or trading gain. Number two, because there was voluminous import by trading channels in India all throughout this period, the local market prices of material are much below the contracted rates at which company buys.

Tanya: Sir, I could see the net debt increased from INR105 crores in FY '24 to INR112 crores by half yearly FY '25. So there is a signal in leverage -- rise in the leverage. How does the company plan to reduce the short-term debt? Are there any refinancing options to lower the interest rate because I think that is also impacting the EBITDA margin?

Shiv Singh Mehta: No. I mean as far as company's financial placement is concerned, we are comfortably placed. We don't have much debt on book. And we are working on a business plan where we will be conservative towards additional debt.

- Tanya:** Okay, sir. Sir, what kind of EBITDA margins are we looking ahead, sir? Like will it be below 6% or so or we can see an uptick there in the fourth quarter or in the coming year?
- Shiv Singh Mehta:** See, the EBITDA margins should certainly improve going forward from coming year because our procurement contracts are for -- on an annual basis, which will expire by 31st of March this year. So obviously, thereafter, we should be able to demonstrate better performance.
- Tanya:** And what kind of sales revenue growth after this kind of numbers do we expect, sir, like the management is looking forward to?
- Shiv Singh Mehta:** Top line growth, we are certainly looking, as I was telling earlier to replying to a question that we expect made me to grow much faster than what we have shown so far. We have also said that agriculture business is definitely growing in India at a reasonable rate and we would be seeing a growth overall at 8% to 10% for the industry as a whole.
- Tanya:** 8% to 10% growth in top line?
- Shiv Singh Mehta:** Top line.
- Tanya:** Okay. And sir, why there is an extreme fluctuation in this ETR that is the effective tax rate if I could see 27% in Q3 FY '24, 57% in Q2 FY '25. So what factors are driving this kind of volatility in the tax rate?
- Shiv Singh Mehta:** Volatility in the profitability -- am I right, you are asking for the profitability? As I was explaining that the world market is going through a lot of turmoil and the material movement, supply channels are shifting towards more affordable or competitive scenarios. That is where the prices of material that is commodities are quite depressed at the moment.
- Tanya:** Okay. So how long do you see this thing going with this raw material thing going ahead, like is it going to be marginally higher or is it going to be flat? How do you see the raw material prices impacting the operations of the business?
- Shiv Singh Mehta:** See, government is obvious of this challenge. That's why as you must be aware, the government has already created draft for ADD anti-dumping duty on PVC and that is the notification, which is still awaiting.
- Tanya:** Okay sir. Thank you so much. That's all from my side.
- Moderator:** Thank you. The next question is from the line of Anand Mundra from Soar Wealth. Please go ahead.
- Anand Mundra:** Good afternoon sir, I wanted to understand, we have procurement.
- Moderator:** Sorry to interrupt sir. I would request you to please use your handset.
- Anand Mundra:** Ma'am I am using handset only. Now it's better?
- Shiv Singh Mehta:** Yes, it's better.

- Anand Mundra:** Sir, wanted to understand we have annual contract for supply of raw material. So we can't change the price in between. Is that the condition, sir?
- Shiv Singh Mehta:** Prices are linked to Platt. This is an international exchange, which determines the prices. They are linked. So prices are linked and the local market operates on a buying selling. So there is a definite difference between two. At this time, the thing has been where the delta difference is fairly large.
- Anand Mundra:** So all the unorganized players have reduced the prices, so we ended up reducing the prices. Correct, sir?
- Shiv Singh Mehta:** Right. The whole industry had to fall in line because those who are on a day-to-day procurement basis at a much bigger.
- Anand Mundra:** So sir, this will get resolved only if Indian government puts anti-dumping because annual contract will again have the same problem next year because we will be linked to international prices?
- Shiv Singh Mehta:** We will renegotiate a contract. So everyone is oblivious to the current realities, including manufacturers and the buyers. So everyone is talking about it, very healthy atmosphere. Everyone wants to solve an issue amicably.
- Anand Mundra:** Okay. Understood, sir. Sir, another thing I wanted to understand what is our guidance on building products and PVC pipes for this financial year in terms of volume growth?
- Shiv Singh Mehta:** We see a fairly robust growth. I mean, much better than what we have achieved so far because going forward, this is where major business focus is as far as company is concerned.
- Anand Mundra:** So any number, sir, you can put, sir, for -- because, sir, for CPVC, you mentioned in the first quarter call that you are targeting INR170 crores of revenue?
- Shiv Singh Mehta:** Yes, we are definitely working towards that number. And I think you will see coming next year, our numbers would be far, far better than what probably we have so far achieved because our all efforts are to development of market and business in the building materials segment.
- Anand Mundra:** Okay. And sir, suppose industrial solutions business comes back also, we don't want to increase this business, sir?
- Shiv Singh Mehta:** We will be always having limited exposure. We'll not go very aggressive on industrial segment.
- Anand Mundra:** Okay. And sir, any guidance in terms of tonnage for building products business, sir?
- Shiv Singh Mehta:** See, next year, I think I would be very happy if we can double the rate of growth than what we have so far.
- Anand Mundra:** Okay. Understood, sir. And sir with respect to your expansion plan, any thoughts when we will be able to finalize this and where are you putting up the plant, sir?

