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Sub: Submission of Transcripts of Earnings Conference Call held on Tuesday, November 19, 2024 at 02.00 P.M.

Dear Sir/Madam

Pursuant to Regulation 30 of Securities Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Company is hereby submitting transcripts of Earnings Conference Call held on Tuesday, November 19, 2024 at 02.00 P.M. to discuss H1FY25 earnings with Investors and Analysts.

Submitted for your kind information and necessary records.

Thanking you
For Krishca Strapping Solutions Limited

DIYA VENKATESAN

Digitally signed by DIYA VENKATESAN
Date: 2024.11.21 17:53:40 +05'30'

Diya Venkatesan
Company Secretary and Compliance Officer

"Krishca Strapping Solutions Limited H1 and FY25 Earnings Conference Call"

November 19, 2024

MANAGEMENT: MR. BALA MANIKANDAN – MANAGING DIRECTOR, KRISHCA STRAPPING SOLUTIONS LIMITED
MR. JAGAJYOTI NASKAR – CHIEF EXECUTIVE OFFICER, KRISHCA STRAPPING SOLUTIONS LIMITED
MS. DIYA VENKATESAN – COMPANY SECRETARY AND COMPLIANCE OFFICER – KRISHCA STRAPPING SOLUTIONS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Krishca Strapping Solutions Limited H1 and FY '25 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Kajol from AKMIL Strategic Advisors Private Limited. Thank you, and over to you, ma'am.

Kajol Gowda: Thank you, Sejal. Good afternoon, everyone. I am Kajol Gowda from AKMIL Advisors, and it's my pleasure to welcome you all to Earnings Call of Krishca Strapping Solutions Limited.

Today, we have with us Mr. Bala Manikandan – Managing Director; Mr. Jagajyoti Naskar – CEO; and Ms. Diya – CS and Compliance Officer.

Now, I will hand over the call to Mr. Bala. Over to you, sir.

Bala Manikandan: Good afternoon, everyone, and welcome to our H1 FY '25 Earnings Call. Thank you for joining us today.

We will discuss our performance and share the progress we have made so far. We need the continued support of our investors as we navigate this period and work towards our goal.

At Krishca Strapping Solutions, we are driven by our commitment to excellence in providing comprehensive packaging solutions for the metal industry. After our commercial production in 2020 March, we have quickly grown into one of the India's leading manufacturer of high-tensile steel straps, strapping seals and strapping tools, setting new standards in eco-friendly and efficient production.

Our facility in Chennai remains the cornerstone of our operations, boosting a robust production capacity of 30,000 tons of steel strapping and 120 million numbers of steel strapping seals annually.

In the first half of FY '25, we recorded a 30% growth in revenue compared to the last year reflecting the stability of our business model and our ongoing efforts to strengthen our presence in the industry.

We achieved total consolidated revenue of 63.84 CR in H1 FY '25 supported by robust demand across both domestic and international markets. Despite sliding steel prices and pressure from the international steel pricing situation in the first half of this year, our EBITDA stood at 9.54 CR, reflecting steady operational performance across all departments. While our profit reached 5.43 crore, the earnings per share for the period was Rs. 4.21.

A key highlight for us this year has been our strategic plan to invest in a special steel production plant in Chennai. This investment marks a pivotal step in our growth journey, allowing us to expand our production capabilities and a range of high-quality steel products.

This special steel production facility is expected to enhance our operational efficiency and position us to meet the evolving needs of special steel straps across various industries in India. We believe this investment will play a crucial role in driving our future growth and strengthening our market position.

To support this ambitious plan, we have successfully raised 68 crore through preferential allotment of equity shares and convertible warrants. 49.40 crore right from issuing 21.20 lakhs equity shares at Rs. 233 to 27 non-promoter shareholders and also 18.63 crore from issuing 8 lakh warrants at Rs. 230 to promoter and non-promoter groups.

The funds raised are earmarked for the expansion into the special steel production facility, strengthening our financials and driving product innovation. This application of resources will enable us to build a stronger foundation for our future growth.

In addition to expanding our steel production capabilities, we are strategically diversifying into packaging materials as well. We are increasing our focus on comprehensive packaging solutions, including products like desiccants, Tarpaulin, HDPE, fabric, airbags and a range of VCI-based corrosion protection products.

This expanded product portfolio will enable us to provide better packaging contract services as we will be using all these items in the various packaging contracts. By broadening our product offerings, we are enhancing the value we deliver to our clients and reinforcing our competitive edge in the global market.

Our commitment to growth is further evidenced by the significant contracts we have secured this year. We have entered into a three-year contract with Vedanta Limited worth 20.24 Cr. We have also strengthened our position in the steel industry by securing strategic packing contracts with a well-established company like Shyam Metallics, where we got a contract for 2.81 Cr and also another 1.39 Cr contract from Vizag Steel Rashtriya Ispat Nigam Limited. And also we secured a 2.54 Cr contract from Shyam Metallics Limited, Jamuria plant.

We have also secured contracts from Sambhav Pipes and railway path in the Raipur region. These contracts along with additional job orders from the Steel Authority of India, we have expanded our order book to 45 Cr, reflecting our clients' confidence in our ability to deliver high quality solutions.

