



KRITI INDUSTRIES (INDIA) LIMITED

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

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

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

Subject: Transcript of conference call held on 06th August, 2024.

Dear Sir / Madam,

We enclose herewith transcript of Conference call of Kriti Industries (India) Limited with the Investors and Analysts held on Tuesday, 6th August, 2024.

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

Please take note of the same in your records.

Thanking You

Yours faithfully

For Kriti Industries (India) Limited

Tanuj Sethi
Company Secretary & Compliance Officer

Encl: As above



KRITI INDUSTRIES (INDIA) LTD.

**Kriti Industries (India) Ltd
Result Conference Call**

Event Date / Time: 06/08/2024, 16:00 Hrs

Event Duration : 31 mins 32 secs

CORPORATE PARTICIPANTS:

Mr. Shiv Singh Mehta

Chairman and Managing Director

Mr. Rajesh Sisodia

Chief Financial Officer

Q&A PARTICIPANTS:

- 1. Rahul Jain** : Credence Wealth
- 2. Sunny Gosar** : MK Ventures
- 3. Sivaramakrishna** : Individual Investor
- 4. Tanishh Jhaveri** : Boring AMC
- 5. Aryan Oswal** : Finterest Capital
- 6. Tanya Kothary** : AUM Capital Market Pvt Ltd
- 7. Dhwanil Desai** : Turtle Capital

Moderator

Ladies and gentlemen, good day, and welcome to the Kriti Industries Limited Q1 FY25 Earnings Conference Call hosted by Ventura Securities Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Tushar from Ventura Securities Limited. Thank you, and over to you, Tushar?

Tushar Pendharkar

Thank you. Good day, ladies and gentlemen. On behalf of Ventura Securities Limited, I welcome you all to Kriti Industries Limited Q1 FY25 Earnings Conference Call. The company is today represented by Mr. Shiv Singh Mehta, Chairman and Managing Director and Mr. Rajesh Sisodia, Chief Financial Officer of the company I would now like to hand over the call to the Managing Director of the company, Mr. Shiv Singh Mehta for his opening remarks. Thank you and over to you, sir.

Shiv Singh Mehta

Good evening, everyone, and welcome to the earnings conference call of Kriti Industries India Limited for the Q1 of the FY25 and financial year ending 2025. In Q1 FY25, total sales volume were 24,714 metric tones, as against 25,473 metric tones in Q1 of FY24, which was a decrease by roughly 3% on YoY basis. Reduction was primarily due to sluggish business in institutional business, which reduced from 5,091 metric tones in Q1 FY24 to 1,295 metric tones in Q1 of FY25. On other segmental fronts, the company registered a 12% YoY growth in volume in agriculture products. In Q1 FY25, it also registered approximately 50% YoY volume growth in building material as compared to Q1 of FY24. I will hand over the call to our CFO, Mr. Rajesh Sisodia to give you the financial highlights.

Rajesh Sisodia

Thank you very much, sir, and very good evening, everyone. Let me take you through the financial performance of our company on a consolidated basis. The Q1 FY25 revenue is around INR 257 crores, which has declined by 8% on YoY basis. The Q1 FY25 EBITDA stood at about INR24 crores with an EBITDA margin of 9.45%, which grew by 323 basis points on a YoY basis as compared to Q1 FY24. Net profit was reported at around INR 14 crores, which grew by 77% on YoY basis. In Q1 FY25, the PAT margin stood at 5.37%, which grew by 258 basis points on a YoY basis. I thank you very much. I would like to open the floor for questions from investors. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question and answer. If you have any questions please press * and 1 on your telephone keypad and please wait for your turn to ask the

question. If you would like to withdraw your request, you may do so by pressing * and 1 again. We will wait for a moment while the question queue is assembles.

Our first question comes from Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain

Good afternoon, sir. Congratulations to you all on a wonderful set of numbers, sir. Sir my first question is with regards to the fundraise which we have done. We raised almost INR 150 crores of money in July through warrant issue and on full conversion, it will almost amount to a 20% diluted equity. So first, if you could share what are the reasons to raise these funds? What are our plans with the fund being raised? Where do you need to we will be utilizing these funds? That is my first question.

Shiv Singh Mehta

Rahul, as you know, building material industry on an average is growing in double digits countrywide. So this industry is offering opportunities to the manufacturers and they must look forward to next 3-5 years horizon, how the companies can be built to a more capable and more desirable level of operation. And in this pursuit, your company is also looking at avenues of growth and this fundraising through warrants, which will happen over 18 months from now, the money will be deployed for the growth of the organization.

