



## KRITI INDUSTRIES (INDIA) LIMITED

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CIN : L25206MP1990PLC005732

KIIL/SE/2021-22

21<sup>st</sup> May, 2021

Online filing at: [www.listing.bseindia.com](http://www.listing.bseindia.com)

To,  
BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai 400 001.

*Scrip Code: 526423*

**Subject: Transcript of Conference Call with Investor and Analyst held on 18<sup>th</sup> May, 2021.**

Dear Sir / Madam,

Please find enclosed herewith transcript of Conference call of Kriti Industries (India) Limited with the Investors and Analysts held on Tuesday, May 18, 2021.

The aforesaid information is also being hosted on the website of the Company viz., [www.kritiindia.com](http://www.kritiindia.com).

Please take the same on your records.

Thanking you,

Yours faithfully,  
For **Kriti Industries (India) Limited**

**Apeksha Baisakhiya**  
**Company Secretary & Compliance Officer**

**Kriti Industries Limited**  
**Earnings Conference Call**  
**May 18, 2021**

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**Moderator:** Ladies and gentlemen, Good day and welcome to the Q4 and FY21 Earnings Conference Call of Kriti Industries 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 “\*” followed by “0” on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand over the conference to Ms. Shilpa Maheshwari from Valorem Advisors. Thank you and over to you, ma’am.

**Shilpa Maheshwari:** Thank you operator. Good morning everyone and a warm welcome to you all. My name is Shilpa Maheshwari from Valorem Advisors. We represent the Investor Relations of Kriti Industries Limited. On behalf of the company, I would like to thank you all for participating in the company’s earning conference call for the fourth quarter and financial year ended 2021. Before we begin, I would like to mention a short cautionary statements. Some of the statements made in today’s concall 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 beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place undue reliance on these forward-looking statements in 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 I would like to introduce you to the management participating in today’s earnings conference call and give it over to them for their opening remarks. We have with us Mr. Shiv Singh Mehta – Chairman and Managing Director and Mr. Shashank Belkhede – Group Chief Financial Officer. I now request Mr. Shiv Singh Mehta to give his opening remarks. Thank you and over to you, Mr. Mehta.

**Shiv Singh Mehta:** Thank you. Good morning everybody. It is my pleasure to welcome you to the first ever Earnings Conference Call of Kriti Industries Limited. This is our fourth quarter and the financial year 2021. Before I begin, I hope you are all keeping safe and well under the current circumstances and I wish all of you a very good health. Before we get into discussion for the quarter and financial year performance this is our first ever earning call. Let me start by giving some background about our company so that everybody is on same page. Kriti Industries is a manufacturer of premium quality piping products and solutions for agriculture, non-agriculture

applications like building products, industrial solutions. We are headquarter at Indore, Madhya Pradesh and our plant is located at a strategic location which is logistically well placed to serve large consumers and dealers spread in different markets in Maharashtra, Gujarat, Rajasthan, Telangana, Andhra Pradesh, UP and yes certainly Madhya Pradesh.

This plant is a large single location polymer pipe manufacturing plant in India with total capacity of 1,25,000 tons per annum and we have state of art facility with 21 extrusion lines in PVC, 14 extrusion lines of HDPE and Drip, 25 injection molding machines. Our orders are sold under brand "Kasta" and "Kasta" brand is very well-known brand in Central India and as a superior recall value of its products for its consistency, quality, services and our product portfolios.

We are strong distribution network with over 400 dealers now spread across almost 16 high growth states in India.

Now I would like to hand over this call to our CFO – Mr. Shashank Belkhede to give you financial highlights.

**Shashank Belkhede:**

Thank you very much sir and good morning to everybody. I welcome all of you to the first ever earnings call of Kriti Industries India Limited. Friends let me take you through the financial performance of our company on a consolidated basis. The earning presentation which was prepared by Valorem, has been uploaded on BSE and our company's website as well and I am sure that you must have receive time to go through the presentation. However, I would like to present few of the highlights of this performance for Q4 and financial year ended 21.

The operating income for the quarter was Rs. 126 crore which was an increase of approximately 84% on a YoY basis. The operating EBITDA reported was about Rs. 14 crore which was an increase of approximately 53% on a year-on-year basis. The EBITDA margins stood at 11.29% and the net profit after tax for the period reported was Rs. 6 crore with a PAT margin of 4.77%. The global prices continued to remain strong during Q4 as well which provided extended opportunity to the industry to gain out of the inventories. Although Q4 is generally considered to be a lean period in the industry, however we achieved 53% volume growth in Q4 on a YoY basis which was driven by both agri and non-agri sectors.

Now talking about the performance of FY21 on a consolidated basis:

The operating income was Rs. 589 crore which is the highest ever turnover achieved by Kriti in last couple of years and it increase approximately 10% on year-on-year basis. The operating EBITDA reported for the year was Rs. 69 crore which was an increase of approximately 51% on a year-on-year basis. The EBITDA margins stood at 11.64%. The net profit after tax for the period reported was Rs. 36 crores approx., which was an increase of approximately 95% on a year-on-year basis. The PAT margins stood at 6.13%. This was also the highest as well as the EBITDA margin.