Looking ahead, our goal is to sustain our growth trajectory. With revenue expected to grow by 20% in this financial year, our planned investment in the Special Steel Production Plant is expected to be a key driver for the future growth.

By expanding our production capabilities and diversifying our product offerings in packaging materials, we have pushed ourselves to leverage new market opportunities. The increased product portfolio of other materials will support us in getting packing contracts. This strategic approach not only enhances the value we offer to our clients, but also pushes us to capture a large share of market.

Our emphasis on expanding our packaging contracts and penetrating high growth regions positions us well for future success. We are confident that our investments, both planned and ongoing in the Special Steel Production Facility and diversification into other packaging materials, will enable us to meet the evolving needs of our customers and stay ahead in the competitive market. These initiatives are integral to our long-term strategy of building a resilient and diversified.

In conclusion, these results reflect the dedication of our team and the progress of our ongoing initiatives. With solid future expansion plans and a strong order book, substantial market reach and industry-leading operational standards, we, Krishca Strapping Solutions, is well positioned to continue building on our legacy of quality, innovation and growth. We remain committed to capturing sustained value and are very excited about the future opportunities. We are grateful for your continued trust and support.

With me, I have Mr. Naskar, who is our newly appointed CEO. We are now happy to address any questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sudhir Bheda from Bheda Family Office. Please go ahead.

Sudhir Bheda: Sudhir Bheda here. Sir, while in the opening remarks, you said that the steady performance, but if you see the EBITDA, it has gone down by 200 basis points and net profit has gone down by 300 basis points. So, what led to the conclusion that it is a steady performance and what is it looking like in H2?

Bala Manikandan: Good afternoon, Mr. Sudhir Bheda. Regarding your question, there is a dip in the EBITDA net profit.

Sudhir Bheda: Yes, margin.

Bala Manikandan: There are a couple of reasons for this. The major one is, there is a continuous decrease in the steel pricing in the last four months. Almost the steel price has fallen by around Rs. 7,500 per ton. And this is one of the major reasons because we are carrying a large inventory and there was an inventory loss also.

And moreover, when we look at the export, international steel pricing also is a huge challenge. So because of that, there was a margin loss in the exports and we have done almost last year, 15.5 CR in exports. But if you look at the first half of this year, the exports were almost flat. We did 8.74 crore. So, due to the Chinese steel price in the last six, seven months, the export volume affected not only for me, for all the steel exporters in India. So, this is a very temporary situation. And one more reason is there was a huge increase in shipping costs in the first half of this year and we also have to compromise our margins to maintain the steady flwo of export orders.

And one more major reason is our employee cost, if you look at, there is a 130% increase compared to last year. So, we are also building a large team at our company to take up the upcoming big orders. So, this employee cost, earlier we had a slight cost of less than 3%. Now we are having almost 6% in the employee cost. So, this situation will improve when we take up some large orders which are expecting next financial year. So, when the top line increases, this ratio can come down. So, hopefully, the next half and then the next financial year, our EBITDA, net profit is expected to increase.

Sudhir Bheda: So, at the time of roadshow, the projection was 160 crore for current year with 11.5% PAT margin. So, now you will revise downward that projection for the current year.

Bala Manikandan: See, during last year, the average steel price was higher. When we compare the average steel price last financial year to this financial year, almost 10% price has gone down. So, that is also reflecting in our top line. So, even this year if we do, in fact, the volumes are much higher. Our revenue is only 10%. But we have done almost 40% volume in number of tons. So, the sliding steel price is also contributing from around 12 to 13 CR reduction in the top line guidance we have given.

Sudhir Bheda: So, now what is the revised guidance for this year and next year top line and price margins?

Bala Manikandan: Next year we cannot able to give a guidance at the moment, but we will stick to the earlier guidance we have given in the beginning of this year, which is we will definitely able to give more than 25% increase in the top line.

Sudhir Bheda: How much? 30%?

Bala Manikandan: 25%. That was the guidance we have given in this year, beginning of this year. So, that definitely can be achieved.

Sudhir Bheda: So, 45% year on year growth at the end of the year we will see, right?

Bala Manikandan: Yes.

Moderator: Thank you. The next question is from the line of Rahil from MAPL. Please go ahead.

Rahil: So, my first question is, in March 2024, our receivables had spiked and the reasoning for that was we had a lot of end moment contracts and sales, but the receivables have jumped again and we haven't seen as much sales growth in this half, which should have come considering the receivables spike in H2 FY '24. So, if you can explain what is going on since such an increase in the debtors is concerning?

Bala Manikandan: Yes, you were right, there has been some increase in the receivables at the September 31st when we considered that. There were some last minute dispatches in the last week of September, more than around 7, 8 crore. That is also contributing the large receivables figure, and we are also increasing our focus on packing contracts. The packing contracts, the receivables cycle is a little higher and because of that reason, there has been some increase in the receivables.

In generally speaking, the steel industry as a whole was not doing very good in the first half of this year. Since we are depending on the steel industry, so there is a general delay across all our customers. We are also supporting a lot of packing contractors. Even their payment also delayed a bit of payment.

So, because of various reasons, everyone is experiencing an increased cycle at the moment in our industry. So hopefully, now that it started increasing, a lot of the earnings are also picking up in the market. This situation should improve in the second half.

