



KRITI INDUSTRIES (INDIA) LIMITED

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CIN : L25206MP1990PLC005732

KIIL/SE/2021-22

04th Feb, 2021

To, National Stock Exchange of India Limited Exchange Plaza, C-1, Block G BandraKurla Complex, Bandra (E) Mumbai – 400051 Symbol – KRITI	To, BSE Limited PhirozeJeejeebhoy Towers, Dalal Street Mumbai 400001 Scrip Code - 526423
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Subject: Transcript of conference call held on 2nd February, 2022 along with List of Participants

Dear Sir / Madam,

We enclose herewith transcript of Conference call of Kriti Industries (India) Limited with the Investors and Analysts held on Wednesday, February 02, 2022 along with the list of participants.

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

Please take note of the same in your records.

Thanking You

Yours faithfully

For Kriti Industries (India) Limited



Apeksha Baisakhiya
Company secretary & Compliance Officer

Encl: As above



Door Sabha Nigam Limited

Participant list for Q3FY22 Result Concall of Kriti Industries call held on 02.02.2022 at 11:00 Hrs IST

NAME	COMPANY NAME	TELEPHONE NUMBER
Aditya Khandelwal	SIMPL	08 16 98 06 64 3
Aasim	DAM Capital Advisors	99 87 70 07 26
Ajay Jain	Individual Investor	98 10 01 36 01
Akhilesh Gandhi	Valoren Advisors	00 91 91 30 03 52 25
Amanjeet Singh	Oculus Capital	83 55 82 97 42
Ankit Gupta	Bamboo Capital	85 11 14 73 79
Anurag Patil	Roha Asset Managers	98 60 24 94 35
Arun Kumar	Bloomberg Financials	00 15 10 22 69 00 0
Ayush Shah	Investor Yednya	00 91 91 30 03 52 23
Deepak Patel	Individual Investor	99 79 84 42 33
Deepti Gupta	HDFC Securities	00 91 79 85 44 76 62
Dhwanil Desai	Turtle Capital	98 98 58 94 90
Drashana Kulte	Anmol Sekhri	81 04 70 35 96
Hena Vora	DAM Capital	99 30 92 99 34
Hitesh Patel	Capital Ideas	98 70 66 22 22
Jigar Vora	Glance Capital Services LLP	00 91 98 20 96 52 66
Jignesh Shah	Capital Advisor	00 91 87 79 22 90 11
Kewil Raithatha	Valorum Advisors	00 91 90 76 43 87 17
Kunal Patel	Equilligence Capital Advisors	75 75 08 48 42
Manav Kapadi	Individual Investor	00 91 81 69 41 69 95
Mohammad Naeem	Oman	00 96 89 22 06 56 1
Ms Rabindra	Sunidhi Securities	00 91 98 81 24 52 45
Ms Shaylikate	Reaserach Bytes	00 91 84 19 92 21 22
Ms. Bina Goklaney	S R Investment	00 91 86 98 96 28 12
Preeti Saxena	Individual Investor	00 91 12 06 58 77 25
Rabindra	Sunidhi Sec	00 91 98 81 24 52 45
Rahul Jain	Credence Wealth	90 99 93 48 56
Rajat Sethia	Ithought	00 91 97 11 55 14 66
Rajesh	Individual	99 86 13 44 59
Rajiv Sharma	SAL Automotive ltd	98 33 03 54 50
Ravi Nach	Excellency	00 16 61 74 80 24 0
Ria Jain	HDFC securities	97 69 57 23 21
Rishabh Dugad	Finoid Finances	90 28 76 82 09
Sam Jones	Capital Group	00 16 61 74 80 24 0
Sanskar Singla	Edelweiss Securities Ltd	90 17 16 16 50
Santhosh Kumar	Bloomberg Financial Data	00 15 10 22 69 00 0
Sanya Ponskhe	S R Investments	00 91 99 60 51 97 12
Shaffin Thadathazhath	Individual Investor	97 45 43 06 87
Siddish Shah	Individual Investor	00 91 70 28 00 00 10
Sriranjan Seshadhri	LMV Advisors	98 20 22 51 20
Subham Malani	S R Investment	00 91 73 87 99 11 05
Sunny Bagul	Individual Investor	00 91 77 98 04 95 88
Suresh Bhoir	Max Solution	00 16 61 74 80 24 0
Tushar Raghatate	Premium Brokers	08 32 92 47 96 2
Urvi Jha	ISHA Sec	00 91 84 90 02 48 89
Vaibhav SANGHAVI	Individual Investor	98 86 99 03 60
Varun Sheth	Individual Investor	98 25 87 77 71
Viraj Mehta	Equirus PMS	00 91 96 43 89 97 04

Vishal Purohit	Prabhudas Liladhar	98 20 90 06 03
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Chairperson	
Name	Telephone Number
Management	09 82 60 50 56 3
Mr. Sumeet Shah	08 36 90 29 30 3
Mr. Anuj Sonpal	02 22 36 99 90 3

Kriti Industries Ltd Q3FY22 Results Earnings Conference Call

Event Date / Time : 02/02/2022, 11:00 HRS

Event Duration : 55 min 00 secs

CORPORATE PARTICIPANTS:

