KRITI INDUSTRIES (INDIA) LIMITED

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CIN : L25206MP1990PLC005732

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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 May, 2024.

Dear Sir / Madam,

We enclose herewith transcript of Conference call of Kriti Industries (India) Limited with the Investors and Analysts held on Monday, 6th May, 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 Digitally signed by TANUJ SETHI
Date: 2024.05.09 14:43:34
+05'30'

Tanuj Sethi
Company Secretary & Compliance Officer

Encl: As above

KRITI INDUSTRIES (INDIA) LTD.

Kriti Industries Limited
Q4FY24 Earnings Conference Call

Event Date / Time:06/05/2024, 16:30 Hrs.

Event Duration:60 mins 05 secs

CORPORATE PARTICIPANTS:

Mr. Shiv Singh Mehta
Chairman and Managing Director

Mr. Rajesh Sisodia
Chief Financial Officer

Mr. Tushar Pendharkar
Ventura Securities Limited

Q&A PARTICIPANTS:

1.	**Rahul Jain**	: Credence Wealth
2.	**Ankit Gupta**	: Bamboo Capital
3.	**Viraj Mehta**	: DVD Capital
4.	**Dhwanil Desai**	: Turtle Capital
5.	**Miraj Shah**	: Arihant Capital
6.	**Saket Kapoor**	: Kapoor and Co.
7.	**Sampath Nayak**	: Tiger Assets Pvt. Ltd.
8.	**Hena Vora**	: DAM Capital Advisors

Moderator

Ladies and gentlemen, good day and welcome to the Kriti Industries Limited Q4 and FY24 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 Q4 and FY24 earnings conference call. The company today represented by Mr. Shiv Singh Mehta, Chairman and Managing Director; and Mr. Rajesh Sisodia, Chief Financial Officer.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 Q4 of the financial year 2024 and financial year ending 2024. In Q4, FY24, total sales volume were 17,554 metric ton as against 15,083 metric ton in Q4 of FY23, which grew at around 16% on YoY basis. Also, on segmental front, in Q4 FY24, the company registered a growth of 75% in volume in the building product business compared to Q4 of FY23.

I am very happy to inform you that the company has achieved a strong revenue growth for the full year with significant turnaround in margins and profitability versus last year. During FY24, the company registered an overall growth of 28% and 18% in volume and value respectively. On a YoY basis, with total sales volume of 75,655 metric ton against a sales volume of 59,148 metric tonnes. Sales volume for the agriculture segment grew by 16% while industrial solution grew by 59% and building product by 75% YoY.

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. Very good evening, everyone. Let me take you through the financial performance of our company on a consolidated basis. The Q4 2024 revenue is around INR 195 crores-odd which indicates a growth of 3% on YoY basis with quantum growth of 28% and price down effect of 7.5%. The EBITDA stood at around INR 14 crores. With an EBITDA margin of 7%, which the company has been able to showcase in last three quarters. There is a dip by 124 basis points on a YoY basis. Net profit was reported at around INR 4 crores in Q4 2024, and the PAT margin stood at 1.85%. The revenue for FY24 is around INR 867 crores, which grew 18% YoY basis.

EBITDA is around INR 60 crore with annual EBITDA margin of 6.87%, and net profit of your company was around INR 22 crores. The PAT margin on annual basis stood at 2.53%. Regarding the segment wise revenue for FY24, agriculture, industrial solutions and building products contributed 62%, 26% and 12%, respectively.

Thank you. I would like to open the floor for questions if any on the results.

Q&A

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have any questions please press * and 1 on your telephone keypad. If you would like to withdraw your request you may do so by pressing * and 1 again. Our first question comes from Rahul Jain from Credence Wealth. Please go ahead, sir.

Rahul Jain

Hello. Am I audible?

Shiv Singh Mehta

Yes sir.

Rahul Jain

Yeah. Good evening, Mehta sir, and good evening, Rajesh sir. So, a couple of questions. Sir, on the overall demand scenario since we are going into the next year and the Q1 happens to be our best quarter with regards to more towards Agri part. So, how are we looking at the overall situation on the ground in terms of demand? We have already crossed about one month and some more days. So, till now how has been the demand from the Agri side and also the other segments? That is my first question.

Shiv Singh Mehta

The demand scenario looks to be fairly good because prices are affordable and we are seeing good traction on the top line.

Rahul Jain

So, are we in for a record quarter in terms of revenues?

Shiv Singh Mehta

Yes, it looks to be a good quarter. Agriculture demand is quite robust.

Rahul Jain

Okay. And sir, in terms of the margins part. Sir, even prior to, say, COVID also when we were recording around INR 400 crores, INR 450 crores of sales or INR 500 crores of sales, our EBITDA margins have been in the range of around 7.5%, 7-7.5%. Leaving aside one or two years where probably we gained on inventory, or we lost on inventory. Today our revenues are almost about INR 860 crores. The operating leverage doesn't seem to be kicking in. And this is based on my understanding on the numbers. What I can read is the other expenses have gone up sharply.

The last six quarters, the average run rate of expenses on the other side, the other expenses, are in the range of INR 19 crores, INR 20 crores which was in previous one and a half to two years was in the range of INR 11-12 crores.So basically, sir, INR 11-12 crores has gone up to INR 19 crores, INR 20 crores in last six quarters. Every quarter we are spending around INR 19-20 crores. So additional around INR 8-9 crores, if you could share some details where is being these spent majorly to get a sense whether these expenses can result in some kind of benefits going ahead.