Rahil: Sir, I understand that, but what I am trying to understand is, since we had already saw a spike in H2 FY '24, I was assuming that sales would be converted in H1 FY '25, but even that hasn't happened.

Bala Manikandan: There is a 30% increase in revenue that is also contributing to the increase in debtor cycle.

Rahil: My next question is around the utilizations. We have been guiding the new plant can do 50% of utilization in this year. Do we still stand on that?

Bala Manikandan: Right now, I think September, we were around 20%-25% utilization. And by the end of this year, it can. See, this is a very special grade of strapping which we are using. So, we cannot able to bring it 100% utilization immediately. And we just started the plant in the end of May, and there have been some minor teething issues. Now it is all set and running. Hopefully by the year end, it will cross around 40%.

Rahil: And like we said, we are doing volume growth, we have done in this half of 40% and the 10% while the steel prices are down, hence we have seen the 30% growth. Is this volume growth from the new plant or is it from the older plant because the older plant wasn't seeing any volume scale up for a long time?

Bala Manikandan: Overall, see, we are also increasing the volume from the older plant as well. But since the new plant is recently commissioned, we are pushing some orders of the old plant to the new plant. So that it is a continuous running line. We cannot switch off this line. It is a continuous running process compared to the old line that can be, we can even switch on, switch off any wind-up path. But the new plant is a bit challenging to operate. So, we are writing some order book to keep the plant running continuously. So, the utilization is around 40% to 50% the overall utilization of the plant when we consider both plants. So, this should improve from this point onwards.

Rahil: And till now we have been getting these smaller packaging orders. When can we start seeing the larger 50-60 crores or even 100 crores order come in, the ones we have bid for according to our last call?

Bala Manikandan: Yes, our team, Naskar, will answer this question.

Jagajyoti Naskar: See, to answer to your query, most of the big contracts that you see, there is something called pre-qualification criteria. Like if you want to attend any packaging contract, you should have some experience. So, last one year, I think we have already announced that there are about six contracts we have already got it, and those are not very big. These are all smaller. Only Vedanta is a little bigger, which is around 23 years for three years.

So, with that experience and the kind of work that we are putting up, so people are encouraging us and this year we are attending something like to the close to around 1,000 crores. To answer your query, we are happy to say that almost around 1,000 crores worth of packaging contract we are attempting and which is in the pipeline.

Rahil: And you have shared that the conversion of that would be 35%, right?

Jagajyoti Naskar: Yes, at least 30%.

Rahil: And sir, just regarding our backward integration from the funding that we have been getting from the preferential, what is the exact plan here since I wanted to understand, first of all, when does the unit commercialize? Second of all, how much will we use in-house and how much will we sell outside? And whatever we sell outside, what would be the value of that?

Bala Manikandan: See, we are starting the construction of the new factory, hopefully by next month. And we are also ordering all the machineries by next month. So, this plan should be up and running by end of next year, which is by next December, we are expecting this plant to be operational, and the plant capacity will be of minimum 5,000 to 6,000 tons.

Again, based on the cycles they are running, we can even scale it up. Out of this around 40% will be equipped for the captive consumption. That is for our current steel strapping production and remaining balance 60% we are going to focus on the outside market. That will be mainly in the specialty steel segment, the high carbon alloy steel, also into stainless steel.

Rahil: And what would be the value of that 60% based on today's steel prices, of course?

Bala Manikandan: It is very difficult to quantify at the moment because the plant we are commissioning, the cold rolling mill, it can even process stainless steel coils. The carbon steel pricing is around like, let's say, Rs. 80 to Rs. 90, but whereas the stainless steel pricing is between Rs. 350 to Rs. 500. So, based on how much stainless steel we can able to run, so it is very difficult to quantify, but definitely this can bring a top additional top line of around 250 to 350 CR.

Rahil: And sir, my last question is the primary packaging segment, the one we have said we are going to enter like the Tarpaulins, the HDPE, LDPE rolls, the drainage bags etc. They seem a bit commoditized, and according to our previous calls, we have said that we will even make higher margins than our current products there. So, if you could explain how would that be possible exactly?

Bala Manikandan: Our CEO will answer this question.

Jagajyoti Naskar: See, actually, I am from the primary packaging background for last about 25 years. See, in primary packaging if you see, whether you talk about HDPE, LDPE and all these products, it looks very, very simple, but there are a lot of formulation that goes into that. So, there is something which is the optimization in polymer engineering part and the formulation that can help us reducing the input cost, at the same time maintaining the quality, and we can sell it at a decent margin in the market.

Rahil: And sir, what would that margin be?

Jagajyoti Naskar: And plus, if you see, and just answer to your question, let's say, when you talk about LDPE is a normal plastic bag or normal polyethylene if you see, not much of value addition there, but the moment we put VCI, which is anti-corrosion product, VCI, that is volatile corrosion inhibitors, the moment we put VCI, because of that value addition, the profit goes high. So, it is only the any higher rate in the market, higher price in the market.

Rahil: That makes sense. And sir, what would be the exact operating or net margin that we can make from this?

Jagajyoti Naskar: At least 20%.

Rahil: 20% profit margin or operating margins?

Jagajyoti Naskar: Operating.