Rahul Jain

Sir, if you could share some more details specifically whether we are planning a greenfield plant, which we have been talking about for last quite some time. And of course, due to fire, those plants were delayed. So in the previous call, you had mentioned that a 20,000 tones greenfield plant will cost around INR 35-40 crores. So if you could share details, sir, that will be really helpful out of this INR 150 crores -- there must be some planning behind raising this money. So what exactly are we planning? Maybe it might take 12-14 months to finalize and come up with a plant. But at least we need to understand how is the money going to be utilized in terms of creating what kind of capacities in various segments.

Shiv Singh Mehta

You must have seen in our declaration that this INR 150 crores approximate what we will raise over this period of time. The capital expenses or capital deployment will be almost to the extent of INR 90 crores after that. So, all this is going into creating new assets and increasing our capacities and range. So it will be at one location or two locations that is what is under on the board, drawing board. So this is where our board will take a view and take a final call shortly.

Rahul Jain

So this will include a greenfield plant or completely new green?

Shiv Singh Mehta

Yes, it is, that is just possible and that is quite feasible because growing at a regional level and growing at a different level adds a lot of value in terms of logistics management. The whole value chain comes through logistics cost as well.

Rahul Jain

And sir, with regards to building products, typically, we spent INR 40 crores in the previous year, and we have spent further INR 10 crores in the Q1, as mentioned in the presentation. But today, at what capacity building products stands? And with this additional INR 10 crores, what kind of revenue we can do at peak utilization?

Shiv Singh Mehta

You see, at the peak utilization, as we have been mentioning, we would be able to generate a business volume of over INR 200 crores.

Rahul Jain

Okay, sure. And sir, with regards to margins, this quarter, we have reported wonderful margins. Typically, we are somewhere on the operating front, we have reached almost double digit 9.5% margins. And this quarter, we had lower industrial proportion to the overall top line. But as we go QoQ, the industrial volumes also pick up, which is the lowest margin segment for us. How do we see margins going ahead?

Shiv Singh Mehta

You see, as building materials volume will increase, the margins should improve. Because if you look at the whole business value chain, building products offers better margins as compared to other segments.

Rahul Jain

So you feel from 9 up we can still go up further or this will be sustained for next few quarters or so?

Shiv Singh Mehta

A couple or 2 more it will really go up. It will not happen overnight. But yes, that is the trend and that is the direction we shall move.

Rahul Jain

Sure. And last question, sir. We have clocked around 2,400 tones of volumes in this quarter, which is the highest in building products. And YoY, very good growth of roughly about 45%. So from year on, sir, going ahead, how do we see our volumes picking up in building products? We were aspiring to grow our building products division year-on-year by 50-70%. So how do we look at this year in terms of volumes on building products?

Shiv Singh Mehta

You see, going forward, we are consolidating as we have been maintaining the current dealership. And now once we are through this process, we'll be expanding our dealership further. So we hope to see a continuous growth in terms of building material volumes.

Rahul Jain

Sure.Thank you sir. I'll come back if I have any further questions.

Moderator

Thank you, sir. Our next question comes from Sunny Gosar from MK Ventures. Please go ahead.

Sunny Gosar

Yes. Thanks for taking my question. Congratulations on a good set of numbers in a slightly challenging environment for the Industrial segment. So my first question is on the Industrial segment. We did only about 1,250 tones of volume against last full year volume of almost 17,000 tones. I believe there were some basically some issues related to the election. So for the full year, what is the outlook for the Industrial segment? And for the next 3 quarters of the year, what kind of volume run rate can we expect from the Industrial segment?

Shiv Singh Mehta

You see, we have always maintained that we are not very keen to grow Industrial segment beyond a limit, because here we always find that there are challenges in maintaining right cash flow cycles, because most of the EPC contractors are dependent on government supplies and who in turn are dependent on their payments. And these cycles, many times for unknown reasons, get little longest than the anticipated periods. Number 2, these businesses don't offer that kind of a margin, which we are trying to look at. So that's why we will always restrict our numbers. So going forward, we will analyze what kind of environment we are in, what kind of payment cycle various state governments, because most of the state governments normally are not able to maintain the cash flow cycle for EPC contractors who are our customers in this particular case.