Shiv Singh Mehta

You see, as I told you earlier, developing building material is taking lot of efforts in terms of footwork as well as BTL, ATL efforts and dealer development initiatives. So, as we are trying to expand in building material, initially our expenses will continue to be little higher. And as the volume ramps up, we will be able to distribute these expenses on a larger sales base, then it is only then you may see that our expenses per unit of sales will be within range and then our margins should look up.

Rahul Jain

Sir, mota-mota sir, are we done with the other expenses or are we done with the development and promotional and marketing expenses of building products, from here on, the growth in that expenses will not be large enough or it will be very minimal?

Shiv Singh Mehta

It will, certainly proportionately come down because as the markets mature, as the sales grow for every territory, the per unit expenses would certainly show a better margin for the performance of company.

Rahul Jain

Last question, sir, on the CapEx side. Our gross block is up and plus we have a CWIP up also in the balance sheet. So with regards to the CapEx, if you could share more details and also the building products, I understand a lot of this is going towards building products, the expansions of the SKUs. So till date, whatever capacity we have built in the building product division at this peak capacity relation, what kind of revenue can be generated from the building products segment?

Shiv Singh Mehta

You see, building product, as you would know this year, we have shown a total sales which has grown by almost like in terms of tonnage about 79%, 80% to about -- how much is that, 75%?

Rajesh Sisodia

75%.

Shiv Singh Mehta

75% growth. So obviously this all addition of range and product, quantities, the initial investments have to be high. So this is where most of our expenses are in developing range, developing capacities, appropriate requirements of market for CPVC, for UPVC, for fittings, for pipes. So we are now almost ready up to a level where we will be able to expand our market because we have a larger range to cater.

Rahul Jain

Sir, just to clarify. This existing capacity which we have already built till date that can at peak utilization can give us what kind of revenues in this segment? [Hindi Patch]

Shiv Singh Mehta

INR 170 crores as a revenue, we are at about INR 103-104 crores-odd today, last year. So, the capacity here is, we can easily, if all the sizes are probably utilized, we can easily expand our sales from 1.5x to 1.6x of current sales.

Rahul Jain

Sure. Thank you, sir. I have some more questions. I will come back. Thank you.

Moderator

Thank you, sir. Our next question comes from the line of Ankit Gupta from Bamboo Capital. Please go ahead, sir.

Ankit Gupta

Sir, on the building product side, the kind of efforts we are making last year and despite having a low base of less than 5,000 metric ton sales in FY23. So, our building product sales in volume terms has grown by 62% last year. And if we look at the quarterly performance over the past three, four quarters, our building product sales has been around 1,700 tons per quarter. And it has remained in that range for almost three quarters now. So how do you -- what has been the reason for the sales to be stuck in that range for past three quarters? And how do you see the growth in the building product segment for FY25?

Shiv Singh Mehta

You see our growth in terms of tonnage in Q4 to Q4 is about 75%. And if you compare our sales in Q3 to Q4 in building materials, it is about 23% growth QoQ.

Ankit Gupta

Just wanted to clarify. The numbers given in the presentation for building product sales is around 1,674 metric ton compared to 1,237 metric ton last year.

Shiv Singh Mehta

Our sales in Q4 is about 1,149 metric tons against last quarter was 1,753 metric tons. So it's about 23% growth.

Ankit Gupta

Okay. Maybe some error is there in the presentation. Yes. So, how do you see the growth for next year and how do you see the scale-up?

Shiv Singh Mehta

Quite hopeful to sustain this.

Ankit Gupta

Okay. So even on the base of, let's say INR 100 crore sales for 2023-24 you will be able to achieve 25% growth

Shiv Singh Mehta

Rather going forward, we'll be able to do better as our range is now available, our marketing abilities have improved. So we are quite confident that we should be able to maintain the growth rate.

Ankit Gupta

Sure. On the margin front, in this quarter, has there been any inventory loss that we have incurred because our realizations have come down?

Shiv Singh Mehta

Any inventory loss? But yes, our expenses have grown because of our efforts on the marketing side. And as our range has come up now, the larger full portfolio up to higher diameters, we have to put in a lot of effort in terms of putting products on the shelf everywhere.

Ankit Gupta

Sure. And sir, let's say, let's assume the prices for the PVC stay at the current levels, and we see a significant ramp up in the building products that we are envisaging for FY25. How do you see the margins for the company panning out for FY25? Last year, we reported close to 7%, 6.8%, 6%, 7% EBITDA margins. For next year, how do you see the margin shaping out?

Shiv Singh Mehta

See, margins will certainly improve because building product is a major area where we are putting investments and where we are, I mean, seeing the traction QoQ. Once the volume of building products grows, our expenses will be distributed in a higher base. And that's where the margins will improve.

Ankit Gupta

Okay. So, we are earlier targeting to reach early double-digit kind of margins given the stage of that we were expecting.

Shiv Singh Mehta

We are trying our best to hit a number which is towards double-digit. Let's hope that quarter-to-quarter we are able to demonstrate it.

Ankit Gupta

Okay. Thank you and wish you all the best.

Moderator

Thank you, sir. Our next question comes from the line of Viraj Mehta from DVD Capital. Please go ahead, sir.