Rahil: And we are spending 8 crores for these products from the 68 crores that we are raising. So, exactly where would be spending this 8 crores and how much sales can we get from this?

Bala Manikandan: See, we are investing in various almost like seven, eight different products, various machinery we are purchasing for that, and put together, this can achieve a top line of 100 CR.

Rahil: So, you are saying we would be investing 8 crores in this, and we can generate 100 crores of turnover with 20% operating margin. Am I right?

Bala Manikandan: Yes, after full capacity.

Rahil: And when can we achieve that? In one year or it would take more time?

Bala Manikandan: See, the idea is most of this production from this facility we wanted to use it for our packing contracts. That is the primary objective, and over and above that, we will be selling it outside. So, it may take, let's say, two years to reach the full capacity and no, this is not like a CRM or strapping line. As we increase our production, we can add few machines and keep on adding the increasing capacities.

Moderator: Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Sir, actually few clarifications before I ask the questions. You mentioned the guidance for this year twice, and both the times I could not hear it because of a disturbance from the line. Did you say 25%, 2-5%, or 4-5%, 45% ?

Bala Manikandan: I do have 25%.

Agastya Dave: 25%, and that's the value number, sir. Volume number will be higher?

Bala Manikandan: Yes, it could be higher because of the fluctuation in the pricing. So, it could be higher also.

Agastya Dave: Correct. And you mentioned that in H1, your volume growth was 40%, but price correction was 10%?

Bala Manikandan: Yes, correct.

Agastya Dave: So, the inventory, the closing inventory number that you have disclosed, so, this, can you specify the carrying cost of this? I mean, the inventory losses that we have taken this quarter, are they expected to continue in the subsequent quarter or have we, I mean, the closing inventory number captures the lowest possible point?

Bala Manikandan: Let's see. The inventory, If you look at the absolute percentage, it will go down in the future once we set up this new backward integration.

Agastya Dave: Sir, that I understand, but the current inventory, raw material inventory that you are carrying, is it at the appropriate prices, or the prices have fallen more after the September quarter?

Bala Manikandan: Yes, after September quarter, I think now the prices are increasing, month-on-month.

Agastya Dave: Have increased, okay.

Bala Manikandan: October, November, there is a price increase only. We have only taken the September price, which was lower.

Agastya Dave: Yes, obviously, sir. You can only take the September price. So, that I understand, I just wanted to know what happened subsequently after September. So, you mentioned that the employee cost has gone up, so that is understandable. And that is quite a substantial cause of the pressure on your margins. I was wondering, sir, this 3-1-5 number that we are seeing for the half, so if we annualize it, it goes to 6 crores plus. Is this the peak number that we should expect going forward, or are there further hiring expected and further hikes expected?

Bala Manikandan: It's a good question. If you look at the top level and mid level, now we have employed enough people. Any further increase will be from the bottom level of the team. So, it won't be, even the numbers increase also, the employee cost might not go very high.

Jagajyoti Naskar: I would like to add. My name is Naskar. I would like to add that, first, the position which you have filled up at a leadership role, most of these cases, that's why the employee cost has gone high, and those surely will, you know, the baseline will be filled up. The front line will be filled up eventually.

Agastya Dave: It's just that it's the current number itself is much higher than what I was expecting. I am pretty sure you have good reasons for hiring those people and they will contribute massively going forward. Sir, I am not objecting to that. I just wanted to understand what is the base employee level, employee expense levels that we should work with. So, it probably goes to 7 crores for the entire year, sir. Is that a good estimate?

Bala Manikandan: Yes, I think we can, I think maybe 6 point, yes, 7 crores we can take.

Agastya Dave: 7 crores we can take, sir. And sir, in terms of other fixed costs that will get added once every facility is up and running, can you provide some understanding on those lines? What kind of, for example, what kind of depreciation, peak depreciation we will see? And what kind of other fixed costs that will get added to our numbers that we have reported for this half? What else can we expect in terms of fixed cost additions? And then on that base, I am pretty sure we will see a lot of operating leverage going forward, but what would be that base? Can you quantify that, sir?

Bala Manikandan: See, if we look at, almost, see there is around 20 CR worth building we are constructing, and there will be some 30 to 40 crore worth of machinery additional will happen within next 12 months. And we are also planning for a 2 Megawatt solar plant. So, that is almost like 10 CR.

So, overall, 60 to 70 CR worth assets will be getting added within the next 12 months.

Agastya Dave: 60 to 70 CR, in the next 12 months.

Bala Manikandan: Yes.

Agastya Dave: 60 to 70 CR, okay.

Bala Manikandan: So, this will have an impact on the depreciation.

Agastya Dave: And one final question, sir, you mentioned, so CAPEX number can we take at 60 CR for this year?

Bala Manikandan: For this financial year? No, I am giving for the next 12 months.

Agastya Dave: So, let's say FY, so half of FY '25 and first half of FY '26, should we take 60 CR spread over these two durations?

Bala Manikandan: We can take 70 CR max.

Agastya Dave: We can take 70 CR max, okay. So, sir, final question here is, do we have all the funding in place for all of this or would we require, I mean, what would be the peak debt and would we require another round of equity dilution?