- Shiv Singh Mehta:** I think it's a question which is pending for some time. Our work is almost getting finalized on that and once our Board agrees and decides, we will definitely share our information.
- Anand Mundra:** Okay. Because sir we have tied up finance long back, sir. And in any case...
- Shiv Singh Mehta:** That's why we had tied up, but with this kind of a market as it was going through, we want to be very sure that what we do is on the right side of the -- which side and where to go, all that decisions were pending.
- Anand Mundra:** Okay. Thank you, sir. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Aditya Sen from Robo Capital. Please go ahead.
- Aditya Sen:** Thank you for the opportunity. Sir, I wanted to...
- Moderator:** Sorry I interrupt sir. I will request you to please use your handset.
- Aditya Sen:** Sure. Audible now?
- Shiv Singh Mehta:** Yes, you are audible now.
- Aditya Sen:** So I wanted some color on our geographical expansions that we are doing into the other states. How is it panning out?
- Shiv Singh Mehta:** So that's where we had said that we will definitely go towards areas which are logistically far away from our existing plant. So normally we would be looking more options in North and South for our growth plans.
- Aditya Sen:** Okay. And any guidance on the EBITDA margins of the building segment?
- Shiv Singh Mehta:** I certainly feel that the building segment has offered much better EBITDA margins than Agri, and that's where our focus is. And if material price is correct, the EBITDA margin should be in line with the industry. And you will see generally industry is showing between 16% to 20% EBITDA margins. So we will try to catch up with the industry in EBITDA, but it takes -- it doesn't happen in steps. It will be a gradual journey towards that.
- Aditya Sen:** Yes. I understand that. All right. Got my answers. Thank you.
- Moderator:** Thank you. The next follow-up question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Sir, if you could give us the utilization level for our different segment in whatever way you want to quantify for this quarter and for the 9 months?
- Shiv Singh Mehta:** Can you repeat what you want exactly?
- Saket Kapoor:** Sir, I'm looking at the utilization levels in terms of tonnage whatever is our capacity, how much are being utilized for this quarter and for 9 months?

- Shiv Singh Mehta:** Tonnage we have published the data, how much tonnage we have done and as far as capacities are concerned mostly is fungible. So you can produce certain products from same machine for each of the three verticals.
- Saket Kapoor:** That is correct, sir. But I was asking we have nameplate capacity in totality of say x and we have done x minus 5 or x minus 20. That was my understanding in percentage terms, if you could give us the operating leverage going ahead?
- Shiv Singh Mehta:** Extrusion side, we have adequate capacity. But moulding side, we still have to catch up with the requirement, which we have built up in last some time with this capex we have done. And we'll be further augmenting our moulding capacities.
- Saket Kapoor:** Okay sir. And lastly sir you are talking about finance cost, what is our net debt for 30th December and our working capital requirement and cost of fund?
- Shiv Singh Mehta:** I will ask CFO to send you detail if you can actually I don't have the number offhand, but I'll get back to you later.
- Saket Kapoor:** Thank you.
- Moderator:** Thank you. The next question is from the line of Aasim from DAM Capital. Please go ahead.
- Aasim:** Just wanted to understand the reasoning behind getting into annual contracts for your supply. Is there like some benefit that you ideally get, that's why you negotiate these prices or rather these contracts are for so long and you have no scope for changing prices in between?
- Shiv Singh Mehta:** You see PVC, India produces only 40% of domestic demand and 60% is imported. So one has to have a security on the supply line. So all the -- I mean, larger manufacturers and processors have an agreement generally with certain component of material which is assured supply line. You can have only 20% or 30% where you don't have a tied up resource and you may be buying. This year, as you know, the entire world market is suffering. So there is excess available capacity. Normally, you will find that we all struggle for the material.
- Aasim:** But this problem, I mean, in terms of supply surety and all should be an industry-wide problem. I don't think the industry has talked about a supply issue. That's why I'm wondering why the need for such long-term contracts for a very volatile commodity like PVC?
- Shiv Singh Mehta:** That is an issue. Today, supply is more than what you need. You can buy any quantity, it's readily available.
- Aasim:** Then we should not be in such long-term contracts. That's I want to understand your rationale behind. Is there a pricing benefit that you think about because the supply issues are sorted at least more than a year ago?
- Shiv Singh Mehta:** No. This is where I said that all these discussions are on for rationalizing your next year's procurement plan, but what you have contracted is a contract, you have to fulfil. So it was done last year.