Mr. Shiv Singh Mehta
Chairman & Managing Director

Mr. Shashank Belkhede
Chief Financial Officer

Q&A PARTICIPANTS:

Viraj Mehta - Equirus PMS
Dhwanil Desai - Turtle Capital
Rajat Sethia - Ithought
Aditya Khandelwal - SIMPL
Ankit Gupta - Bamboo Capital
Rahul Jain - Credence Wealth
Bina Goklaney - S R Investment

Moderator

Good morning, ladies, and gentlemen. I'm Krithika moderator for the conference call. We welcome you all to Q3FY22 Conference Call of Kriti Industries Limited hosted by Aditya Birla Money. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participants 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 touch-tone telephone. Please note that this conference is recorded. I would now like to hand over the floor to Mr. Sumeet Shah from Aditya Birla Money. Thank you and over to you Sir.

Sumeet Shah

Thank you and good morning, everyone. On behalf of Aditya Birla Money, we welcome you all to the Q3FY22 Earnings Conference Call of Kriti Industries Limited. From the management side, today we have the Chairman and MD Mr. Shiv Singh Mehta, and the Group CFO, Mr. Shashank Belkhede. So, without much delay, I handover the floor to the management for opening remarks, followed by the interactive Q&A session. Thank you. And over to you, Sir.

Shiv Singh Mehta

Good morning, everyone. And I would like to thank Sumeet for the introduction, and welcome to everyone to Kriti Industries Earning Call for the third quarter of financial year 2022. Before I begin, I would like to wish you and your family a very happy new year. And I hope you and your families are keeping safe and well. Let me give you a brief overview of the operational performance of the company for the quarter under review. Last quarter was one of the most challenging quarter. It was deeply impacted by regular and excessive rains and consumers' belief of travel size adjustments. During the quarter, the uptrend in PVC prices continued only till middle of October 21.

And when they reach rupees 160 per kg, after which, they began to decline and there was sharp and continuous correction, prices currently are ruling around 130 level. The sharp downward volatility in the PVC prices negatively impacted demand and margins for all PVC products. Additionally, the regular rains almost obligated needs for irrigation during the quarter in Madhya Pradesh and Rajasthan where the company maintains a leadership position. This hugely impacted our sales. Despite dismal performance of agriculture products, the other products like building products and micro-irrigation products improved marginally. On the CAPEX front, KIIL

is on course of planned investment of around 30 crores in the new capacities and the new product line, which will be commercialized in Q1 financial year 23.

The company is completing its range of products in building products and column pipe segment. As it intends to grow in these segments, they are noncyclic of demand, and going forward company plans to expand its market where it has already made successful entry. Now, I hand over the call to our CFO, Mr. Shashank Belkhede to give you financial highlights.

Shashank Belkhede

Thank you very much, Chairman, Sir. And good morning to everybody. Let me take you through the key financial performance of our company on a consolidated basis for the third quarter of financial year 2022. On a consolidated basis in Q3FY22, the operating income for the quarter was 119 crores, which was a decrease of approximately 46% on YoY basis. And it was an increase of 6% on quarter-on-quarter basis. The operating EBITDA reported was about 10 crore rupees, which was the decrease of about 66% on a year-on-year basis, and 20% on a quarter-on-quarter basis. Operating EBITDA margin stood at 8.24%, which was a decrease of 267 basis points on quarter-on-quarter basis. The net profit after tax reported was about four crore rupees, which was a decrease of about 77% on YoY basis, and 26% on Quarter-on-Quarter basis while the PAT margins were 3.45%, which was a decrease of 143 basis points on a quarter-on-quarter basis.

If you look at the performance of the nine months on consolidated basis for the period ended December FY22, the operating income for the period was 386 crore rupees, which was a decrease of approximately 17% on year-on-year basis. The operating EBITDA reported was 36 crore rupees, which was a decrease of about 33% on year-on-year basis. Operating EBITDA margin stood at 9.26%. Net profit after tax reported was 22 crore rupees, which was a decrease of about 27% on YoY basis, while the pet margins were 5.68%, which was a decrease of 78 basis points on year-on-year basis. So, thank you very much. And with this, we can now open this floor for question-and-answer session, and I now handed over to the operator please to carry it further. Thank you so much.

Moderator

Thank you, Sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on the telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so, by pressing * and 1. I repeat ladies and gentlemen, if you have a question, please press * and 1 on the telephone keypad. We will wait for a moment while the question queue assembles. The first question comes from Rahul Jain from Credence Wealth, please go ahead.

Rahul Jain

Hello. Thanks for the opportunity. Sir, with regards to the business side, both on the Agri and building products. We do understand on the rural side issue with regards to extended rainfall. Considering now that our presence is much higher in say Maharashtra and the other states down on the south Telangana, Karnataka. So, how do we go and see look on the growth side in terms of volumes on both Agri site and building products because building products also, the volumes have actually gone down on a quarter-on-quarter basis as well as year-on-year basis? Year-on-year basis though it is just a marginal slip, but even on quarter-on-quarter basis, building products have gone down. So, if you could, share some details as to what has happened in building products also with regard to this quarter-on-quarter degrowth and how do we look forward in both this division in the coming days?

Shiv Singh Mehta

Yes. Can I go ahead?