Bala Manikandan: We are not looking for any further dilution immediately. And whatever the funds we raised recently, that should be enough. And even if we need any additional term loans, it might not be significant, maybe up to 15-20 CR.

Agastya Dave: And, sir, one last clarification. The 70 crores that you mentioned, this is over and above the CWIP that we have reported for last year, which was around 20 crores or this, the 20 crores is included in the 70 crores?

Bala Manikandan: No, it's over and above that.

Agastya Dave: Over and above that.

Moderator: Thank you. The next question is from the line of Kashvi from JRK Stock Broking Private Limited. Please go ahead. Due to no response from the current participant, we will move on to the next participant. The next question is from the line of Jishan Singh from Kruncha Research and Analytics. Please go ahead.

Jishan Singh: First question that I would like to ask is on the cash flow. If you see on the cash flow side, there is a sudden increase in the non-current assets. So, what could be the reason for that?

Bala Manikandan: Hi, Jishan. Regarding non-current...

Jishan Singh: Other current assets.

Bala Manikandan: Just a second. I am just checking. Which point in the asset you are... other current asset you are asking. Okay. See, there are a couple of things. There is a provisional rights, right? There are around 8 lakh shares are under the warrant. Some 14 crores yet to be received. 25% of the warrants value to be received. That is given under, added in the other current assets.

Also, we have given some advances for the current CAPEX to the tune of around 15, 16 CR. That is also comes under other current assets. Put together around some 29 CR is added. And our advance tax we have paid some GST around 2.5 CR is there. And advance we have given to the raw material supplier. So, all put together, these are other current assets coming up to 45 CR.

Jishan Singh: And I missed that point. What was that? 15, 16 CR for what?

Bala Manikandan: No, for the particular land, we are acquiring land for the new factory. And for the some machinery also we have given some advance.

Jishan Singh: And the 14 CR is for the share warrants that you issued?

Bala Manikandan: Yes.

Jishan Singh: That means the amount has been received by you?

Bala Manikandan: Yet to be received. That is also given, classified under the other current assets. 14 CR yet to be received. But anyway, that has been classified there.

Jishan Singh: And next, I would like to understand that there was a price decrease in this H1. So, how does that impacted your margins? Because steel is your raw material requirement. So, how does that impacted your margins? I would like to get into that.

Bala Manikandan: We are using a special grade of steel. The lead time with the supplier is high. It is not readily available at commodity grade. So, let's say, we give an advance in this month of November and order the material. It may come between 3 to 6 weeks with whatever the same price I am giving. Let's say, the steel price is falling down in December. I am getting the material December 15, processing and dispatching by end of December. By the time already steel price has gone down by Rs. 2,000. I am forced to give, even though I am buying at a higher rate in November, I have to sell at a lower rate in December. So, this was happening consecutively for the past four months, from June till September. That was the major hit happened in the H1.

Moderator: Thank you. The next question is from the line of Disha Shah from RRR Investments Advisory Private Limited. Please go ahead.

Disha Shah: I would like to know what is the current status of our CAPEX at plant in UAE and the new that the company proposed, the MIG welding plant? So, what is the status of that?

Bala Manikandan: See, nowadays, we have shifted our focus in India because there is a big CAPEX happening in Chennai. So, the next one year, our focus will be on setting up this facility, and also there is some large orders in the mastic market we are working. So, we are putting the other plants on hold and the focus will be setting up the new plant and increasing our packing contact business at the moment.

Disha Shah: Sir, my next question would be in this line. So, since we are focusing in the domestic market and we are starting new lines, so, my question is like with the focus in developing new lines, will it have any effect in the older lines that we already have existing and which are operational?

Bala Manikandan: Not really, because the new CAPEX is completely different. It's a cold rolling mill. It's a backward integration. It will support the existing strapping production as well as it will enable us to enter into various other steel, solid steel supplies. Instead of only supplying to the steel mills, we can focus on various new customers. So, it will help us to enter into various new businesses.

Disha Shah: Can we have any percentage-wise revenue which we forecast from the old and the new one? Percentage wise bifurcation?

Bala Manikandan: So, you are asking about the new line we commissioned recently?

Disha Shah: Yes.

Bala Manikandan: It will be, I would say, 50-50 because the capacity-wise both are very similar. So, the percentage of revenue in the future will be like, even the market is also like there. There are couple of grades we are running in the new line, couple of grades we are running in the old line. So, the market also it is like that. It is 50-50. But it will increase the new line volume in the future, whatever the new market is moing towards the usage of high tensile strapping. So, let's say, if we are going for further expansion in strapping production, we will be installing the new kind of production line.

Disha Shah: Sir, my next question would be, like our forecast was around 160 CR for the current financial year 25 and so far in the first half we have achieved 63 crore. So, does the forecast still, I mean, are we still in the same path and we will be able to achieve the same amount that is forecasted?

Bala Manikandan: Ma'am, I think we have clearly given a guidance in the last investor's call, which was around when we given the last year March results. It was 25%

top line growth year-on-year for the next five years consistently. That was the guidance we given. I don't think we have given a 160 crore guidance anywhere.

Disha Shah: And I have my last question. It is like our current order book is 45 crores, right, from the packaging contract?

Bala Manikandan: Yes.

Disha Shah: So, can we know what would be the order book for the products other than packaging, like for the sale of the basic of a product, straps?