Sunny Gosar

Got it. But from a full year perspective, against the 17,000 tones that we did in FY24, do we likely see a growth, de-growth, flat? So some perspective on that will be very helpful.

Shiv Singh Mehta

We will be certainly growing both on agriculture side and building materials side. And on industrial side, we will wait and watch and see how things pan out in terms of overall cash flow cycles of EPC contractors.

Sunny Gosar

Got it. Got it. That's helpful. Also, your annual report mentioned about some CapEx in the Column Pipe segment. So can you give some perspective of like how large this market is? What kind of capacity are we building? And like how is the realization and margin in this segment?

Shiv Singh Mehta

You see, column pipes is a product which is towards more quality and better value added in Agriculture segment as well as in Building Materials segment. We are definitely focusing on a product which will be quality wise very good and we will have automated processes so that sustenance of product quality is ensured. So we have made some CapEx and the production is being improvised because we are already in this business. This is something not totally new that we are doing. But we are enhancing and fortifying our product quality and markets. And we see a continuous growth. The market is very large in column pipes, countrywide. But we are offering in the limited geographies where we are selling column pipes, where our agriculture products are present.

Sunny Gosar

Right. And in terms of the realizations and the margins as compared to the current average realizations and margins for the Agri segment, is the column pipe as a product category better than the average?

Shiv Singh Mehta

Yes. Column offers much better margins as compared to agri pipes because here, a lot of engineering also gets into processing as well as in manufacturing.

Sunny Gosar

Got it. And one last question from my side before I get back into the queue. On the building product side, basically, we had guided for about INR 160-170 crores of aspirational top line for FY25. Basically, are we likely to be on track to achieve that? And from an organization standpoint, like in terms of capabilities, dealership, employee sense? Like how is the organization shaping up to achieve those numbers?

Shiv Singh Mehta

I think we are on track. We are doing reasonably okay as to our plans. And today, what looks like that we should hit the numbers as we have projected.

Sunny Gosar

Got it. And from an employee and organizational capability, like are we -- like what are the steps that we are taking to scale up so sharply in the Building Products segment?

Shiv Singh Mehta

You see, organization is a dynamic subject. You have to continuously upgrade, renew and enhance your capabilities as per the evolving market. So it entails a lot of internal training. It entails a lot of experience sharing and strengthening wherever required. So it is a continuous process. We look at it very, very deeply and very carefully.

Sunny Gosar

Got it, thank you for the detailed answers and all the best for the future.

Moderator

Thank you, sir. Our next question comes from Sivaramakrishna an Individual Investor. Please go ahead.

Sivaramakrishna

Please accept my congratulations for an excellent set of numbers, sir. My first question is like, while the revenue has gone down, the profit has gone up very significantly, very excellent trend. Is it maintainable in the coming quarters? Point number 1. Secondly is, I think in the last conference call, you mentioned a possibility of a total of 20% or little more than that INR 1,050 crores in revenue in the current financial year. Is that still a target that you're working on? And the next is what is the vision for this company, say, about 2-3 years down the lane? What sort of revenue are we talking about? What sort of an EBITDA margin or what sort of a profit after tax margin have you looked at? What is the vision that you are working on for the company over the next 3 years?

Shiv Singh Mehta

You see, as you would know, when you talk of EBITDA, there's a lot of headroom. We are at a much lower EBITDA margin as compared to the industry average. So, first, our target is to bridge this gap and reach towards what is industry doing and our aspirations should be aligned with them. Number 2, for that, as you had said, that are we looking at the growth numbers of about 20%. Yes, certainly we are. Only point as I was explaining in Q1, you must have seen in our numbers, building material and agriculture are growing well, and that will support our top line growth.

Industrial business, where we are not very sure about the kind of headwinds we may face and we may see in the market, we'll be very careful because not to run after top line, but to ensure that our business policies are in place and we follow them. Have I been able to answer your question?

Sivaramakrishna

How about the vision for the company, say, 2-3 years down the line?

Shiv Singh Mehta

That's what I'm saying. We are certainly looking at a regular growth and the industry asset is growing at about double digit 9%, 10%, 11% annually. So we will try to grow much faster than the industrial

average. And that's where we are this year also projecting that we should try and target about 20% topline growth. So we try to maintain this kind of a growth number for coming 3-4 years.