Rahul Jain

Yes Sir, sure.

Shiv Singh Mehta

So, what you have asked is about let me talk about building product first and then I'll come to Agri. Building product as you all know, we have committed ourselves to expanding range and the molds and the infrastructure development is absolutely on course and it will be by first quarter of the coming year that is year 22-23 that all the equipment machineries, molds will be commissioned. So, you would see the impact of building product, when our entire equipment and machineries are able to commission their operations. So, building product, we are seeing good response generally from all the markets we have gone and in the existing markets where there were heavy rains and there was a definite price pressure because of the downwards movement of raising prices.

The impact was seen in terms of not seeing growth in these areas. But our dealership is expanding, and we are quite hopeful that we will be able to achieve much better businesses as things look positive. As far as agriculture is concerned, yes, this was one of the worst quarters in last many years what we have seen because of sustained rains, the need for irrigation pipes had come down, in anticipation of price going down and being historically high at 160. There was a demand destruction as well as delay in the trading channels for procurement of material. So, we

are quite hopeful with all initiatives and company's brand positioning. Since we are maintaining a good market share, we will see a demand revival. This is what is our anticipation.

Rahul Jain

Are we seeing some green shoots, now?

Shiv Singh Mehta

Yes, we are seeing positive trends in the coming months, in the month now, and going forward. Already that, since the prices have already stabilized and there was a positive price movement also, as you must be aware in pricing market in last couple of days. So, we are seeing the green shoots very clearly.

Rahul Jain

My next question is with regards to the CAPEX of Rs 30 crore, which you mentioned in your initial remarks, and also in the presentation. I assume that this will be completely for our building product segments. So, with this CAPEX; two-three things, one, can we say that we will be completing our range of products and achieve which are required in this segment and typically, with this CAPEX, what kind of, you know, effect turn which we can generate on this CAPEX? And are we ready in terms of or how do we plan to scale up the distribution network and the sales team in coming two-three months with this new capacity coming up somewhere in the quarter one of next year?

Shiv Singh Mehta

Regarding CAPEX is on stream. As per our plans, we are getting most of the equipment in place before end of March or first week of April, including molds and machines. Number two, what you said we are targeting as I've been maintaining up to three-storied building or four-storied building. For that, our entire range will be ready by the time we are launching our businesses in this segment. We are already seeing that whatever limited range we had, we are finding there is a good response from market. So, we are quite hopeful that the beginning quarter one of financial year 22-23, we should be able to see the beginning of a momentum in this particular vertical.

Rahul Jain

So, distribution networking, you have answered with regards to the distribution on the sale, what kind of additions are completed and what are we planned in the last three months?

Shiv Singh Mehta

Yes, we are already working on distribution network, we have already appointed some initial distribution in different states. And we are on course as per our plan. And we should be ready with our distribution network by the time production is commissioned.

Rahul Jain

Sure, thank you so much, sir. I'll come back in the queue in case any further questions and wish you all the best. Thank you so much.

Shiv Singh Mehta

Thank you so much and all the more we need good wishes from all of you at these trying times that we have gone through.

Rahul Jain

Sure, Sir. Our wishes are already there, sir, thanks.

Shiv Singh Mehta

Thank you so much.

Moderator

Thank you, Sir. Next question comes from Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai

Hi, Sir good morning. Sir, the first question is continuation of the earlier participant's question. Sir, can you give us some ballpark numbers, that is, 30 crore CAPEX that we are taking, doing? What kind of incremental revenue can be generated? And also, if you can talk a bit about the sales team expansion and the marketing team expansion, new hiring, etc. for the building product segments.

Shiv Singh Mehta

I will answer the second question again first. Regarding hiring a sales team, that work is almost completed. We have already hired most of the people at different locations wherever we want to expand and grow our business. The reason for hiring people early is that we are ready and we are preparing the groundwork so that we are ready with market activities when the production commences in our unit, which will be in the first quarter, and since we have a limited range available already, so the placement of product will be done from now till March-end, so when in April, we are ready with the full range of products, will be ready to feed the market as per our plans. Regarding CAPEX, it's absolutely on schedule. Whatever is the bar chart, prepared for the CAPEX, plan is being adhered to. Have I answered both the question?

Dhwanil Desai

Yeah, my question is that 30 crore CAPEX, you know, if you can quantify what is the incremental capacity in terms of metric tons of PVC side or PVC side that it will result into on revenue number that you are targeting from this CAPEX.

Shiv Singh Mehta

You see this CAPEX will be mainly for building material and submersible section, so the incremental sales will not be that high as will be the value-added sales. So, you can say about 100-150 crores will be the total additional sales, which you can anticipate from this particular investment, but these are the value-added products mainly we are focusing on yeah.

Dhwanil Desai

Okay, okay. And you think that you can utilize this capacity in next 18 months also. Is that, is that something which you are aiming for?

Shiv Singh Mehta

This is exactly what we intend and that's how we are planned that we should be able to utilize this capacity within that space.

Dhwanil Desai

Okay, great sir. Sir, second question is on the agri side, so, you know, we have been tracking lots of, you know, device companies and almost everybody has faced a challenging time and you know, everybody commentary is talking about. These talking in the channel, you know, because of the volatility in the PVC resin piping. So, are you expecting any kind of a restocking

benefit to come through us in this quarter and the next quarter, if you can share your thoughts on that?