Bala Manikandan: It is, see in the packing contract, in addition to the steel strapping, various other components are used to complete the packaging. So, there are very few contracts where we are only using strapping. Let's say, we have six ongoing contracts, right? In three contracts, we are using various other products in addition to strapping. In one contract, we are not using steel strapping. We are using only other consumables. So, in the future, it will be like 60%-70% will be other consumables, 30% will be the strapping usage in the overall packing contract.

Disha Shah: Sir, my last question would be like, yesterday, there was this investor presentation, and the company says that it has an order worth 962 crore in pipeline with a 30% conversion rate, right?

Bala Manikandan: Yes, correct.

Disha Shah: So, can we have more little bit details on this, if you can share?

Bala Manikandan: Most of these orders, this large order, these are working for the last six months. We worked very hard to get the eligibility criteria clear. Now we are commercially participating in those contracts. Most of these will be concluded before end of March.

Moderator: Ms. Disha, does that answer your question?

Disha Shah: Yes.

Moderator: The next question is from the line of Amitabh from Sadhna Broadcast Limited. Please go ahead.

Amitabh: My question is more generic in terms of the packing side of the business. So, how you would like to pick up the business from here? Like who are your key targeted customers? Is it steel based or it is another industry you are tracking? Or what is the reason for packing business for next two, three years, if you can say that?

Bala Manikandan: Hi, Mr. Amitabh. See, now if you look at broadly in Krishca, we have two verticals. One is the packaging and the other one is the steel, which we are doing the CAPEX now. So, in the packaging business, the major customers will be the steel mills, metal, aluminum, copper. So, Vedanta is our currently is one of the biggest client. So, all this steel, any big metal producers will be our target customer.

Amitabh: And are there any other organized players into this packaging business? Or who are your unorganized players or you can share some names? For example, if some logistics company are doing this packaging. So, are you competing with logistics person also to this? How is the industry landscape for this?

Bala Manikandan: Can you say your last question again? Are you competing with?

Amitabh: So, are you competing with, who are your competitors in packaging side of the business? Are the logistics players, do they have this integrated, vertically integrated units who are doing packaging? So, exactly who are your competitors into packaging?

Bala Manikandan: See, there are a couple of competitors who have comprehensive packaging solutions, who are our existing vendors to the mixed steel mills. But there are very few. Hardly two or three players are there in India who can do the complete packaging contract or solution to mixed steel mills like Tata, JSW, AMNS. Only these three, two people only doing the services to all the major mills.

And other than those organized players, there are various unorganized players, but even the sales volume is limited to one location. So, they will be doing in a particular location with not more than 10-15 share worth of order. Because of that, the pre-qualification criteria is very stringent in mixed steel mills. So, currently only three players are qualified to take up packing contracts. Now, we almost got the eligibility in major steel mills.

Amitabh: One question in terms of on the strapping side. For example, some calls where you have mentioned about AMNS being one of your clients. And so, how are you placed in terms of steel companies exporting? So, do the exporters have more utilization of your tools or your materials in terms of strapping solutions?

Bala Manikandan: Generally speaking, exporters will use more primary packaging materials other than strapping, mainly to prevent the steel from corrosion. So, there will be a lot of fabrics they will be using lashing. So, those are the products currently we are investing or trying to offer, add in the portfolio. So, obviously, in export packing, packing costs will be much higher.

Amitabh: But your alignment is more with domestic players. If we look at your clientele, which we often know like JSW Steel and Shyam Metalics. So, are you focusing on those domestic players or you are canceling up on the exporter as well?

Bala Manikandan: See, we are looking on both areas.

Amitabh: What is your strategy? Because you are mostly South India-based and that's why JSW Steel is your captive client, loosely saying, but what are your plans to go on the western part or the eastern part?

Bala Manikandan: See, already in the eastern part, we are doing four packing contracts. Vedanta, we are doing a contract in Jharsuguda. In fact, our most of the packing contract is happening in the eastern part. Now, in the western, we are trying to get a couple of orders in the upcoming month in Gujarat.

Moderator: Thank you. The next question is from the line of Anurag Agrawal from Multify Wealth. Please go ahead.

Anurag Agrawal: Sir, I just wanted to clarify one thing first. You mentioned that we are planning to put a hold on our other expansion plans. Does that mean we are planning to put a hold on the Middle East expansion due to the Chinese dumping?

Bala Manikandan: Hi, Anurag. See, the Middle East project also, it's a CAPEX incentive. The expected top line is not, you know, you cannot do more than 120 to 100 CR with that kind of investment. But with the kind of investment we are doing in India, the expected top line is much higher, potentially much higher. So, we will, once we stabilize the current investment operations in India and then we will focus on the future other expansions.

Anurag Agrawal: I also wanted to ask the backward integration that we are planning, you mentioned that the steel grade we procure has a lead time of about two to three weeks since it is a specialty steel grade. And since once we get backward integrated, would this lead to a faster turnaround time and maybe lesser fluctuations in margin?

Bala Manikandan: Yes, you are absolutely right. One is our inventory will go down because we don't need to keep the stock of all kind of sizes in the inventory. We can buy, like, a hutcher coil and we can roll it as soon as we require. So, inventory will definitely go down.