As you can see highest ever turnover in FY21 which was mainly on account of increase in the prices of raw material and the selling products. We were still able to maintain the volume despite the COVID-19 situation prevailing for last one year.

Also, the company achieved a double-digit EBITDA margin for the first time in its annual performance through the efforts made in the cost reduction and quality and efficiency improvement and inventory gains for FY21 which have improved the bottom line of the company and we are making all our endeavors to continue to do so in the future as well.

The company has been able to substantially reduce this finance cost in financial year 21 from 3.22% to 1.86%, marking reduction of more than Rs. 6 crore for the entire year which has helped in improving in the bottom line of the company significantly.

The company has also continued to keep its momentum in high return ratios and has also been significantly improve the current ratio and the gearing ratio of the company. Encouraged by the performance of the financial year 21, the Board of Directors were pleased to recommend an increased dividend of 20% that is 20 paise per equity share of Rs. 1 face value for the year 2021. So, that was in brief about the performance.

With this, now we can open the floor for the question and answer. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Akash Jain from MoneyCurve. Please go ahead.

**Akash Jain:** I have two question sir one is basically on the current situation of COVID and given the fact that we have a very high portion of agri business. The Q1 season because of the agri season is very important for us. In the last year rural market was not that impacted by COVID, but this year the impact on rural market has been much higher. So I just want to understand what is the ongoing situation of COVID and what is the impact on business and do you think it will have an impact for the full year or the impact is not much and we can cover up in second quarter, something like that. So one is just trying to understand what is the situation on the agri side? And the second question is on the margins. If I look at your margins quarter-on-quarter especially on the industrial solution side we have a very high 17% EBITDA margin in Q4. Why is there a sudden spike? is there a different way of accounting for industrial solutions business? Is it fixed price products etc. So just want to understand why such a big spike in EBITDA margins for industrial solutions?

**Shiv Singh Mehta:** The first question was regarding current situation on COVID and its impact particularly on rural markets. The first half of April was very good for the business, but from second half onwards COVID had an impact on all around business environment. However, with the rolling out of government initiatives of lockdown and aggressive ways people have been treated, we are seeing that maybe the curve improves in terms of overall infection rate and lockdown are eased

out towards beginning third week or fourth week of this month that is May. So, certainly for about 25 days the business has suffered in the sense that most of the dealer shops were closed. But we hope before full arrival of monsoon in July we should get a window where entire pent-up demand is available. But this all depends on how COVID situation rolls out in coming few weeks and we are all looking forward to it. The second question you had asked was on margin on industrial products in Q4. For industrial products we at times import special raw materials from outside and since most of the material was imported somewhere in third quarter and actual processing were made in fourth quarter, there were substantial gain on that particular quality of material which was required for that product and that is what is reflected in Quarter 4 of margins of industrial solution segments.

**Moderator:** Thank you. The next question is from the line of Darshit Shah from Nirvana Capital. Please go ahead.

**Darshit Shah:** Sir my question pertains to inventory gains. Could you please quantify how much were the inventory gains in Q4 as well as in full year FY21? And with PVC resin pricing easing off, where do you see the trajectory for this year and should we able to maintain the double-digit margin which we have been talking?

**Shiv Singh Mehta:** You see the scenario worldwide is with PVC under shortage and most of the economies outside India are doing pretty well. That's why PVC as such is in a situation where we do not see a major changes over period of time. Although prices have reached at its peak in the month of March from where they have come down a bit in the month of April, but we do not see a major correction. There could be some inventory losses initially, but if I look at the overall scenario for the year, we find that with the general trend as they are, we don't not see much challenges as far as the price erosion or inventory losses on a averaging on an overall yearly basis.

**Darshit Shah:** Sir could you quantify how much were the inventory gains this quarter?

**Shiv Singh Mehta:** About Rs, 6 crores inventory gains last year. Out of which almost Rs. 2 crores approximately for the Q4 and earlier than that it was about Rs. 4 - 4.5 crores.

**Darshit Shah:** Sir, basically our building products which is currently around 6% of revenues and w understand you earlier also said that we want to increase the contribution of building products and thereby obviously our margin profile. So what is the roadmap and where do you see building products contribution over next two to three years down the line?

**Shivsingh Mehta:** You see we are very clearly focusing in the coming years on building products. We have already developed the required basic infrastructure and our product launch has been well received in the market. Our dealer network, which is almost 420-430 today will be now fully engaged in selling these products. So, this network should be able to help us to build up initial volumes and from thereon we are looking forward to future with prospects of good growth.

**Darshit Shah:** Sir any rough color on the contribution of building products maybe two to three years down the line from 6% currently?

**Shiv Singh Mehta:** From 6% we will certainly reach to almost like 20% over period of next two years. As overall volume will grow, building process will also grow. But the percentage growth in building products will be higher.