Shiv Singh Mehta

You will appreciate that when the prices were going up and then they suddenly came down. So, and the sales were down so, everyone had to take definite hit in terms of material, valuation at which you have and the material at which you are now having material prices in the market. So, there has to be a trading hit to the companies, but going forward, what we see is, if the prices stabilize as their sole indication that they are started already going up in the international market or firming up to little extent in the international market. So, we see that there should be a positivity both from the angle of trading position or in terms of demand from the customer. As such, beginning March till May is a very aggressive market season for agriculture products.

Dhwanil Desai

Okay, okay. But do you, I mean, has the inventory in the channel come down substantially. Is that what your assessment is?

Shiv Singh Mehta

Inventory has come down significantly, but still, there is a room for inventory correction and improvement.

Dhwanil Desai

Okay, okay, and from my last question is, so, I think last year, we did around 2500 metric ton in the building products and probably this year, nine months around 1800 metric tons. So, we are almost left in spite of our focus on, you know, building products in there for last one-one and half years. So, is this because of the capacity constraint, is it because of the product range being not available? Or is it that we are feeding the market and it's taking time; can you elaborate on that?

Shiv Singh Mehta

You see first is our limited product range because any building product business needs the full scale and full range. Without that, it is difficult because buying one company product for certain segment of building material and complementing with some other company becomes difficult for a customer. So, that is not a major constraint. That's why the range is first requirement to really be effective in sales and marketing and distribution. So that is the first constraint. Secondly, in the limited range, you have certain molds, which are not able to give you the quantum of output, which are critical molds.

So, unless you have adequate capacity of those molds, the parallel material will not make the complete family of products. So, these were the two constants which we are facing and as soon as we are able to have the range as well as the capacities in critical components adequately available, the whole basket will grow faster.

Dhwanil Desai

Okay, okay, got it Sir, great. I have one question, but I'll come back in. Thank you. Thank you.

Moderator

Thank you, Sir. Next question comes from Ankit Gupta from Bamboo Capital, please go ahead.

Ankit Gupta

Yeah, thanks for the opportunity, Sir. I was looking at the numbers of the company in terms of volume. So, in the nine months, we have had almost 40% decline in volumes compared to the last year. So, if you can give a sense for how the industry volumes in terms of Agri has been selling.

Shiv Singh Mehta

For industry, an exact volume for me to give you is very difficult, but as you know, the first quarter we were deeply impacted because of COVID. Which was a major decline for the entire industry. And again, quarter three. About the quarter one, quarter three are the most robust months for the business in Agri cycle. And our quarter one was last out due to COVID. And quarter three, again, we are seeing the extended race and particularly in the areas of our working, we are very strong in Madhya Pradesh, Rajasthan, and parts of Maharashtra, that is the Eastern Maharashtra area.

So, this is where the maximum continuous regular rains impacted the market demand because of two reasons as I said earlier, price, anticipation of price correction, and the reduced irrigational requirement due to regular timely rainfall, which crops never required irrigation. So, this is why the impact. The entire industry has felt the difference in terms of decline in demand. But area-specific the variances could be there, like our sales in certain southern states where we have started have not declined that much as the decline in central portion of our sales.

Ankit Gupta

Sure. And sir, last few years including this one has been pretty challenging for the Agri pipes, and the prices were moved up, the COVID impacted demand. So, you know, FY23 will almost be a third year where, you know, the various agents, so do you see FY23, might be some restocking as well as demand coming back on the Agri side.

Shiv Singh Mehta

You see that is our anticipation, that's what we feel that because ultimately, basic demand cannot disappear for agriculture, it can be delayed, it can be postponed, but it has to come; number two prices have already corrected from 160 level to 130. So, there will be more rationale in terms of buying at these prices for the average buyer as compared to what he has been facing for last six to seven months. We are hopeful to see how it pans out.

Ankit Gupta

Sure. And Sir can you talk about the initiatives for increasing our presence in southern states like Karnataka, Andhra, Telangana, and Tamil Nadu, and you know, how has been distribution, increase in distributorship in this region? Because if you see the number of distributors has remained or dealers has remained around 438 on Agri side for part two-three quarters, so has increased any distributors on in this market?

Shiv Singh Mehta

Yes. As we said that our effort to expand our footprint across has been very, religiously we are working. In the last question, I had answered that we have already gotten the team in place. And the team is working into various areas. And we have already appointed some new dealers in the territories where we want to expand. So, we heard about few dealers coming up in southern markets including Karnataka, but the exact dealer appointment and actual business transacted continuously for a couple of months really makes the dealer active. So, I would say that we have already appointed, and we are on the course. And as our product range gets expanded, we are sure that these dealers will help us to increase our presence in these markets.

Ankit Gupta

Sir, any plan? Like what our plans for dealer addition on agri and building product side for FY23?

Shiv Singh Mehta

No, we are certainly looking to expand our dealer base. We have got the numbers also planned out area wise and our teams are moving around by March-end we would have appointed quite a few dealers. We are already as I was explaining, we have already appointed some dealers in these states. And they have started picking up some deals from us on a regular basis. But actually,

once they continuously buy for you, three to four months, and exclusive arraignment is really translated into real living, then we can say that we are a strong dealership in these states.