Anurag Agrawal: And, sir, I also wanted to ask, are we facing any kind of issues in packaging contracts since it's a new venture for us? We have never been in that operationally. We have been more of a supplier to these players. And now, since we have ventured into it, are we facing any kind of issues, teething problems, learning curves? Would you like to highlight anything on that?

Bala Manikandan: Yes, the learning curve was definitely there. We started with the first contract in last year in July. Now it is almost 14, 15 months. We have six contracts going. Another three is expected to start. And even the manpower management was a bit of a challenge earlier, but now we have set up a clear SOP and process to monitor and do the audit and everything.

Now it is more or less running on auto mode, all the locations. So, see, even last year, we are not very confident of taking very big orders. Now with the kind of team and expertise we have in place with the new employees joining, we are very confident of taking a much bigger contract without any issue.

Anurag Agrawal: So, we have not had any kind of a bad service or a delivery in our initial packaging contracts, have we?

Bala Manikandan: See, all the places where we are doing contracts, everybody is appreciating our service till now. And in fact, Shyam Metalics, we got a first contract we did in July, right? We got the renewal for the first contract. And one more location also they given the contract. Even in Vedanta, it's been six months we have been doing. Now they are allowing us to participate in much bigger contracts inside the same plant. So, everywhere, because there is only two or three people are controlling this organized packing contract market in the metal industry. So, there was not many new entrants in the last 10-15 years. So, people are also supporting us, appreciating our services.

Moderator: Mr. Anurag, does that answer your question? Due to no response from the current participant, we will move on to the next participant. The next question is from the line of Mulesh Savla from Shah & Savla. Please go ahead.

Mulesh Savla: And just in continuation with the previous questions, you said there are 2-3 major organized players in this field. So, may we have the names of your competitors or those major players in the field?

Bala Manikandan: See, the biggest one is Signode India. So, they are the ones who started this packing contact concept. They have a top line of 2000 CR. They are the dominant player with high market share. Other than that, there are no listed players in this space. And everybody is between 200 to 400 CR top line kind of people.

Mulesh Savla: No, I requested you to repeat the name of that biggest player.

Bala Manikandan: Signode India.

Mulesh Savla: Signode, Signode, okay.

Bala Manikandan: Signode India, yes.

Mulesh Savla: And who else are, maybe unlisted, but who else are the good players?

Bala Manikandan: See, there are a couple of people. I don't want to name them at this moment.

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

Yatin Kapoor: So, my question is, there are two questions. First is, what is the market share we have as of now? I remember that we had roughly 7% last year. Is there any increase in that? And second is, as our business is more cyclical, so can you let me know what's the volume percentage increase in terms of strapping and packaging separately from H1 last year to H1 this year?

Bala Manikandan: Hi, Mr. Yatin Kapoor. See, our market size, we believe, is around 10% currently. 10% to 15% in the supply. The packing contract, if you look at, our market share will be less than 2%-3%, maybe less than 2% in the packing contract. But in the supply, it will be definitely between 10% to 15%. In terms of volume, we have witnessed almost 30% to 40% volume increase we have witnessed compared to last year in the steel strapping alone. In the packing contract, if you compare, see, we can say last year we had a monthly revenue of about 30 to 40 lakh. Currently, we have around 1.3 to 1.4 crore monthly billing in the packing contract. So, we almost grown 3x in the Packing Contract division.

Yatin Kapoor: And which stream we are expecting more increase going forward? Would it be packaging or strapping?

Bala Manikandan: It will be mainly from the packaging.

Moderator: Thank you. The next question is from the line of Anurag Agrawal from Multify Wealth. Please go ahead.

Anurag Agrawal: Sorry, I got disconnected from the call. So, I could not hear the answer and I will just re-hear the call again for that answer. So, another question that I had was, you mentioned that we had teething issues in our new lines. Are we confident that those issues are over and now we can scale that up in H2?

Bala Manikandan: Yes, those issues are already addressed. Now, it is running. It is a first kind of line, and we have designed it ourselves. Any kind of running, street plant, experiences, this kind of initial issues, but now, the are very minor and we have managed it.

Anurag Agrawal: So, you also mentioned that we are planning to set up 2 Megawatts of solar. What kind of margin impact could that have on our business?

Bala Manikandan: See, that is, it can maybe have a cost saving of around 1 CR per annum.

Anurag Agrawal: Sir, lastly, little open-ended question. How do you see the competition evolving in the market since you have been a new entrant, you hare trying to disrupt this market from MNCs and I am sure they must have taken a note at least, right now you are at 10% market share and you plan to go up to 30% market share. Do you see them trying to get back their market share or develop any strategies which could affect us? Have you heard of any of that kind of stuff?

Bala Manikandan: Those kind of issues are there. Of course, competition is also very strong and they are very stable infrastructure. That's why we are trying to diversify ourselves into various products, sectors. So, we are trying to grow across various sectors, instead of focusing on only strapping, packing contract or primary packaging or exports, we are investing equally in all possible areas. So, definitely there has been some resistance, but we are overcoming that. Every year we are increasing our sales and adding new products. Even the packing contract side, we face lot of resistance in entry barriers. But somehow with our school execution of six to seven contracts, the very good reference from the existing customers, we are overcoming that issue.