Viraj Mehta

Sir, my first question is regarding our Agri markets. On an aggregate level in the districts that we are present in Maharashtra, what is at some point two years back, you used to say that wherever we are present in Maharashtra we have 10% market share. What would be our market share today in Maharashtra?

Shiv Singh Mehta

We are around a similar level. I mean exact district-wide receipts may vary a bit, but on average, we will be around 8-10% market share in different areas.

Viraj Mehta

And sir, my second question is, aspirationally, sir, if I look at some of our larger players even in BT or in Agri business, they grow on like very large base of few thousand crore revenue, INR 8,000 crore, INR 10,000 crore revenue and even in piping INR 5,000 crore, INR 6,000 crore revenue. Their aspiration, and they actually growing much faster than us even on that based on volume terms. What is it with such penetration? I mean, we basically are investing also, we are increasing penetration also, but somehow that doesn't translate into numbers, right? I mean, what is it that we are missing?

Shiv Singh Mehta

It's a very important question which we as management have been reviewing and centralizing. But you see, unless you go multilocation, the volume growth will have to be within a range of what we are achieving. But once we -- Because India is a very large territory, transporting pipes beyond a limit is always a cost which is a challenge. Building material is somewhere where costs are affordable. So as our building materials business will grow, we will be able to reach out to larger, bigger distant territories. And that's where we may see more traction in coming days. Because building products are comparatively of a higher margin business as compared to agriculture business.

Viraj Mehta

Sure, sir. And sir, a few years back, we used to talk about our new plant in south India, in Karnataka with now reaching INR 850 crore, INR 900 crore top line. Where are we in terms of diversifying locationally and also providing us easier access to South India market?

Shiv Singh Mehta

Yes, this we are debating within our team to do it. Actually, the fire incident here, which we had in a major setback and that's why we, our plans and our supplies in during period had impacted our business plans. But we are again rebuilding all these our initial plans.

Viraj Mehta

Okay, sir. Best of luck.

Moderator

Thank you, sir. Our next question comes from the line of Dhwanil Desai from Turtle Capital. Please go ahead, sir.

Dhwanil Desai

Hi, good afternoon, sir. Sir, my first question is, FY23 Q1 was on a very low base. So, you know, because of the fire incident. So, if you adjust for that, there is hardly any growth compared to FY22 because FY23 Q1 base was low on the Agri side of it. So, sir, again, coming back to the earlier participants question, we are getting into so many geographies, we are trying to get higher market share. But Agri segment, in spite of lower PVC price seems to be somehow not growing beyond single-digit volume growth. So what is it? So is it that we need to go to the double-digit kind of a growth? We need to have another plant without that we can't move to double-digit volume growth. Is that a right assumption to make? Can you talk a bit more about that?

Shiv Singh Mehta

See, we had a fire almost about two years back. So, last year data to this year is not based on fire. Last year was a clear operational year. So based on that QoQ, there is a growth in agriculture which is about 18%, 19%. What is that number? Agriculture side is about 16% growth on the -- no, it’s annual basis. QoQ is about 14%. So the agriculture side staying here within a limited geography from one location will always be a constraint. We will have to go multilocation then only we can expand agriculture faster because any area to have a market share beyond a reasonable 45%, 50%, 55% is very difficult to grab. So, we are certainly planning for a multilocation, which we will -- I mean, once our plans are frozen, we can take a call on that.

Dhwanil Desai

Okay. Sir, my -- I think, again, correct me if I am wrong. But I think the fire took place in May or April or May of 2022, which is Q1 of FY23. Isn't that right understanding?

Shiv Singh Mehta

Right. Q1 was impacted.

Dhwanil Desai

So, sir, if I adjust for the entire year and because the Q1 of FY23 was a very low base, right? So because we lost some business because of the fire. So, the actual volume growth on a normalized basis is much lower than what it looks. Isn't it the right way to look at it?

Shiv Singh Mehta

I would say to partially what you are saying has a merit. But we are seeing traction QoQ if we see, we will be able to see that unless and until we go multilocation, a growth beyond a point from a single location will be always a challenge.

Dhwanil Desai

Okay. Got it. And sir, I think you have been talking about this second plant or multilocation strategy for some time and for various reasons you have not yet decided on that. But what are the key parameters as a management you look for to go for this multilocation? I think one thing you talked about repeatedly in earlier call was that you need to have a critical volume in a geography to give the baseload demand for that plan. So, I'm saying what are the decision point which will come in the near future or medium-term which will help you take that decision?

Shiv Singh Mehta

You see, we are looking for a critical volume and we were towards that when our plant fire disrupted our supplies. So we could not continue the momentum which we had got at that point in time. So we have been once again realigned that momentum and we are seeing improvements suddenly. But once you had reached there and then there was a breakage. So once again you have to build that territory which we have been working towards. So now we are hopeful that we should be able to show significant improvement towards these territories where we want to achieve critical volumes.

Dhwanil Desai

Okay. Got it, sir. And sir, you have been saying that we are investing on the building product side to scale up the business and hence the margin is slightly subdued because of that. So is it fair to assume that on a building product standalone, let's say if normalized margins are 12%, 13%, 15% because we are investing at the current scale, which may be a subscale business as of now, our margins are lower than what it should be, let's say 14% 15%. Is that a right way to look at it?

Shiv Singh Mehta

Yes, because our expenses are much higher per unit sales.