Ankit Gupta

Okay, thank you, thank you so much, I will come back again.

Moderator

Thank you, Sir. The next question comes from Rajat Sethia from Ithought, please go ahead.

Rajat Sethia

Hi, thanks. Sir, in terms of distribution network, how many dealers do we have in our key states, and how many dealers do we have outside those key states?

Shiv Singh Mehta

Exact numbers I would not have in front of me, but we have about 400 and odd dealers earlier and we have appointed about 25-30 dealers in last two months in the new areas where we want to expand like Karnataka, Gujarat, UP, Telangana, so we are already appointed and other dealers, we are under discussion. Our team is already in place, who are trying to develop our dealership in these states, as we will be ready in first quarter of next year with our expanded capacity. So, we want to complete this process, at least significantly before we commence our production.

Rajat Sethia

Okay Sir, these 20-25 dealers in the last two months, all of them are in the new locations for us or existing, as well?

Shiv Singh Mehta

Yes, yes. For the new areas where we want to grow.

Rajat Sethia

Okay. And Sir, in terms of margins, if we look at our history for the FY21, we made 11%. But prior to that, in almost every year, our margins have been between 5-8%, I'm talking about EBITDA margin. And now again, in FY22, in two out of the three quarters, we are back to 8%. So, can you

help us understand whether FY21, 11% was the abnormal year, bonus year, for us or, and our true margins are around 8% or how is it, if you can help us understand it?

Shiv Singh Mehta

Which I'll explain it to you, (1) as you are, I've been making statements that in agriculture business, two quarters you are very good, and two quarters are offseason times. So, aggregate margins will come down because two quarters will you do well and two quarters you will not do that good. And that is why the company is expanding into new areas, which have nine months to 10 months business cycle. And that is what will automatically lift our EBITDA margins above the earlier projected margins, we have had. (2) This year, unfortunately, because of the downward price division, both are reflected in our Q1 and Q3 numbers, because of the prices of raw materials going drastically down. So, there is a definitely inventory loss in both the cases.

So, this is what is affecting. Otherwise, if you see in the peak season, our margins are much better and industry averages at about 16 to 17%, and when we are selling our products at a premium, at prices, which are accepted by our customers equivalent to any other known-brand national brands. So, our normal case margins should be within those brackets, what others reflect in their business, because our processing costs, our efficiencies, our planned capacities are aligned with any of them. So, in this situation, we are confident that our margins will show similar trend with most of the bigger or national players.

Rajat Sethia

Understood. So, Sir basically you're saying margin in this year, like margins, our margins are upwards of 10-11% is what you are indicating, correct?

Shiv Singh Mehta

Yes.

Rajat Sethia

So, can you help us understand? So, what happened from the last year onwards? So, this year, you explained that margins should have been higher, but they are not which is okay. But, if we look at our history, up until FY20, our margins are never touched 10%, but in FY21, they were 11 and now, you are again expecting them to be upwards of 10%. So, why were we not able to make those kinds of margins prior to FY21, and what happened from FY21, not change?

Shiv Singh Mehta

Very important question you have asked me and the question I would like to again respond. You see if you'll see before that, we were totally agriculture base, and in agriculture pipes, you have main season beginning April to June, and again October to December, and the two lean months, which are between July, August, September, or January, February, March, like 15 December onwards till 15th of March. They were very low-capacity utilization month. So, they will erode your overall margin, which are reflected in the year-end. That was the trend before.

Shiv Singh Mehta

That's why company focused on developing building products or submersible that is column pipes and other products. And since we are now getting quite well entrenched in these products, in our areas of dominant position, we are already getting a good business response. Our plant utilization across the year is improving. And when plant utilization improves, your overall average margin of the year will improve considerably. So, this is what is reflected in our business performance.

Rajat Sethia

So, what was the building product revenue mix? In FY20?

Shiv Singh Mehta

Again, say it again sir.

Rajat Sethia

What was the building product revenues in FY20?

Shiv Singh Mehta

FY20 building product revenue. One second. I don't have figures. Can I get back to you with the numbers?

Rajat Sethia

Sure sir. I will get in touch with [unclear 00:01:10] for that. Understood sir, I will get back in queue. Thank you so much.

Shiv Singh Mehta

Thank you.

Moderator

Thank you, sir. Next question comes from Viraj Mehta, Equirus PMS. Please go ahead.

Viraj Mehta

Hi sir, what I wanted to understand was two things. One, if we look at our decline in terms of volumes compared to even our competitors, who are only in agri segment, the drop in volume seems to be far steeper for us at 55%, compared to our competitors. Would you please care to elaborate on that?

Shiv Singh Mehta

You see, I had explained it earlier and I'll again repeat, that our own sale, when I look state to state, the decline in the major areas where we operate that is Madhya Pradesh, Rajasthan and Eastern Maharashtra, is far steeper than other territories where we sell our agri products, because probably rain pattern in these territories, were of a different nature, this is what we feel as compared to other territories. Number two, most of the other players has a stronger presence in building products, along with agri sector, we were more or less on agri sector. So, their businesses must have been impacted to a significant extent in agri sector as compared to building material sector. So that is what is our view as far as the market is concerned.