- Aasim:** I don't disagree with that point. Contract is a contract we need to fulfil. Basically, why the necessity -- or let me put it this way, come March is when this contract ends, from April will we still be doing an annual contract?
- Shiv Singh Mehta:** No, we are seeing what kind of a contract has been entered, the controls of contract or the conditions of contract may be reviewed or it may not be done. It will all depend how the negotiations go from now till the time we decide the next year procurement plan.
- Aasim:** Do we depend on imports for our entire PVC or other polymer resin requirement or is that local suppliers also?
- Shiv Singh Mehta:** We import substantial part of our requirement, but we also have local sources and supply lines.
- Aasim:** Okay. And at any given point of time, what is -- just to understand if way you ask your supplier to deliver you, say in the future, sometimes some x amount, how much time does it take from your supplier till it reaches your factory?
- Shiv Singh Mehta:** You see, it depends. If suppose you are importing from a country which is far, it may take longer time. And if it is closer, like, for example, Korea, Indonesia may be closer than U.S.A. or Mexico. So it will depend where you strike a contract and what is the shipment voyage time involved in the process. Normally, after opening LC, it takes 10 days, 15 days for shipment, voyage time, then clearance at port and bringing it to your factory. It's about 40 to 45 days cycle.
- Aasim:** Okay. Thanks.
- Moderator:** Thank you. The next follow-up question is from the line of Sivaramakrishna Kodali, who is an Individual Investor. Please go ahead.
- Sivaramakrishna Kodali:** Sir, you have been in this business for about 30 years now. Have you seen what happened this year earlier or is it the first time this has happened that the raw material prices behave the way they do. Normally in businesses only when our selling price is fixed, we also tend to fix the raw material price. And our selling price is not fixed, if you fix the raw material price I think that's a major challenge that we have experienced in this particular year.
- So that's the reason I'm asking you, did you experience this earlier in the last three decades that have been in the business? Are this the first time? And second thing is, is the worst behind us or there some more time this problem is going to continue in a sense like you're saying from next year onwards, your procurement strategy itself will undergo a change?
- Shiv Singh Mehta:** I had experienced similar situation in 2008 at the time of world crisis financial crisis.
- Sivaramakrishna Kodali:** In the global financial crisis.
- Shiv Singh Mehta:** Financial crisis. At that time also, the prices dropped like nine pin almost. And this is, again, we are experiencing this year in the international market. And probably this is because of what's happening to Europe, what is happening to U.S., what is particularly happening to China. China is the most prominent factor because they are the largest consumers and they are the most impacted.

- Sivaramakrishna Kodali:** So next year onwards your procurement strategy would change. That's what you're trying to say?
- Shiv Singh Mehta:** We will realign our production strategy, looking to the -- and even the manufacturers understand that. They are also started correcting from the fabric itself. They also understand that the processors will have to be supported in a given situation.
- Sivaramakrishna Kodali:** Because you yourself have been mentioning that you're basically looking at increasing your EBITDA margins on par with the rest of the industry, piping industry, which is typically between 15% and 20% because historically, if you see our company's EBITDA margins are nowhere close to that. What exactly is probably the issue there?
- Shiv Singh Mehta:** Major reason is what kind of a raw material procurement strategy adopted, which is aligned to the current realities or you have gone wrong on that given the change in the market space. And number two could be that the product you sell like BP, how much you sell and agri, how much you sell because each of these products offer different margins. That's why we have been working on this for last 1 year to realign our product and sales strategy, along with now raw material procurement pieces to be very clearly and objectively looked into for correction.
- Sivaramakrishna Kodali:** My question remains is that, is the worst behind us or we still have some more time to suffer?
- Shiv Singh Mehta:** I think the things have started getting on a correction side. I would say that this Q4 may be still not that great. But from Q1 next year, we hope to be doing much better and what we expect because we'll be able to put all things behind us by then.
- Sivaramakrishna Kodali:** Okay. Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.
- Shiv Singh Mehta:** So thanks to all the investors for your participation. We certainly look forward to your more support because in these times your support becomes even more critical and essential. Thank you.
- Rajesh Sisodia:** Yes. Thank you, madam.
- Moderator:** On behalf of Arihant Capital Markets Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.