Dhwanil Desai

Okay.

Shiv Singh Mehta

Even prices are reasonably priced, the expenses per unit are much higher. That's why our margins shrink.

Dhwanil Desai

Okay. So you think when we reach that INR 170 crore, INR 180 crore we should be able to get to at least 12%, 13% kind of a margin on a building product basis or you need much higher scale to get to that number?

Shiv Singh Mehta

No, people are having better margins than 12%, 13%. But we internally look at 12% margin once we reach that number on building material.

Dhwanil Desai

Okay. And sir, last question. So you said that with the CapEx that we have done and we are currently in WIP, we can do INR 170 crore, INR 180 crore kind of number on the building product side. Now, as we have aggressive growth plans on the building product and on INR 100, INR 105 crore base, even if we go 50%, 60%, we will again be kind of running out of capacity to that extent. So, do we continue to do further CapEx on the building product side? What are your thoughts on that?

Shiv Singh Mehta

It will all depend on the progression of sales. But yes, we are ready as an organization. If there is a situation where we feel there is a justified reason for us to increase our CapEx allocation, we will not hesitate from that.

Dhwanil Desai

Okay. And last, just a clarification. I think in your presentation, the volume or tonnage for building products is 1,674 tons which I think you mentioned is around 2,100 tons. Right? Is that -- Did I hear you correctly?

Shiv Singh Mehta

Yeah, 2,149 is the number.

Dhwanil Desai

2,149. Okay.

Shiv Singh Mehta

Yeah.

Dhwanil Desai

Okay. Great sir. Thank you. That's it for my side.

Moderator

Thank you sir. Our next question is from the line of Miraj Shah from Arihant capital. Please go ahead sir.

Miraj Shah

Thank you for the opportunity, sir. Good afternoon. I just have a couple of questions. First is a clarification and the start of the call and to answer to one of the questions, you had mentioned that at peak utilization you can do INR 170 crores. Was this for the agricultural segment? For which segment was this for? I didn't catch that.

Shiv Singh Mehta

Building material.

Miraj Shah

Building material. Okay, understood. And post that you said 1.5x to 1.6x of current. So that is building materials only. Because you're doing INR 99 crores of top line currently in that segment.

Shiv Singh Mehta

Building material only. We have done INR 103 crores or INR 104 crores this year.

Miraj Shah

Understood. Okay. So the next question is that in our presentation I can see that our capacity for building material is close to 6,600 tons. And this year we did a top line of 6,700 tons. Now, in our thought process going ahead, we are saying that with the increase of volumes in building materials we will be able to have better margins and better scale as well. So, you've also mentioned about INR 20 crore CapEx that you've done. So what is the current actual capacity of building materials that is available now?

Shiv Singh Mehta

So, we are almost like doing -- last year we have done 6,580 tons. And we can easily scale it up 1.5x times. So it will be about 9,000 tons to 10,000 tons.

Miraj Shah

So, we have a capacity of 9,000 tons. Because in the presentation it is just 6,600 tons.

Shiv Singh Mehta

No, 6,600. Our capitalization is still in has been done. So it's a whole number here. It's about almost 9,000 tons that we can easily do with the capacity already installed.

Miraj Shah

Okay. So our current capacity is 9,000 tons. And this includes the CapEx of INR 20 crores that is mentioned, right?

Shiv Singh Mehta

Right.

Miraj Shah

So, in INR 20 crores you've added 2,300 tons for building materials. And so, I just want to have some clarity the point that you're mentioning to go multilocation. So what is the progress on that part? Have you finalized any location or have you started any plant in any location? If you can just throw some light.

Shiv Singh Mehta

We still, our plans have to be crystallized. We are looking at a critical mass which we are going towards. Actually, we have planned it but because of disruptions here before last our plans had, I mean, had to be revisited which we are in the process.

Miraj Shah

Understood. Okay. And sir, can you also mention the order book that you have currently?

Shiv Singh Mehta

You see, in agriculture, every day there is a continuous order inflow because we have dealers. So there is always continuous order inflow and supplies. There may be shortage in some sizes. There may be some available stocks. But overall in few days, everything gets applied.

Miraj Shah

Understood. Okay. And sir, I missed one point that you mentioned regarding guidance. For FY25, can you just repeat what had you mentioned? I believe you said something about double-digit margins. If you can just repeat.

Shiv Singh Mehta

I’ve said that in building material, normally people have a much higher margin. So, in building material, where do you aspire to have your margins once you achieve your capacities above INR 160 crores, INR 170 crores? There I said, we are aspiring touch double digits in building material itself.

Miraj Shah

Understood. Okay. Okay. Sir, any guidance on the top line for FY2526?

Shiv Singh Mehta

No. We certainly hope to grow at 20% around in terms of top line.

Miraj Shah

Okay, perfect. Thank you so much for your time, sir. And all the best for the future.

Shiv Singh Mehta

Thank you.

Moderator

Thank you, sir. Our next question comes from the line of Saket Kapoor from Kapoor and Co. Please go ahead, sir.

Saket Kapoor

Yeah. Namaskar, sir. And firstly, if you could just give a number of how much have we spent on this building material capacity as on date and what portion is left in the work in progress? Capital work in progress?

Shiv Singh Mehta

How much is the total value?

Rajesh Sisodia

We have spent INR 40 crores.