Viraj Mehta

I'm talking about Agri sector only, sir. Because Agri sector people, let's say the largest player Finolex decline was 30%. For us it is 55%, in terms of volumes, like to like, peer to peer. If you look at supreme Agri business, and I'm only talking specific Agri business decline was 27-28%, which is why, you know, we are a reasonably large shareholder of the firm, and we are concerned that you know, our share compared to our peers is falling dramatically. That's our only concern. Happy to understand from you.

Shiv Singh Mehta

I'll explain it to you again. You see our share, as we see, in Madhya Pradesh or Rajasthan or Maharashtra, places we are operating has not reduced but rather it has improved in last quarter, because these areas were maximum impacted by continuous rains in this territory. So, certainly those players who have a larger geographical spread in terms of business market, they were less impacted; because our sales in Telangana or Andhra Pradesh has not gone down to the extent it has gone down in Madhya Pradesh or Rajasthan, for that matter. So, what we are seeing, geographical spread wise the impact is different.

Viraj Mehta

So, then let's say next year, when some of these regions become normal, your Rajasthan, your Madhya Pradesh becomes normal and growth there on a very low base is far higher, then we should out do the peers, in terms of growth in FY23. Is that then a fair assessment to have?

Shiv Singh Mehta

I think you're absolutely, there should be a guidance from you as investor to us as management, that this is what we should look for.

Viraj Mehta

Ok Sir, I look forward to interacting with you. Thank you so much.

Shiv Singh Mehta

Thank you for the guidance.

Moderator

Thank you, Sir. Next question comes from Bina Goklaney from S R Investment. Please go ahead.

Bina Goklaney

Good morning, sir. So, my question is that, you know, the anticipated sales value for FY24 was 1200 crores, according to the past two conference calls. So, do we stick to the same vision? And also, how does the company intend to reach this target in the following two fiscal years.

Shiv Singh Mehta

As far as company's position is concerned, we still feel and our plans are there in place, but the kind of disruptions we have seen in two quarters, quarter 1 and quarter 3, is something what we like to even observe more closely before we comment, because talking something and not delivering is not the way we should do. So, I would still hold, give me a quarter more to really analyze and come back to the investors, on what kind of a projection we should give; because we have maintained that our plans are for 1200 crores, but what we have performed is not as per that number. So, we have to be very clear, before we comment we should circumscribe all our plans into a very tangible and actionable agenda and come back to you. So, would you like to give me a quarter more to come back to you on this?

Bina Goklaney

Yeah, sure. But I also had one more question that, you know, to reach this target, do you have any advertisement plans? Or how is the company targeting to increase its market share in each state from the major brands.

Shiv Singh Mehta

We have already rolled out a complete marketing plan, and as I've been maintaining, we are more aggressive on BTL activities as compared to ATL activities. But it doesn't mean that we ATL will be totally ruled out, but the significant portion will be on BTL activities as compared to ATL activities and which is already underway. We are working full time on that. There were certain COVID related disruptions in last two months, but as now COVID is coming down, we are quite sure that once we are allowed, we will be able to move in all the market segments as per our plan.

Bina Goklaney

Okay. Sir, one last question that how are we planning to match our margins with the industry players? And what is the expectation for the building products? Can the demand pick up or do we expect a better performance in building products in Q4?

Shiv Singh Mehta

Q1 of 2022-23 will be the first quarter where we will see our production fully ready and commissioned. So, it is in the month of April that all the commissioning will happen. So, actual impact you will see only from Q1 and it will mature Q2-Q3 onwards. So, building products impact will be seen from the Q1 of financial year 22-23. Have I answered your question, there was one more question you had?

Bina Goklaney

Yes, there was one more, about the EBITDA margin that how would you know are we planning to match our EBITDA margins with other industry players? [inaudible 00:38:05]

Shiv Singh Mehta

As I was explaining earlier, as our plants utilization is for eight to nine months more on a positive side, you will see automatically EBITDA margins will go up, because as I was explaining our all the other cost structures are in place, which are as per industry norms and there is no reason that we should not be aligned with industry EBITDA margin.

Bina Goklaney

Sure Sir, Thank you so much.

Moderator

Thank you, mam. We have a follow up question comes from Ankit Gupta from Bamboo Capital, please go ahead.

Ankit Gupta

Thanks for the opportunity again. Sir, normally, what we have seen is in case of you know, increasing the PVC prices, the market share of unorganized players has eased up. Has that also happened in our areas, over the past three to four quarters, that the market share of unorganized players has increased?

Shiv Singh Mehta

No, I would say unorganized players' market share has decreased, the organized shares market share is increasing, this is what we see, because I mean, one the customer is becoming more quality conscious at these prices than he was before, because he's putting in extra money to buy products, one. Number two, for an unorganized player to maintain business line in such volatile and shortage situation is difficult, because you have to be far more organized to ensure that supply chains are managed better.

Ankit Gupta

Okay, because whatever you're hearing is very unorganized players use the low-quality PVC and reduce the prices to attract farmers during such times.

Shiv Singh Mehta

You see, normally I have seen that the farmer is also becoming very discerning and quality conscious.