Sivaramakrishna

And you did mention about working capital getting locked up in industrial segment. You don't see that happening in agriculture segment?

Shiv Singh Mehta

No. Agriculture, we have our own dealership, which is very disciplined and organized. We don't have any problem on that.

Sivaramakrishna

Oh, oh, you are not actually getting into the government business.

Shiv Singh Mehta

Absolutely, no.

Sivaramakrishna

And how about it, are you getting into seriously into micro irrigation or drip irrigation? Is that a supplement that you're not getting?

Shiv Singh Mehta

No, we are not getting there because drip irrigation is a bit just a little different in terms of its DNA and ways of working, where we are not very clear that whether we should be venturing that area.

Sivaramakrishna

So, it's purely agriculture and what you call building products is going to be the focus?

Shiv Singh Mehta

Yes, because micro irrigation means lot of government engagement in the whole business sector.

Sivaramakrishna

Ok, thank you.

Moderator

Thank you, sir. Our next question comes from Tanish Jhaveri from Boring AMC. Please go ahead.

Tanish Jhaveri

Hi, sir. Congratulations on a good set of numbers. I just wanted to ask you that the current CapEx that we have done is exactly in what and what is the like in building materials, what is the difference between the CPVC and the UPVC?

Shiv Singh Mehta

You see, this detailed planning will depend on the final decision at the board level. We are already very clear that we have already allotted about INR 90 crores for CapEx in our issue what we are trying today for next 18 months money. So certainly, this is going towards building capacities and developing our business portfolio.

Tanish Jhaveri

Okay. Thank you, sir. And just wanted to understand what kind of a CPVC market outlook do you see going forward?

Shiv Singh Mehta

Can you hold question? When you say what type of market means the growth rates in the market outlook?

Tanish Jhaveri

Yes, the growth rate of the market and how do you see the market planning of the outlook for the future?

Shiv Singh Mehta

See market is growing, as I've been saying, about almost double digit 9%, 10%, 11%, somewhere in between. And this will continue to grow as India is focusing on developing infrastructure. The government focus, private focus, middle class, everyone is there, housing is a major area of growth. So we see a continuous growth in this market.

Tanish Jhaveri

Ok, Thank you sire. That's it from my side.

Moderator

Thank you sir. Our next question comes from Aryan Oswal from Finterest Capital. Please go ahead.

Aryan Oswal

Hello. Am I audible, sir?

Shiv Singh Mehta

Yeah. Yeah. You are audible. Yes.

Aryan Oswal

So congratulations on the good set of numbers, sir. And so my question is that, we are -- as we are planning for network expansion within the existing states and enter into new states, so, can you name the states that we are planning to foray into? And what are the opportunities there? And who are the competitors in that state?

Shiv Singh Mehta

You see, we are I'd been maintaining that we are quite strong in the states where we are presently operating that is MP, Rajasthan, Maharashtra. Now we are entering into certain northern states and southern states. So, we will you will have to see once you enter a new state, you are thinly populated. Where you are very strong, you are quite dense in terms of your distribution network. So, this is a process. So while we continue growing in our areas where we are strong, we do extra effort of going into the new territories by appointing new dealerships and growing our business in those areas.

Aryan Oswal

Okay. And, sir, as we're expecting a 20% top line growth this year, so can we see your margin uptick or will we sustain the 9% margins over here?

Shiv Singh Mehta

You? That's what is our effort.

Aryan Oswal

Ok sir, Thank you so much.

Moderator

Thank you, sir. Our next question comes from Tanya Kothary from AUM Capital Market Pvt Ltd. Please go ahead.

Tanya Kothary

Good evening sir. Thanks for giving me the chance to ask the question. My question is on recent tax rate reduction from like 26% to 15% in this quarter. Could you please elaborate on the factors that contributed to this significant reduction, whether this lower rate is expected to be sustained in the coming quarters?

Shiv Singh Mehta

Can you repeat your question? It was not very clear. 26%, what did you ask for?

Tanya Kothary

No. The tax rate, sir, effective tax rate during this quarter, it fell from 26% to 15%.

Shiv Singh Mehta

Tax rate?

Tanya Kothary

Could we -- yes, yes. Whether this lower rate -- hello?

Shiv Singh Mehta

Yeah.

Tanya Kothary

Hello? This rate is expected to sustain?