Shiv Singh Mehta

Total INR 40 crores we have spent.

Rajesh Sisodia

Building products and column both were there, sir.

Shiv Singh Mehta

That's about INR 40 crores is our total investment in CapEx, so far.

Saket Kapoor

As on date, we have spent only INR 40 crore on the total capacity of 6,600 metric ton that we have built.

Shiv Singh Mehta

Right. And we also have certain work in process which we will be getting capitalized in coming months.

Saket Kapoor

Yes. What is that amount, sir? What will we get?

Shiv Singh Mehta

About INR 15 crores, INR 20 crores put together.

Saket Kapoor

Okay. So in totality, it's around INR 75 crores – INR 65 crores, INR 70 crores that we have.

Shiv Singh Mehta

INR 60 crores. You see, what happens then when you go for an expansion, you are also balancing other equipments.

Saket Kapoor

Okay. Come again, sir. Hello.

Shiv Singh Mehta

There are balancing requirements which are also part of the expansion. So that is where like in the terms of infrastructure, in terms of electrical, in terms of everything. So, put together we are putting that much upon it.

Saket Kapoor

And our peak turnover from this building material will be around INR 180 crore.

Shiv Singh Mehta

Yes.

Saket Kapoor

And sir, just for my understanding, I am new to the company. What do this building material constitute and where are its applications? We are in the PVC special segment, PVC pipe segment. So when you are selling building materials, what are you alluding to sir?

Shiv Singh Mehta

You see in any house if you look or any building you will see there is a requirement for transportation of water for sewage, for drainage, for ducting. These are all part of building material. Plumbing pipes, sewerage pipes, water, drainage. All pipes and fittings.

Saket Kapoor

All pipes and fittings are clubbed as building material.

Shiv Singh Mehta

Yes. Yes.

Saket Kapoor

And sir, here, we are catering to B2B or B2C also?

Shiv Singh Mehta

We are generally in a B2C segment so far. And now since we -- I mean, we may be getting registrations with various departments where lot of work has been initiated by government. So we may be now looking at B2B over coming period of time.

Saket Kapoor

Thank you, sir. In your presentation, you did mention about the government scheme with reference to the tap water availability at home. And also, I think with the telecom duct part of the story wherein the laying of optic fiber cables are led through the telecom duct pipe. So this telecom duct is also a part of the building material constituent on this?

Shiv Singh Mehta

This about industrial supplies. That is, the segment we are institutional sales on industrial supplies. This is where they are. Telecom duct is not part of building material.

Saket Kapoor

Okay. Okay, sir. That forms an industrial space that the segment you mentioned. Right. And sir, you also mentioned that you are expecting higher sales from the value-added segment. So that is the ramp-up which you are expecting in the building material that will contribute to the value-added part?

Shiv Singh Mehta

Yes, that is building material. That is column pipes which are also part in a bore well in a building what you put. So all is that there.

Saket Kapoor

Okay. And so this selling part, this selling is through the real estate people mainly wherein they are the main buyers and we have our contracts with them with the type of construction or the real estate that they will be building up? That's how the selling is planned?

Shiv Singh Mehta

No. Presently we are selling through our distribution network which is the retail network. In every city, you have shops which buy products in different locations and territories. But now since we are completing our range, we will be also looking at supplies to building builders and contractors who are into the building space. The product building developers, you know. So now is the process that we will start.

Saket Kapoor

Okay. And lastly, two points. Firstly, when we look at your consolidated numbers, therein your debt number goes down. So if you could explain both at the standard -- for this, I think so the current, the long-term maturities, I think. The long-term debt goes down when we look at the consolidated numbers. So can you give us an understanding why is that so in the balance sheet part?

Rajesh Sisodia

Yeah. I would like to clarify that matter. We had one subsidiary under our company which is being consolidated. That subsidiary is under the process of closure we had declared two years back and the name of the company was Kriti Auto & Engineering Limited. So that company had profits, not this -- during the course of merger, those profits have been shown as borrowings in the holding company. So, when the merger -- when the consolidated financials are prepared, those intercompany borrowings are eliminated. Therefore, the figure goes down from the long-term loans.

Saket Kapoor

Okay. So, what is the current number, sir, for us, for the company as long-term borrowing?

Rajesh Sisodia

Approximately INR 9 crore.

Saket Kapoor

Come again, sir. Long term borrowing is.

Rajesh Sisodia

INR 9 crore.

Saket Kapoor

INR 9 crore. And our short-term borrowing requirements are?

Rajesh Sisodia

Short-term borrowing requirements are approximately INR 200 crores.

Saket Kapoor

INR 200 crores. And the blended cost of fund?

Rajesh Sisodia

~~Running around~~ averaging to between INR 9.25% to INR 9.75%.

Saket Kapoor

Okay. And sir, MD sir, you alluded to the fact that this year we are anticipating an improvement in our margins going ahead for this year and with greater contribution from the building material segment, this is what the summary substance would be. And on what we closed for the last year, we can expect improvement in both the margin and the top line?

Shiv Singh Mehta

Yes.

Saket Kapoor

Okay. But what were the key reasons why we posted lower profits for Q4? What factors did affected our Q4 numbers?

Shiv Singh Mehta

You see, as our sales in building products have to grow. We are doing lot of groundwork in developing market advertising and promotion efforts. So our expenses are comparatively higher for the initial phase. Once the volumes get ramped up, automatically the expenses will be distributed on a higher base, and then we would be able to get better margins overall.