Ankit Gupta

Okay, okay. Sir, on the building product side for PVC segment, what are our plans to scale up, you know, CPVC side of the building product segments and how do we plan to grow the segment over the next two three years.

Shiv Singh Mehta

So, when you sell building material, CPVC is part of the product range you offer. So, we are augmenting our CPVC extrusion capacities and molding capacities because that will be required.

Ankit Gupta

Sure, and for you know, we have been hearing about shortage of CPVC resins, from the building products company, so, have we tied up with any of the suppliers for that, or from where do we plan to procure?

Shiv Singh Mehta

We are still in the process, as I told you earlier also, that we are in discussion with 2-3-4 suppliers, and we are working on the supply chain side of it. We are confident we'll be able to do it, because we are well entrenched in PVC side, where we have regular contacts with most of the international manufacturers.

Ankit Gupta

Ok. Thank you, Sir. Wish you all the best.

Shiv Singh Mehta

Thank you so much.

Moderator

Thank you, Sir. We have a follow up question comes from Rahul Jain from Credence Wealth. Please go ahead.

Viraj Mehta

Thanks for the opportunity again. Sir, with regards to the industrial solutions side, 2 years back, somewhere, we have consciously decided to, you know, because of liquidity issues at the customer end, we have consciously decided to go slow on that particular segment. So, as we speak today, how do we look at this segment now? Are those liquidity issues behind? Is that being addressed by say some kind of channel financing? Is that possible in this particular segment? Some kind of financing arrangements, which can help this particular segment, because there is some activity going on with regards to the capex on the industrial side.

Shiv Singh Mehta

As I had said earlier, I still maintain same, we as a company are still not confident about the overall scenario in industrial supply segment, because of the general working capital cycles which are involved in payments and supply, one. Number two, we cannot compete with the prices of many unorganized sector, particularly in water segment, where the prices offered to customer are so low, which we will not like to really compromise on product or business, ways of doing things. So, we will still maintain a guarded approach to building, I mean industrial supplies.

Rahul Jain

Sure. And sir, with regards to the building products, you mentioned that, you know, capex will be through in next three months, you will add a probably complete range of products will be there. You are also pushing on the sales side. Some ballpark figures, say six months from now, when our capacity comes on stream, say in April, May, June, what kind of incremental sales team or distribution team you are adding. And are they being added geographical wise, where and how the planning has been done, if you could share some details on that sir.

Shiv Singh Mehta

So, we have already appointed many places our salespeople, which includes the territories we want to grow, including I can say Andhra Pradesh, Gujarat, Karnataka, UP, Punjab, because building products we will have to create a whole network, which is able to continuously feed markets as well as business manufacturing capacity. So, this is where we have planned it in a way whereby, we are already in a process of appointing dealers, and we have already

appointed, as I was telling, some dealers, and by end of March we would have ready with our network, by the time commission our manufacturing capacity.

Viraj Mehta

And sir, this will completely exclusively be building products dealers? Is that correct?

Shiv Singh Mehta

You see, primarily they'll be building product, but some of them if they want, are ready to distribute agriculture products also, we will not limit that, but the primary focus will be building material, because building material is something where we want to focus to give our business nine months plant load of adequate capacity utilization.

Viraj Mehta

Last one, with regards to some additional products in building product segments like the [unclear 00:44:56] pipe, or column or the casing. So, are these products being added now? And do you see a large potential in some of these products?

Shiv Singh Mehta

We have already developed many of the range in segment of column pipe or casing pipes, so we are already at it, at the regular. That's what I said that all these ranges will be ready by first half, first quarter of financial year 22-23.

Viraj Mehta

Thank you so much sir, and again best wishes.

Shiv Singh Mehta

Thank you. Thank you so much.

Moderator

Thank you, sir. We have a follow up question from Rajat Sethia from Ithought. Please go ahead.

Rajat Sethia

Thanks for the follow-up opportunity. Sir, in terms of our finance cost, for the nine months, it is around 10 crores. Can you break it up into what is the fund based, you know, costs here and what is the non-fund-based finance cost?

Shiv Singh Mehta

Finance costs in terms of 10 crores division. For the 9 months.

Shiv Singh Mehta

Non-fund based when you're talking then you're referring to the LCs, which are used for the purpose of procurement of our raw material, either indigenous raw material or imported raw material. So, these LCs are also discounted, and the payment is made to the suppliers immediately. So, that also becomes, technically, a funded utility. So, I cannot give any exact breakup, but I can give you the breakup of the working capital limits. We have around 50 crore Rupee's capital limits and around 180 crore Rs. non-fund-based limits. So, the total working capital figure of 230 crores rupee's, which is sufficient for achieving our target numbers for FY23.

Rajat Sethia

Okay and what is the cost of debt for our fund base?

Shiv Singh Mehta

Working capital loans are within the range of 7.5 to 8% maximum and the letter of credit which we are using for the purpose of procurement, we are getting a discounted at 4.5%, which is a very cheap and effective rate.

Rajat Sethia

2.5%?

Shiv Singh Mehta

4.5%, the LC discounting rate.

Rajat Sethia

And sir, over the next two to three years, what kind of revenue mix, do you envisage for different segments?