**Darshit Shah:** And I understand this has also helped improve our margins as well?

**Shiv Singh Mehta:** Sure. We certainly feel that.

**Darshit Shah:** Sir now if I look at your current capacity, obviously around 1.25 lakh tons and across segments, full year we have somewhere done 50,000 metric tons. So sir what are we doing to improve this and negate the seasonality factor which obviously we have due to 80%+ agri portfolio? Sir any roadmap on that?

**Shiv Singh Mehta:** See agriculture is a seasonal business and that is why we always run with difficulty for supplies and main seasons. But building product provides a 12 month business cycle. Similarly some of the value-added products which company has created, this all effort is to even out the ups and downs of cyclic nature of seasonal industry. So, we are slowly, and we have been able to optimize within last one year to some extent. Going forward this is what is our objective.

**Darshit Shah:** And sir my last question we have one of the another group company which is going for NSE listing, why not Kriti Industries to go for NSE listing?

**Shiv Singh Mehta:** We are oblivious of this reality that we want to do it. Our board may look at listing at NSE for which the company in its last board meeting formed the committee to look into details and decide.

**Moderator:** Thank you. The next question is from the line of Ashish Malani from Sarveshwar. Please go ahead.

**Ashish Malani:** So, my question was on the capacity utilization. So sir what is the current capacity utilization that is happening at our plant?

**Shiv Singh Mehta:** As you must have seen last year, we had at about 55%, which we hope to improve this year. As I was explaining in last question with the products like building products and other related products, value added products what company is targeting they are not that much seasonal in nature as agriculture products are and that is what will help us to utilize our plant capacities better.

**Ashish Malani:** Since you already have we are already doing 55-60% utilization, do you see any other CAPEX for your company in the next two to three years?

**Shiv Singh Mehta:** You see CAPEX for efficiency gains and improvement, for improving operational efficiencies and product development is a continuous process. We are already investing some money and some work is in progress. So, some work is already underway and that should get completed by end of first quarter and some more investments will come during the year as our business volume grow or our product expansion plans are.

**Ashish Malani:** Sir my last question probably the most important one. So almost all major pipe companies have come out with blockbuster results and there has been boom overall and we had also expected very good numbers from Kriti. The numbers, I am not saying they are on the bad side, they are good numbers. But like because of the dependency majority on the agriculture sector, we always see that the two quarters have very good numbers and in the other two, we don't. So I just want to understand that now that we are expanding in the multiple states? Because from what I understand, three years back, Kriti was only in two states and now we are having dealership across 16 states. So what is the plan to strengthen this dealership network or to further expand it and to ensure that there is a continuous demand building up? And what are your plans for the "Kasta" brand, how are you looking to put it up as a brand because it is only when "Kasta" will be seen a brand it will get the real valuations that it deserves?

**Shiv Singh Mehta:** Let me tell you that expanding into new territories is helping the company to even out its cyclic nature of business and this is where we have already gone to many states. Now the question for "Kasta" brand, as we are very strong in Central India, where we are the leading brand. We are also getting into new territories where we are placing our product at a premium category only. This took us some time to really make ground level developments and entering ourselves into new territories, but we are well poised, and we are getting significantly good market feedback for the product quality and services. We are not going for ATL (above the line) any kind of publicity gains, but our services and ground level contacts are building our brand from strength-to-strength and this effort will be kept as for this policy we have in our company and we are confident that we will occupy reasonable respectable place in terms of brand recognition and acceptance.

**Ashish Malani:** But sir given that now we are planning to go as a Pan India company, dont you have any marketing budget or plan for marketing for the "Kasta" brand, maybe across television or newspaper or any other source of channel, where it is sent across India and the brand is more recognized to your target consumers?

**Shiv Singh Mehta:** I am not going for ATL at the moment, it maybe after we have achieved certain critical volumes in most of the states, but yes we are doing lot of BTL efforts where lot of investments is going in BTL efforts from the company side.

**Ashish Malani:** What exactly sir can you please explain that I am not able to understand?

**Shiv Singh Mehta:** We have vans running in different areas carrying products and its demonstration. We have lot of field force which is making contact on ground level with farmers and plannings. We are providing services like designing of schemes, laying out details, doing surveys and all other efforts for requirement of our customers. So, lot of teams are engaged in doing all these activities.

**Ashish Malani:** Sir two years back or I think last year you had given out projections that by FY23 company is targeting Rs. 1,200 crores of revenues. How do you see that going?

**Shiv Singh Mehta:** Still we are targetting 2023 for Rs, 1,200 crores, but for this COVID setback, we would have certainly done very well last year, but now this year also we are trying to do our best. You can see that there is a degrowth in PVC consumption India last year up to 11% to 12% inspite of that our company shown a positive growth on our retail segment where we have shown growth in terms of volumes and certainly with the higher prices the top line as well.

**Ashish Malani:** But sir given that the COVID has impacted the situation Rs 1,200 crore might not be a very realistic figure, but can we look at say something around Rs. 1,000 crore with margins of around 12%, consistent margin of around 12% two years down the road?