Saket Kapoor

Can you give annual number for the same, sir, so that we will get an understanding how much extra money or the promotion expenses or business development charges for the building material has gone into the P&L which is not attributable to that segment?

Shiv Singh Mehta

No, actually building material we are -- we must be spending lot of money on promotion. For even a quarter, it may be in excess to INR 3-4 crores over normal expenses which industry should provide or should have as a sales to expense ratio. So our sales as they will grow. This number will get absorbed on a much larger base and then automatically the margins will improve.

Saket Kapoor

Right. And lastly sir, agriculture is the biggest pie in our cake and that is also on the vagaries of the nature and the monsoon. So what are the risk mitigation strategies that are in process or agriculture is the largest contributor to both the top line and bottom line? So what is the ballpark going at two, three years down the line? How is this mix likely to be? What are we envisaging, sir?

Shiv Singh Mehta

You see, agriculture is growing. I mean building products may be growing faster than agriculture generally, but agriculture is still growing in India and growing reasonably. But agriculture as you said has peaks and troughs because you have certain months where it doesn't sell much because of -- during rains no one will put by or after post-harvest and during harvest there is a difference. Because while the crops are standing it is difficult to lay a pipeline inside. So you have only peripheral pipelines laid during that period. So there are peaks and troughs in agriculture. And that is why a company had thought about getting into building material because same material is mostly required other than CPVC which is for building product. And we are able to utilize our plant much better throughout the year without much variation in seasonal changes.

Saket Kapoor

Right, sir. And sorry for my repetition, but when you mentioned about multilocational plants going ahead. So what kind of CapEx is on the drawing board in terms of the multilocation part of the story? And when can we expect we could hear something on the same? Any size or the structure, color you can give?

Shiv Singh Mehta

Any plant will have to start with a minimum required capacity which would be about say 20,000 tons around annual capacity. And as the markets grow then you can keep ramping up the capacity. So for a 20,000 around capacity plan, because it will have agriculture as well as building material pipes requirements. So there will be about CapEx of about INR 35 crores, INR 40 crores minimum to begin with, which can subsequently can be scaled up.

Saket Kapoor

Not a big investment in that case. Not a large one, this is greenfield.

Shiv Singh Mehta

Correct. It is steps.

Saket Kapoor

Correct, sir. Thank you, sir, for all the answers and 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. Our next question comes from the line of Sampath Nayak from Tiger Assests Private Limited. Please go-ahead sir.

Sampath Nayak

Hi sir. Sir, my question is on you said on peak utilization, we realize we have INR 170 crore of revenue. So can I -- can you tell me when can we reach peak utilization? When do we aspire to go there?

Shiv Singh Mehta

We grow QoQ. By Q4 in the current financial year, we should be inching towards optimum utilization of the whole capacity we have.

Sampath Nayak

Okay. All right, so, like, by FY25 we are planning to reach INR 170 crores-odd of revenue. Am I correct?

Shiv Singh Mehta

For building material? Yeah.

Sampath Nayak

Yeah. So, like, soon we'll be hearing CapEx plans for the building material.

Shiv Singh Mehta

Right.

Sampath Nayak

Okay. So, like, I just want to understand what your guidance is in the, especially in the building material for next three to four years. So, I mean, like, geography-wise and revenue-wise and margin-wise.

Shiv Singh Mehta

You see, once you reach more than INR 200 crores in building material, your strengths are very different and then you are looking at a very different capability. The growth rate could be very different. Your ability to serve various types of markets and customer profiles is much better. So till you reach INR 200 crores, INR 250 crores is a different journey, and thereafter, it's a little different journey in terms of your abilities to expand.

Sampath Nayak

Okay. So, I mean, can we expect like 50% YoY growth for next three, four years in the building material?

Shiv Singh Mehta

Building material, we should be showing that kind of growth.

Sampath Nayak

Okay. And like, will the margins improve as the revenue increases?

Shiv Singh Mehta

Definitely. The expenses will be distributed at a much larger base. So automatically the inherent cost per unit will come down to give you more margins.

Sampath Nayak

Okay. Thank you, sir. And all the best.

Moderator

Thank you, sir. Our next question comes from Hena Vora from DAM Capital Advisors. Please go ahead.

Hena Vora

Hello. Hi. Thank you for the opportunity. I would just like to understand the three which are our key markets agri and what sort of contribution comes from each of these markets?

Shiv Singh Mehta

Can you again repeat your question? You are not very clearly audible.

Hena Vora

Sure, sure. So I was asking, which are our core markets for Agri savings, and what sort of contribution comes from each of these markets?

Shiv Singh Mehta

You see, the core market for Agri is central India, which includes MP, Rajasthan, Maharashtra and adjoining areas. Because our periphery is defined by the distance. We are developing new markets. But that is where we are making extra provisions of and varying extra freight costs as of now.

Hena Vora

I understood. The reason I asked this question is from our channel checks. What we understand is demand has been quite robust from March, especially now that you said Rajasthan. Even in Rajasthan, things have been quite good in April. So I just wanted to understand, given that things are so good, why have we missed out and why are we on a 16% sort of YoY for the Q4?

Shiv Singh Mehta

You see, rather than demand in Maharashtra was little down in the Q4, so was MP. But now things have improved in last, I mean, this current season, because normally April, May and June is a quarter which is quite aggressive for agriculture. So, we are seeing a good growth.