Jagajyoti Naskar: To add to that, when it is complementing each other, the strapping business we have and packing contract, the more we get packaging contract, we will also be consuming ourselves a lot of steel strapping. So, that way also the business will increase in steel strapping.

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

Paramjeet Singh: My question is, you have 50% of your revenues from your top 10 customers and remaining 50%, let's say, roughly from your other 190 customers, right? I mean, you mentioned 200 plus customers. So, I want to understand what is the kind of stickiness you have with your other customers other than top 10? How do they perceive your product? And is there any churn in that customer list?

Bala Manikandan: See, we are adding new customers consistently on a month-on-month basis. We are also adding a lot of new products. So, even those other customers, even if they volumize, they might seem small. But when we add a new product in the next year, there is a scope to increase our sale of business with even the smallest people. So, we are consistently trying to increase the share of business, volume of business across all the clients. And once we take up sufficient packing contract business, the revenue from top 10 customers definitely will go down. The stickiness will eventually go down.

Paramjeet Singh: And the other question is, you mentioned the order pipeline of 960 odd crores where Krishca is participating. So, I want to understand what could be the single largest size order for a company like Krishca? Largest size single order?

Bala Manikandan: It is 50 to 100 CR single order per annum.

Paramjeet Singh: Sorry, come again, sir?

Bala Manikandan: It is 50 to 100 crores per annum size of the order we can expect.

Paramjeet Singh: One last question. You mentioned 30% convergence ratio. What is the confidence level on that or how have you arrived at that 30%?

Bala Manikandan: See, based on the nine contracts we have secured in the last one year, based on that ratio we are saying. See, this top 100 crores pipeline, it is all long-term orders. These orders are between three years to five years. So, the value of this contract includes the three to five year timeline. So, per year we can expect at least 100 to 150 CR worth of orders in the coming months.

Paramjeet Singh: One more thing, sir, I want to understand how is Krishca different or better than Signode? Is there any comparison you have in terms of product quality, pricing, anything on that line?

Bala Manikandan: Yes, our CEO will answer this question.

Jagajyoti Naskar: Sir, we believe in every day to be better ourselves. We don't basically try to compete with anyone. We compete in ourselves and try to be better every day. That's what we believe. So, yes, if you see competitors and the way things are going on, there are certain gaps which we understand that we are trying to add value to that. That's how we have been preferred in many cases. That's how we are attempting in larger volume of business.

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

Yatin Kapoor: Sir, I had one more question. How do you see steel price going forward? As you are saying that last two, three months have been down and now you can see little increase. But how do you see six months going forward?

Bala Manikandan: Mr. Yatin, see, this is a very difficult thing to answer. But the next quarter seems to be on the increasing trend. People, experts to whom I have spoken, they are telling, steel trend might not fall any further for the immediate future.

Moderator: Thank you. The next follow-up question is from the line of Rahil from MAPL. Please go ahead.

Rahil: On the bidding of the 1,000 crores order, how many of these are the PSU orders where there are only three bidders? And so how competitive are we being for these orders? And also for the private orders for which there would be the multiple vendors? And what sort of margins do we plan to maintain?

Bala Manikandan: See, the segregation of PSU and the private, I am not able to disclose at the moment. The operating margins will be about 15% overall in the packing contract side.

Yatin Kapoor: And what would be the conversion timeline for this 1,000 crore order from which we expect some 30%-35% win? When can we expect an order win? Whether it be in this financial year, next financial year?

Bala Manikandan: Within the next six months, we are expected the closure of our entire pipeline.

Yatin Kapoor: So, you are expecting to get a minimum of 250-300 crore of orders in the next six months?

Bala Manikandan: Yes, it's not random. It's a five-year, three-year timeline, various orders. So, it is difficult to give the figures for next year. But yes, anyway, within the next six months, we are expecting...

Yatin Kapoor: No, sir, what I am asking is since you said you have some 962 crores of order book and you have said you have a 35% conversion ratio, so, when you convert of that, it comes to 250 crores to 300 crores of order value. I am not asking the individual annual amount we will make. I am just asking the amount of the order wins from that since you told within the next six months you will close the pipeline.

Bala Manikandan: Yes, that is possible.

Yatin Kapoor: And my second question is, we have always said that our margins are fixed since we have a variety of suppliers spread over timelines and thus it hedges itself. So, what was the issue this time and would this be a one-off and we won't get an inventory loss in H2, and should margins go back to 20% in H2?

Bala Manikandan: See, sir, it is mostly like a temporary situation because there is domestic prices going down, international prices on the sliding trend. And consecutive rate of going down for four or five months. So, this kind of dip in prices was not witnessed in the last three years. Generally, it was going up. Conjugate fall was not there. We believe it is a one-off case. This kind of situation might not happen in the future.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Ms. Kajol from AKMIL Strategic Advisors Private Limited for closing comments.

Kajol Gowda: Thank you all for joining the earnings call of Krishca Strapping Solutions Limited. For any questions or further discussions, feel free to reach out to us at info@akmiladvisors.com or kajol@akmiladvisors.com. We appreciate your time and look forward to stay connected. Thank you.

Moderator: On behalf of AKMIL Strategic Advisors Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.