**Shiv Singh Mehta:** We are trying to maintain margin from even for last year if I take away trading, I mean overall inventory gains then also we have margins in double digits and we are hopeful with the kind of portfolio we are bringing in we should maintain our margins in those range.

**Ashish Malani:** And sir your company in the investor presentation had a lot of emphasis particularly on the gas distribution program that the Government of India is planning, and you believe that there is a significant portion of new market share that would be developed for the PVC pipes when this gas distribution network happens, so has there been any initial leads on that, have you got any initial contracts for gas distribution pipeline?

**Shiv Singh Mehta:** We are already supplying to some of the major customers like Indian Oil Corporation or Adani Gas or Avantika and Gujarat gas. These are not PVC pipes. These are made of PE Polyethylene and special grade Polyethylene PE80 and PE100 which are in orange and yellow colour. So, we are already there, and we have made this beginning to supply to some of our customers.

**Ashish Malani:** But sir do you have exclusive contracts with any of these or you are just one of the suppliers?

**Shiv Singh Mehta:** Not exclusive contracts, but it is the product which we have developed are well received by our customers and appreciate the product quality, but now the gas pipeline work will get really aggressive from after COVID situation improves on ground.

**Ashish Malani:** So, is the product is well received in a market does it not make sense for the company to approach major gas and pipeline companies to get in a long-term agreement with them or an



exclusive agreement with them which will help the company use its extra capacity which is not getting utilized and also at the same time ensure that you have continuous and fixed running business?

**Shiv Singh Mehta:** we will certainly approach customers once they have chosen their business plans and which are already on anvil and we will definitely try to speak to them on a quality and performance basis to look at us as a preferred supplier.

**Ashish Malani:** Sir I have just one last thing to say I believe that the company has been doing really well in the last couple of years, but where I feel the company is strongly or maybe needs a little bit push or more of like a catalyst is the marketing part. It would be great if there would be some resources that would be allocated to market the "Kasta" brand and I think that could maybe just spur up the growth which might happen 5 years to a span as short as one or two years, so if that is something that is possible if company is sitting with cash and can afford to do so then that might be a very good plan to do given that PVC market is going to grow and the company is going to grow if the brand is more widely accepted it will eventually show out in the sales figure.

**Shiv Singh Mehta:** Thank you for your suggestion. We will definitely look at it.

**Moderator:** Thank you. The next question is from the line of Namit Mehta from KC Capital. Please go ahead.

**Namit Mehta:** Just a couple of questions from my side. First can you just walk us through the capital allocation plans given that excess capacity today I assume some amount of the incremental capital, go to debt reduction, but it would be great if you can just elaborate on the capital allocation strategy?

**Shiv Singh Mehta:** You see first our whole effort is to improve the operating efficiencies at plant levels, bringing in better technology and optimizing whatever production cycles we have. So, instead of increasing capacity we are talking in terms of operational efficiency, quality improvement, product development and rest where our focus is at the moment.

**Namit Mehta:** And how do we see our competitive positioning against some of the national brands who are coming into region you know there is a couple of announcement of around other plants in Central India, so how do we see our strategic positioning against them?

**Shiv Singh Mehta:** You see already some of the national level plans and brands are manufacturing in state of Madhya Pradesh and Rajasthan. So, they were already present, or they are just in the periphery of Madhya Pradesh within say 60 kilometers distance or 100 kilometer distance. So, it is not that any new such thing is happening. We are already competing with most of the national brands and still enjoying substantially large market share in the Central India as compared to anyone else.

**Namit Mehta:** So, on a ground level how would you think of our value proposition to the farmer vis-a-vis some of these brands particularly if there is a lot of ad expenditure coming in from those brands over a period of time, do you see the value proposition shifting away from our products?

**Shiv Singh Mehta:** You see so far we have sustained on improved upon our margins in terms of premium we enjoy over many other products and offerings. We have also gained in terms of total volumes in market share. Today our major markets of dominance we single handedly enjoy almost close to 50% market share is very clearly evident from our performance of all these years.

**Namit Mehta:** And just last question from my side so I know in Madhya Pradesh and Rajasthan we will obviously have a significant freight advantage, but as we expand into new territories like Maharashtra and Telangana, what do you think about the freight disadvantage that we will see there and how we would continue to compete in those markets?

**Shiv Singh Mehta:** You see if you look at our location, we are close to Maharashtra, we are close to Gujarat and we are within Madhya Pradesh because this location is well poised for equidistance supplies to most of the areas of Eastern Maharashtra, Northern Maharashtra, Southern Gujarat which is in 200-to-400-kilometer radius. Only for Telangana, down South, we have an extra miles to go and once we develop critical volumes, then only we will think about some options to mitigate the transport disadvantage. We may have to invest for a little while to develop these markets which we are already doing.

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

**Ankit:** Sir we have been entering into new states like Telangana, Andhra, Karnataka, Maharashtra and Gujarat over the past two, three years, so can you elaborate how has been the traction in this new states and how do you see our market share growing in this states over the next few years?