Shiv Singh Mehta

No. The tax rate because of the higher depreciation allocation and the brought forward loss after the fire, both things contributed to the lower tax rate, which will not be sustained. The tax rates will go up thereafter, but it will definitely a portion the depreciation, which is in addition to the regular earlier depreciation.

Tanya Kothary

Okay, sir. Sir, then our general rate is, you know, it's between 24-25% when we calculate?

Shiv Singh Mehta

You see, rate for a public listed company is 25 point, I don't remember, plus charge something. So it becomes 26-27%. I don't remember exact number, but that's where it is.

Tanya Kothary

Okay. So, are there any specific products within industrial solution that performed better during this quarter, or they were little fall in the same?

Shiv Singh Mehta

No. The demand and the product required in India are more or less same size. Only question is that during this quarter, we were very conscious and clear that the payment cycle of the EPC contractors, who are basically the buyers, were little difficult as we anticipated or we thought. So we were very conscious and careful.

Tanya Kothary

Okay. So last year, we did around INR 250 crores or, I'm not exactly sure. But this year, how much do you and what kind of sales numbers we expect from this segment?

Shiv Singh Mehta

For this segment, we will watch how the government policies in terms of EPC contractor cash flow cycles is witnessed by us going forward after this. Because as such, this quarter, I don't see much happening in the building I mean, in the industrial sector because presently, there's normally throughout rainy season, the EPC contractors have to remain sluggish and they don't do much of the groundwork. So any activity will be after rains that is from October.

Tanya Kothary

Ok, Thank you so much sir.

Moderator

Thank you, ma'am. Our next question comes from Dhwani Desai from Turtle Capital. Please go ahead.

Dhwani Desai

So my first question is on the building work side. So in last few quarter calls, we have mentioned that in spite of scale up on the building products, the margins were a bit muted in FY24, because we were investing money in building -- the building product business, and from FY25 only, we were expecting that the margin will flow through. So are we expecting that with building products going to INR 160-170 crore, the margin delta that we were expecting will come through this year?

Shiv Singh Mehta

The margin will improve because we are moving on a higher base of operation. And we are trying to hit the numbers as we had projected and as you have mentioned just now.

Dhwani Desai

Okay. And sir, any rough idea about the gross margin and the building product level and what it -- so I assume that agriculture is around 20%, which is finished cost to raw material cost, raw material is 80%. What is that ratio in the building products?

Shiv Singh Mehta

Building products offers higher margin. You will see, generally, companies who are totally dedicated toward building products have EBITDA margins in excess to 15%, 16% at times 18%, 19%, depending on company-to-company. So building product --

Dhwanil Desai

Sir i'm asking for gross margin, which is raw material to finish good utilization.

Shiv Singh Mehta

Raw material to value addition will be 30-35% in case of building product.

Dhwanil Desai

Okay, okay. Got it. And sir, on institutional side, we are saying that we'll wait and watch and based on the cash flow cycle we'll take a call. So let's say our assessment is that probably it's not a very favorable environment to do a lot of business on the institution side. So is this capacity partially or fully fungible to get utilized in some other segment?

Shiv Singh Mehta

No, we have agriculture segment, which also uses polyethylene pipe, which is primarily required for EPC, that is the building institution side. So it is not the entire capacity, fairly large capacity we are able to consume towards our agricultural work. So I mean, certainly there is some business which will keep going in terms of industrial supplies as well. So we will try to optimize our capacity utilization.

Dhwanil Desai

And last question on agriculture side. I think we have done a very recent growth on the agriculture side, 13% volume growth. So can you give us some sense whether this volume growth has come largely from the newer market or it is spread across all the markets or the mature market has contributed more? Some color to that.

Shiv Singh Mehta

In percentage terms, certainly new markets offer higher percentage in terms of growth from last QoQ growth. But in terms of total volume, even the mature volume and we are seeing a good demand because raw material prices have come down as compared to they were in past, say, about a year, year and a half back. So at these prices, pipes are much more affordable.

Dhwanil Desai

Ok, that's it from my side. Wish you all the best, thank you.

Moderator

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. There are no further questions. Now I hand over the floor to the management for closing comments.

Shiv Singh Mehta

So, I would like to thank all people who have come and attended this earning call. We look forward to your sustained patronage and your good wishes. Thank you so much.

Moderator

Thank you, members of the management. Ladies and gentlemen, on behalf of Ventura Securities, that concludes this conference. Thank you for joining us, and you may all disconnect your lines now.

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