Hena Vora

Okay. So, what we are trying to say is this is spillover into the Q1.

Shiv Singh Mehta

Yeah.

Hena Vora

And sir, what sort of growth are we expecting for the Q1?

Shiv Singh Mehta

Q1, we should show in building material much better growth. But for agriculture, we would certainly be able to demonstrate a double-digit growth.

Hena Vora

Double-digit YoY growth.

Shiv Singh Mehta

Q1, we are talking at the moment. Because post-monsoon we'll have to see, wait for monsoon and what kind of. So, the forecast are good. But let's see how we work.

Hena Vora

No, yeah, yeah. No, I meant versus Q1 of last year, right? Double digit growth versus Q1 right, of last year?

Shiv Singh Mehta

Yes.

Hena Vora

And just another thing, sir. Are we seeing a lot of competition from our larger peers since they, all of them have been cutting prices. And we've heard even on the PVC side, there are some players who are being quite aggressive. So somewhere have you lost market share to these players?

Shiv Singh Mehta

No. Presently we fortunately have a brand which is very well accepted by market. And we are able to command the price in agriculture segment. So we are commanding our price and premium and we are selling to our optimum abilities and capacities.

Hena Vora

Okay. Sure. So, sir, by peers, I meant the market leader, right? We heard that they were quite aggressive. And somewhere I read that they saying that they have gained this market share from the smaller players. So which is why I was asking if there's some market share loss that we see in Agri?

Shiv Singh Mehta

Agriculture, there will be always, players who will always try to maximize their business. But we as a company to have a clear position of the price and the market share, and we have to balance few things appropriately.

Hena Vora

Okay. Sure. Thank you so much. Those were my questions. Thank you.

Moderator

Thank you, ma'am. We have a follow-up question from Rahul Jain from Credence Wealth. Please go ahead, sir.

Rahul Jain

Hello? Hello?

Shiv Singh Mehta

Yes, please speak.

Rahul Jain

Sorry, I'm a bit confused on this CapEx side, sir. So, the first time when you announced that INR 30 crore CapEx on building products somewhere in the second half of FY22, we mentioned that time that we are building up a CapEx of INR 30 crores. And probably from that CapEx we were planning to build a capacity which would be 50% higher. So my understanding was at that point of time that INR 30 crores CapEx would have yielded us at a top line of about INR 150 crores. And in the current presentation, we have spoken that we have done a CapEx of INR 20 crores now. So basically INR 30 crores plus INR 20 crores. This is INR 50 crores total CapEx. So, this INR 50 croresCapEx should result in a much higher sales? Is my question or is my understanding. Where am I going wrong, sir?

Shiv Singh Mehta

Prices of material if you see prevailing at that time and prices of material prevailing now, there is a reduction of about 35%, 40% in terms of the raw material base price. So, if you look at tonnage-wise, these will offer higher tonnages. But the value wise, it will not result in the same values is what was anticipated at that time.

Rahul Jain

I understand that. Sir if I look at your Q3 presentation of FY22, that time also we had a building product capacity of roughly 6,000 tons.

Shiv Singh Mehta

Right.

Rahul Jain

And then we started spending roughly INR 30 crores. That is what we had planned to spend, INR 30 crores.

Shiv Singh Mehta

Yes.

Rahul Jain

So, when we speak now. So now the capacity is say 9,000 tons, 10,000 tons. Somewhere between 9,000 tons, 10,000 tons as what you mentioned to one of the previous participants. Is it that we have spent INR 30 crores plus INR 20 crores, INR 50 crores to go from 6,000 tons to 9,000 tons?

Shiv Singh Mehta

Yes. You see, the larger sizes and fittings until a lot of, when you expand your range, the actual CapEx, I mean the capacities will further grow when you add the more moulding machines other than the, you know, as the demand grows. So the same equipment can be utilized for a larger top line while you have a smaller CapEx to utilize the mouldings to a full extent, the range, you know. So initially you have to invest in a mould which is quite an expensive proposition because same mould cannot be producing two fitting. But same moulding machine can have two moulds or three moulds on it.

Rahul Jain

Okay. Sure.

Shiv Singh Mehta

Now you able to extent the point.

Rahul Jain

Got it. Yeah, to an extent, I have understood. So, sir, now as we speak today, our current capacity after this INR 20 crores CapEx spend at today's price can give us somewhere around INR 160-170 crores of sales, correct?

Shiv Singh Mehta

Absolutely. Right.

Rahul Jain

And then to go up to INR 250 crores or INR 300 crores, what additional CapEx will be required?

Shiv Singh Mehta

It will be more on the machine side, the moulding side. So there will be balancing. So the additional CapEx will be lower. Much lower.

Rahul Jain

Okay. Sure. Fair enough, sir. Thank you so much. Thank you.

Moderator

Thank you, sir. We have a follow-up question from Dhwanil Desai from Turtle Capital. Please go ahead, sir.

Dhwanil Desai

Sir, just one question. So on the industrial side, I think our volumes have gone up sharply this year from 10,000 tons odd to 17,000 tons. So that's quite a sharp jump. And we are doing around 5,000 tons every quarter kind of a number. So, -- and I think you are not too keen to grow that segment because of various factors. So shall we assume that it will grow at steady state single-digit number or it is like project to project basis and can again come down from 17,000, 18,000 to again much number? How should we think about that?