**Shiv Singh Mehta:** We have absolutely your question is very important for us and we have been focusing on that and I am happy to say that we have been able to get good response from these states and today Maharashtra we ourselves must be close to about 10% to 11% market share within about a year or two, we have invested our time in. In Telangana also we are growing and numbers we have achieved is as per our plans. So, we find that whatever we have planned we are achieving, and we are on track.

**Ankit:** How has been the acceptance of product in the dealer segment because I think dealers play a very important role in our product, so have we been able to grow our dealer base in these new states?

**Shiv Singh Mehta:** Yes, our dealer base has grown, and good point is that we have been able to reach out to ultimate customers who have been buying our products and that is why our dealers are getting encouraged and that is how our new dealership and spread is improving.

**Ankit:** Sir on the building product segment, just wanted to understand your strategy. Currently are we present in all the regions that we cater to for our agriculture products or we are limited to few states like Madhya Pradesh and Rajasthan for building products?

**Shiv Singh Mehta:** See first we are utilizing our existing network. Once we are already received a good response for the products we have offered, but it is more from the current base which is on an agriculture side more and slowly we have identified say about 15 towns where we have started our activity. As our experience grows, we will try to strategize and further channelize our efforts in appropriate directions.

**Ankit:** So, currently for building products we are largely present in MP and Rajasthan or are we present in all?

**Shiv Singh Mehta:** No, All the dealers which are spread out in all states, but we are not going aggressively for larger diameters and large size to begin with. So, our focus is very clear there and we are seeing that in next 6 months we will also tell us how we will strategize and strengthen this portfolio, but this far we are clear that we are using our existing network and they are being facilitating this process and in about few cities we are bringing lot of focus through a direct interaction.

**Ankit:** Sir for our agriculture products our major focus would be on the rural market, but I do understand that building products, cities also contribute quite a bit, so for this, will we be developing new dealers also to focusing more on larger cities especially on the building product side?

**Shiv Singh Mehta:** We are not going for the metros, but Tier II cities as I said 10 to 15 cities we are focusing on initially where we are already appointed our distributors and with that our efforts have already begin which are reasonably well entrenched at the moment, but actual results will come after 4 to 5 months' time.

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

**Dhwanil Desai:** Sir two questions the first one is the segment that we are operating in there are already large established players present in the market that we want to enter, so can you elaborate a bit on how do we what if our market entry strategy how do we want to take away market share, what are the key differentiating factors that we plan to play on to gain market share if you can dwell a bit more on that it will be very useful?

**Shiv Singh Mehta:** As I was telling earlier we are not going for ATL activities, we are going for BTL activities and we are engaging with the actual consumers directly wherever we have gone and then we have built around that our dealership. So, this is a distinctly different approach we have adopted, and it is giving us good traction and success. And as I have said that in Maharashtra and

Telangana or Andhra we have already got the numbers as per our plans and we are already in premium segment even in new areas. We are not selling our products cheap.

**Dhwanil Desai:** So, sir in this markets where we are carrying out this BTL activities for product selection by end users, what is the key criteria, is it the price, is it the quality, is it the target level, what is the key?

**Shiv Singh Mehta:** This is all put together and what we have to go and explain the value of product and services we offer. So, when people are engaged right from design to complete execution of a product line. So, the larger pipelines which are generally like projects, if they are convinced, and they buy our products first, then this smaller farmers or the smaller buyers of that area are easily convinced to buy this product at price premium and also it becomes word to mouth which improves your brand and recall and confidence of customers in our products.

**Dhwanil Desai:** Sir we aspire to increase the building product share from 6% to 20% in next three- four years, so would it be I mean do we have the entire product portfolio, or would it be because we will expanding our product portfolio in building product segment that will help us increase the contribution?

**Shiv Singh Mehta:** We have already completed the entire portfolio up to a size of 2.5 inches. Beyond that we do not have today, that's where our entry level today where we have put because if you are in a portfolio although in a complete range, so we have develop that. Over a period of time, now we will expand our range as we are able to develop our market.

**Dhwanil Desai:** And that is likely to happen in next two, three years or this 6% to 20%?

**Shiv Singh Mehta:** This 2.5 inch is fully ready it is already commissioned launched in the market. For the higher diameter and sizes, it will happen over next say time, as a market because of pandemic today we are watching next two, three months very closely and then we will again enroll. We already have a choked out plan and as we achieve those numbers we will go on adding the sizes and products to our portfolio.

**Moderator:** Thank you. The next question is from the line of Aasim Bharde from DAM Capital. Please go ahead.

**Aasim Bharde:** Sir first question so I heard your commentary on PVC prices and that supply is still tight, could you elaborate more on that front as to whether supplier factories are back and running globally but are supplying Western markets or their own markets because demand is better or our produce is still not completely back on online, so any sense on international PVC supply situation that would be helpful?