Shiv Singh Mehta

Actually, this question was asked to me, and in last couple of quarters we have maintained that for 2024 we are maintaining outlook of 1200 crores, but I said I like to qualify this statement after observing for one more quarter. And that's what I had requested in earlier question. Since we had made these statements and looking to what we have done in two quarters, quarter one and quarter three this year, I like to once again go back and observe for at least a quarter more and then come back to you on this.

Rajat Sethia

Okay, alright sir. Okay sir. Thank you so much.

Moderator

Thank you, Sir. We have a follow up question from Dhwani Desai from Turtle Capital. Please go ahead.

Dhwani Desai

Hi Sir. Thanks for the opportunity again. Are you witnessing any challenges on the demand side, because of the latest COVID wave in last one, one and a half year?

Shiv Singh Mehta

No, latest COVID way we seen the challenge in the first quarter not in two three years because of COVID. Because most of the markets were open, this time dealers were active. Q1 dealers were inactive. They had you know withdrawn themselves into shells. But this time that was not seen this time; there was a lack of demand on part of the customer or a trading channel partner who would stock his product in anticipation of falling prices. So, because of probably rains and continuous regular rain, the irrigation requirement in our areas of major focus were not there, because every time there was a need for irrigation, there was a rain and good rain; continuously four days, five days, six days. So, there was a demand destruction on the side of a customer, rather than, that's how I look at it.

Dhwanil Desai

3rd wave has no impact as such on our business?

Shiv Singh Mehta

Can you repeat it again, please?

Dhwanil Desai

3rd wave has any no impact on our business?

Shiv Singh Mehta

I don't know, see any impact of the 3rd wave on the overall business operation.

Dhwanil Desai

And sir you, you talked about that, you know, in some of the states, the decline is much less, you know, barring MP and Rajasthan. So, can you give us some sense into other larger states; MP and Rajasthan are quite large for us, but let's say Maharashtra, what was the decline? And does it also mean that MP & Rajasthan decline was [unclear 00:50:30] than 50%. Is that a right assessment?

Shiv Singh Mehta

Exactly, what you have hit the point. Like if I go to southern state, I had achieved almost 75 to 80% of my targets, but when I look at to the major states where I am operating, we were, here also region to region there will be slight difference, but we were on an average around 50% of our target. So, if I go to some of the Maharashtra areas, the decline was about 40% to 35%.

Dhwanil Desai

Ok, and sir last question. You talked about inventory losses in Q1 and Q3. Can you quantify the loss in Q3, inventory loss?

Shiv Singh Mehta

It will be difficult to quantify because, you know, it's an ongoing price erosion on the raw material side, as well as on the finished goods inventory side, I'll have to really calculate to figure out because you are selling everyday continuously and you are also under contract of buying or imported material, which is arriving, which was contracted earlier, and which arrived later. So,

you know, normally a cycle of supply chain cycle is large based on whether it's a domestically procured or internationally procured from various route, so we'll have to work out some figure.

Dhwanil Desai

Okay. And Sir, what if the PVC resin prices keep on going down, and you know, kind of goes down to the normalized level of \$1,100. Can that result into further dips or demand destruction for us, what is your assessment?

Shiv Singh Mehta

You see, If prices come down to \$1,100, the demand would be really, farmer will be very comfortable, because he has seen price level of 1700-1800 plus and \$1,900 were the prices ruling some time back. So, that is for sure, but looking to current international positions, the price decline

to that extent looks very difficult. Now, like in last couple of days, you must have seen that again, the prices started moving up because of many reasons.

Dhwanil Desai

Got it, Sir. Thank you. That's it from my side. All the best.

Moderator

Thank you, Sir. Next question comes from Aditya Khandelwal from SIMPL. Please go ahead.

Aditya Khandelwal

Sir, hi thanks for opportunity, just wanted to understand, have you seen some restocking in the month of January and can we expect at least sequential increase in the volumes.

Shiv Singh Mehta

I personally would like to respond to this question, by saying that everyone is apprehensively watching, with raised antennas because they have seen so much of volatility in last 24 months, that people are quite careful one. Number two, there is definitely restocking happening in the month of January what we have seen because, the sales are, I mean, the dealers are demanding for product as compared to what they were doing earlier. So, there is a restocking going on maybe because one there is a demand and the stocks have come down. Number two, there is anticipation of price increase, which was being talked about in the air, in the sense on

the environment that there is a likely price increase in the raisin now. So, this is where both the things are getting in terms of sales are reflecting the demand, which is improving.

Moderator

Thank you. Sir. There are no further questions. Now I hand over the floor to the management for the closing comments.

Shiv Singh Mehta

I would like to thank all participants in this earnings call. I hope we have been able to answer your questions to your satisfaction. If you have any further questions and or would like to know more about our company or our current businesses, please reach out to Investor Relations Manager of Ad Valorem Advisors. I would once again like to thank you and please stay safe and stay healthy. Thank you.

Moderator

Thank you, Sir. Ladies and Gentlemen, on behalf of Aditya Birla Money, this concludes the conference calls for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

Shiv Singh Mehta

Thank you.

Moderator

Thank you, Sir.

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- Note:**
1. This document has been edited to improve readability
 2. Blanks in this transcript represent inaudible or incomprehensible words.