Shiv Singh Mehta

As I've been always saying, we have a limited exposure to this, till the payments are in time or the government payments to the EPC contractors are intact, and we are assured of the payment cycle, we will continue supplies. Like, we have scaled down a bit because of the election time already we are seeing there is a little difficulty in terms of EPC contractors continuing their business with Vega. So we will not extend, I don't see a major growth here. It will be more towards stable from these positions and we will be quite watchful and careful in exposing ourselves beyond a limit.

Dhwanil Desai

Okay. So more of a flattish kind of a thing that we expect on the…

Shiv Singh Mehta

It will be flat.

Dhwanil Desai

It will be flat. Okay, got it. Thank you. That's it from my side.

Moderator

Thank you, sir. We have another follow-up question from Sampath Nayak from Tiger Assets Private Limited. Please go ahead, sir.

Sampath Nayak

Hello. Yeah. Sir, my question is to install additional set of capacities, what is the average timeline you require?

Shiv Singh Mehta

At a new location? Greenfield project or a non-green project?

Sampath Nayak

No, like what? Like are you planning brownfield or greenfield?

Shiv Singh Mehta

In the capacity expansion in the same location takes about three to four, five months maximum. But if you go to a new location, it will be about seven to eight months cycle.

Sampath Nayak

So, like, are you planning for a brownfield or greenfield expansion?

Shiv Singh Mehta

No, we are contemplating over a period of time that we have to go multilocation. So that's where I thought your question was.

Sampath Nayak

Yeah. So I just want to understand because by FY25, we'll be utilizing our building material capacity, right? So for new set of revenues to kick in, like we would need additional capacities. And like have you already planned the location or have you…

Shiv Singh Mehta

That's why we're looking at critical volumes. You see, what happens, in a business you would always like to see which products you have a higher transportation cost and where you can afford a transportation cost so that you will go for efficiencies and economies based on overall supply chain cost and optimizing it.

Sampath Nayak

Okay. Hello?

Shiv Singh Mehta

Yes.

Sampath Nayak

Yes, sir. Like, I couldn't understand.

Shiv Singh Mehta

No, you see, there are certain voluminous product where the transportation cost is very high, but there are certain products which is not voluminous. So you can centralize those productions and you can distribute those productions which are to be decentralized. This is how it is.

Sampath Nayak

Okay. Like, again, so like what I'm trying to say is like even if we like focus on efficiency, you still need like CapEx, right? So what I'm trying to understand is, like by FY25 you said you'll achieve INR 170 crore and say, you know, again, 50% additional growth in FY26, and we still haven't -- Like, I just want to understand how will we achieve that growth? Because there is no guidance on CapEx from your end. So that is just what I'm trying to understand.

Shiv Singh Mehta

This is why I said, going forward, we will have a mid-year review in terms of our ability to identify if we have reach critical volumes. And accordingly, we shall plan so that by the year, next year, we are ready with the requirement of the market.

Sampath Nayak

Okay. All right, sir. Thank you so much.

Moderator

Thank you, sir. We have a follow-up question from Saket Kapoor from Kapoor and Co. Please go ahead, sir.

Saket Kapoor

Yes. Thank you again. When we look at our fixed assets in terms of property, plant and equipment, and the capital work in progress, that totals to around INR 168 crore. On the capitalization of the entire INR 13 crore, INR 14 crore that is left, what kind of turnover ratio can we expect? INR 180 crore, you have already alluded to – Sorry, INR 180 crore, you have already alluded to the building material. So, yes, please.

Shiv Singh Mehta

Last year, we have done about INR 860 crores or INR 870 crores. If we look at a growth of about 20%, we should be close to about INR 1,050 crores next year.

Saket Kapoor

Okay. And this will include this INR 180 crore from building material, ramping up of the building material segment.

Shiv Singh Mehta

Even in INR 866 crores, it's included at the moment.

Saket Kapoor

INR 860 crores [Hindi Patch] break up of building material?

Shiv Singh Mehta

Building material last year was about INR 100 crores or INR 103 crores or INR 104 crores.

Saket Kapoor

Okay. Right. And for the debt number, can you please provide the long term debt once again? My line was…

Shiv Singh Mehta

The long-term debt.

Rajesh Sisodia

So we have a long term debt of approximately INR 43 crores as on date in the books.

Saket Kapoor

INR 43 crores. And our current maturities?

Rajesh Sisodia

Out of this, the current maturities are to the tune of INR 13.5 crores.

Saket Kapoor

And sir our current rating. What is our current rating?

Rajesh Sisodia

BBB+.

Saket Kapoor

Come again, sorry.

Rajesh Sisodia

Yeah. The current rating is BBB+ care.

Saket Kapoor

Okay. And we are rated by which agency?

Rajesh Sisodia

Care ratings.

Saket Kapoor

Care ratings. Thank you, sir. Thank you for all the elaborate answer. And all the best. Thank you.

Moderator

Thank you, sir. That was the last question for the day. Now I hand over the call to the management for closing remarks.

Shiv Singh Mehta

Thank you, investors, for the time and sparing time for our call. We look forward to your support. Thank you very 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 disconnect your lines now. Thank you so much.

Note:1. This document has been edited to improve readability

2. Blanks in this transcript represent inaudible or incomprehensible words.