**Shiv Singh Mehta:** You see if you look at the price hike which was happening for last almost one year they have plateaued because the prices had gone highest. It is historically that at a higher point and there was this mild correction also of late, but as you know the structure imbalance in PVC where our total availability to the world market our structure is short in PVC worldwide if you look at it. The total production worldwide is 43 million tons and chlorine is always a challenge to expand PVC and already China and Europe markets are quite I mean economies have recovered and they are outlook is positive, so the demand is going to be quite good. Indian scenario is little different in the sense that we had certain outages in India, but now they are back on production and suddenly because of lockdown we may see a little problems in the first quarter where we may see a little inventory loss also if I may say so, but if I see overall year I do not foresee much challenge because prices will not go back to the old prices now. Prices will stay high at premium and internationally if the market is robust I do not see any reason for prices to correct much, but for a little over hang in the local domestic markets for a little while.

**Aasim Bharde:** So, the price correction that has happened in recent times you say it is more temporary and because the Indian market demand has come off. Basically when demand will come back especially pent up demand prices can actually go back higher is what your sense is?

**Shiv Singh Mehta:** To say they would remain in a higher bracket this year, they can never return to those earlier levels of Rs. 75 or Rs. 75,000 or Rs. 80,000 which will not happen the prices will remain some, but we do not see much problem now because demand is good as we have seen good crop, good monsoon is anticipated, the government is giving a lot of push to this sector and I hope that all of this put together should have a good impact on demand and it should help the margins.

**Aasim Bharde:** Who all do you source your PVC and other resins from? Is it mostly domestic procurement or international?

**Shiv Singh Mehta:** We have suppliers worldwide, see you have to be buying from various sources as per the condition and we also have a regular pipeline for domestic producers.

**Aasim Bharde:** Sir second question just correct me if I am wrong, but in an earlier participant's question I heard that your revenue target for FY23 was Rs. 1,200 crore was that correct?

**Shiv Singh Mehta:** That is what we had targeted.

**Aasim Bharde:** Sir that is still basically double compared to today so can you give me a similar terms on volume side what kind of growth you are targeting over the next two to three years and if you could break that volume growth between your three broad categories?

**Shiv Singh Mehta:** See volume growth will be because we have made projections not on the basis of raw material changing prices. On a constant prices basis, the projections were made. So, what we are seeing

is 2023 which should be Rs. 1200 crores and our volume will be more or less towards 85,000 tons to 90,000 tons.

**Aasim Bharde:** And final question sir how many SKUs do you have in your portfolio and any rough number how much would that be from the fitting side?

**Shiv Singh Mehta:** I will have to check up and I will come back, but we have developed the whole portfolio because from a single mold you are able to produce two-three types of varieties so it would be difficult for me to often tell you, but we will get back to you through our investor relations.

**Moderator:** Thank you. The next question is from the line of Abhishek Chaturvedi from RK Securities. Please go ahead.

**Abhishek Chaturvedi:** My question is about our participation in Pradhan Mantri Jal Mission, do we have any participation, any sales towards that, do you see some traction there?

**Shiv Singh Mehta:** It will bring traction to the whole industry because we are not supplying directly to them. The EPC contracts will be doing jobs and they will be buying their products from the manufactures like us. So, there will be overall demand growth, and everyone will participate and supplies to the EPC contractors who are building all these initiatives taken up by the government.

**Abhishek Chaturvedi:** So, far no supply from us to EPC players right?

**Shiv Singh Mehta:** EPC players keep buying wherever because normally what happens that there are so many small and big contractors who are doing work all across. Because the initiators are on a smaller taluka to ground and everywhere. They are not very major contractors who are buying, taking such contracts. They are at local level or they are sub-contractors to locals and they are buying and they are regularly buying from dealers and others because it is a long project, so they keep buying regularly. The overall demand is growing from that angle.

**Abhishek Chaturvedi:** And second question sir is on our pricing towards same customer so compared to our competitors what is our pricing and margins, how much more or how much less is our pricing and margins and additional point what is our target for short term debt reduction for this financial year?

**Shiv Singh Mehta:** Last question will you repeat I could not get it clearly short-term targets for?

**Abhishek Chaturvedi:** Short term debt reduction target for FY22?

**Shiv Singh Mehta:** You see if you look at our pricing point you will realize that we are in a premium segment. We are priced in the band of the top two or three or four manufacturers. In areas where we are dominant we are price at the top where we have a major market share with us. In the new market we will be price at number two or three, and this is how the pricing is generally

compared from region to region for our products. As far as our debt portfolio is concerned our debt is continuously coming down we have brought down significantly and we have sufficient cash liquidity and cash reserve to even payout whatever is the balance debt, but as we pay back cycles are we are complying with them and we will clear all debts. So, as far as companies debt profile is concerned, we have hardly about Rs. 15 crores is the total outstanding and our cash reserves will be more than that.

**Abhishek Chaturvedi:** One last question what were our next steps in terms of manufacturing more market share in the existing markets in the new regions for example Telangana, Andhra and also what are our plans for entering more states?

**Shiv Singh Mehta:** As I had said that we are already geographically expanding in last two years and our efforts at ground level has got a good traction, we are getting reasonably good brand recall and acceptance and our market shares are growing so is our dealership expanding. So, within the new states first we are trying to cover the entire states from a limited treasury the full states treasury like Maharashtra today we have covered almost full Maharashtra. Telangana we might still have done 60% of the states we will be doing balance of it now. Karnataka we have just entered so this is the time for us another year we will be working towards growing that geographically spread into the states. So, this is how we are expanding our whole presence.

**Moderator:** Thank you. The next question is from the line of Tanvir an Individual Investor. Please go ahead.

**Tanvir:** So, first I need to ask so we are projecting close to double the revenue and so you said the building products will make up 20% of Rs. 1,200 crores is 240 crores so currently we are only 36 crores so that is almost close to 7-8 times of the current revenue, is that what we are targeting?

**Shiv Singh Mehta:** This is precisely what we are thinking.

**Tanvir:** So, what our volumes are currently the 2,500 metric tons and with the building volumes we have is close to 6,000 metric tons of capacity for building products, so how are we seeing the jumps, so we are doing any CAPEX in building products?

**Shiv Singh Mehta:** We have already done required CAPEX to bring up our product range up to 2.5 inches sizes. So, we are already ready with the products and additional some CAPEX which we are doing is already under work in process which shall get completed in next couple of months. So, building product wise whatever we have targeted initially we are ready as a product portfolio and our dealership is already being activated in that direction.

**Tanvir:** For the industrial solutions our volumes have almost half what is the primary reason for this?

**Shiv Singh Mehta:** Last year you must have seen because we were very cautious and careful because normally the EPC contracts had lot of challenges towards cash liquidity as government payments were not forthcoming to them, most of them are engaged in infrastructure building project and since the COVID times it was very difficult for them to complete project or get payments through their buyers, instant government contract. So, we had taken a very conscious decision to take a step back and be careful and not get into any kind of a payment crisis.

**Tanvir:** Sir this year FY22 what is the target for the industrial solution like we will be able to move?

**Shiv Singh Mehta:** We will be conservative, till we are sure that the payments and financials of the EPC contractors give us a full assurance about complete payment cycle. So that is why we have kept it our numbers is only Rs. 120 crores for the year that is why we have still kept it conservative because payment basis still there and we will have to see how it rolls out in terms of financials of the Government of India and where the money flow is really there in government.

**Tanvir:** So, you are targeting Rs. 120 crores for industrial solution this year?

**Shiv Singh Mehta:** We are still keeping it conservative.

**Tanvir:** That is almost the double of what you did in FY21?

**Shiv Singh Mehta:** That's right.

**Tanvir:** Sir I wanted to raise that point also to increase the listing NSE because actually you must have observed a couple of weeks back the share price has got hammered because it is only on BSE and they changed the filter to 2% and we created a lot of speculation in the company's share price like as you have already said like you are making steps to list it in NSE that is very appreciable thank you so much for that and also I wanted to understand why did we build up so much inventory right now our inventory is close to Rs. 160 crores and like why did we build up so much inventory right now?

**Shiv Singh Mehta:** You see April, May are peak seasons for pipe supplies. We are always short of material and we are not able to cope up with the demand. So, we generally build inventories beginning March because our production capacities will not serve the market during these months. So, generally you will see every time, every year all the company try to build up their inventories those who are premium and branded products.

**Tanvir:** Because this quarter Q4, cost of raw materials have increase like so much even though we have increase our top line, but compared to Q3 our top line is a bit less Q4?

**Shiv Singh Mehta:** Q1 and Q3 are the main seasons Q2 and Q3 for agriculture are down, Q2 it rains and Q4 is after harvest.



**Tanvir:** But we have done very exceptionally well in Q3?

**Shiv Singh Mehta:** Q1 and Q3 are peak seasons.

**Tanvir:** So, this quarter as you have already said the COVID disrupted the demand from the dealer side in this quarter the ongoing quarter, so how do you see planning out in this quarter compared to last year Q1?

**Shiv Singh Mehta:** This Q1 is little challenging as I had said first 15 days demand was very robust between 1<sup>st</sup> and 15<sup>th</sup> of April. After 15<sup>th</sup> April COVID lockdown started all across and that's where all the shops were closed and there are lot of logistics issues involved, but we are hopeful that with the government measures and initiatives COVID should get in control and if suppose the lockdowns are called off by the end of this month because many states have given dates of 20<sup>th</sup> 24<sup>th</sup> and 28<sup>th</sup>, 29<sup>th</sup> and the market has lot of pent-up demand. So, it is all depend how COVID plays out and how the lockdowns are called back or rolled back and if lockdowns are rolled back the demand is there it will come back to the market.

**Tanvir:** And just one more question so how do we just wanted to understand because we are almost targeting double the revenue in couple of years so this year we should do a CAGR of almost 30%, 40%, so is that achievable I know like you guys are working hard and we will be targeting, but it is almost we are doing a CAGR of 40% over the next two years that is what we are targeting?

**Shiv Singh Mehta:** We are hopeful with the enhanced base of geographical spread and the good initial success we have we are quite hopeful.

**Tanvir:** One request is please continue this conference call so that we feel we are connected to the management, connected to our company so that is one humble request from my side and thank you so much for the opportunity again and looking forward to talk to you again.

**Shiv Singh Mehta:** Sure, Thank you and We will try and continue this dialogue.

**Moderator:** Thank you. The next question is from the line of Anirudh an Individual Investor. Please go ahead.

**Anirudh:** Sir, I just wanted to know like the CG sector is getting too big in the next 10 years. The government is planning to get CGDs in 70% of India, so what other initiatives all or what are the things done to get us ahead competitors in the CGD space in the MPSD pipes?

**Shiv Singh Mehta:** We have already produced the whole range of pipes and we have been in touch with most of the customers. Some of them have seen our plant, they are quite happy with the quality of product we have offered. So, once that sector get going fully we are hopeful to get our share of business.

**Anirudh:** Sir I just said Gujarat Gas approved tender. I am happy that your company was there, but I guess it is a kind of a tender thing, so it is like the one who produces the cheapest more or the lowest price gets it?

**Shiv Singh Mehta:** As the industry will mature, they will have to be careful about the product quality because most of the lines are laid inside, I mean inhabited in the human population area. So, for a gas, they will have to be cautious about product quality and that is what we just comfort that product, good growth all the manufactures will always get a preference.

**Anirudh:** But like they are approved vendors, list so there is a kind of 7 or 8 approved vender and when the EPC companies goes out to those venders in three to five, they will always choose the lowest one, so they get the profit, so something on that?

**Shiv Singh Mehta:** So, even the demand is going to be huge if entire country. They have already taken 220 cities to be put under CGD. So, there will be the huge demand and even if 6 to 7 manufacturers will find it challenging job to meet all the requirements on the time.

**Moderator:** Thank you. The next question is from the line of Vivek from an Individual Investor. Please go ahead.

**Vivek:** So, one question I have is that if you have seen that repeatedly everybody, of the couple of people have asked the same question in the conference call around your guidance which is for FY23 which has done revenue of Rs. 1,200 crore. I think it is looking very steep, so could you just give some idea that what will be your guidance for FY22 and how can you achieve this 45% CAGR where you are already matured in significant market size in MP and Rajasthan and other geographic are pretty new for you yet?

**Shiv Singh Mehta:** If you see generally, our growth will be at about 40% CAGR year-to-year over next two years roughly our plan for Rs. 1,200 crores. Now industry as such is growing at about 8% to 9%. I mean last year was a difficult year it is a year to be not compared, but earlier to that if you see all these years, industries were growing at about 9% to 11% average. So, with this and our initiatives to get into new states and our geographical expansion will get us a new area business, even if we occupy 15% to 20% market shares in these markets, our numbers are easy to get because if you look at MP the total potential of state of Madhya Pradesh would be less than one-fifth of the state like Maharashtra or Karnataka. So, these states are far more developed and far bigger in terms of market size. So, getting a market shares from them would help us to build up our volumes faster and better this is how we see. In addition to as I have said earlier we are seeing good crops values realized by all the farmers all across, good monsoon is forecasted for the coming years, government is giving lot of push to infrastructure and housing and building and agriculture. So, all this should have a good impact this is what we hope.

**Vivek:** So, could you tell us what is your revenue mix if you remove Rajasthan and MP, then for the rest of the states what is the revenue mix?

**Shiv Singh Mehta:** State wise I think I can give you numbers.

**Vivek:** Not a state wise, but in general, consolidated apart from MP and Rajasthan, if all other states put together?

**Shiv Singh Mehta:** If you look at even at the current year our growth in different states will bring us more than Rs. 250 crores put together and MP itself will give us about Rs. 400 crores and in addition to that Rajasthan would give us Rs. 100 crores plus. So, this takes us to almost number close to about Rs. 800 crores plus somewhere.

**Vivek:** Sir second is could you give some idea about the raw material prices and how does it impact our margin, are we able to pass immediately or there is a lag?

**Shiv Singh Mehta:** No we have been able to pass our prices to the market in the increasing cycle only as I have said that not only raw material prices beat this time, this is historically highest in month of March thereafter they have tapered down a bit. Internationally still the other economies are growing well and PVC structurally is under shortage so the prices are not likely to come down significantly in the foreseeable future, but Indian side there could be a temporary blip because of COVID situation and lockdowns there is overhang of material because of total market blockage. So, there could be temporary, but I do not see much problem going forward throughout the year.

**Moderator:** Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to Mr. Mehta from Kriti Industries for closing comments.

**Shiv Singh Mehta:** Friends thank you for participating in this earnings concall. I hope we have been able to answer your questions to your satisfaction. If you have any further questions we would like to know more about us, or our company please reach out to our investor relations manager Valorem Advisors. I once again thank you all and wish you a safe time and healthy family life and all the best to all of you. Thank you so much.

**Moderator:** Thank you. On behalf of Valorem Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.