KRITI INDUSTRIES (INDIA) LIMITED

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To,
BSE Limited
Phiroze Jeejeebhoy 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
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051(M.H.)
Symbol: KRITI

Subject: Transcript of conference call held on 26th May, 2023.

Dear Sir / Madam,

We enclose herewith transcript of Conference call of Kriti Industries (India) Limited with the Investors and Analysts held on Friday, May 26, 2023.

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: 2023.05.29 19:00:06 +05'30'

Tanuj Sethi
Company Secretary & Compliance Officer

Encl: As above

Kriti Industries India Limited
Q4 FY23 Earnings Conference Call
May 26, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY23 Earnings Conference Call of Kriti Industries India 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 '*' followed by '0' on your touchtone telephone. Please note that this conference is being recorded at this time. I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you, and over to you ma'am.

Purvangi Jain: Good afternoon, everyone and a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the Investor Relations of Kirti Industries India Limited. On behalf of the Company, I would like to thank you all for participating in the Company's earnings call for the fourth quarter of the financial year ending 2023.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's belief as well as assumptions made by an information currently available to the man. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decision. The purpose of today's earnings call is purely to educate and bring awareness about the Company's fundamental business and financial quarter under review. Now let me introduce you to the management participating with us in today's earnings call and I will hand it over to them for their opening remarks. We first have with us Mr. Shiv Singh Mehta, Chairman and Managing Director; and Mr. Rajesh Sisodia, Chief Financial Officer. Without any further delay, I request Mr. Shiv Singh Mehta to start with his opening remark. Thank you and over to you, Sir.

Shiv Singh Mehta: Good afternoon, everyone, and welcome to the earnings call of Kriti Industries India Limited for the fourth quarter and financial year ended 2023. I am happy to inform you that the Company has been able to significantly revive its financial performance over the last quarter. The Company registered a revenue of INR 1884 millionrepresenting a growth of 18% and an INR157 million representing a significant growth over last year. For the financial year ending 2023, our total sales for this year was 59,148 metric ton as against 37969 metric tons in the financial year 3022 which represents a growth of around 56%. Over the segmental front, the Company continues to focus on building product business. The Company registered a growth of 48% in building product business against financial year 2022. Now I request our CFO, Mr. Rajesh Sisodia to give you financial highlights.

Rajesh Sisodia: Thank you, sirfor your update about our about our Company and its financials. Good afternoon, everyone. Let me take you through the financial performance of our Company, Kriti Industries India Limited on a consolidated basis. The revenue for the fourth quarter of the financial year 2023 was around 188 crores, which was 18% higher on year-on-year. The revenue for the financial year ending 2023 was INR 733 crores, which grew by around 35% year-on-year basis. As you all know, we had an EBITDA loss of around INR 8 crores and net loss was INR 23 crores. Now our EBITDA stood for the quarter ended 31st March 2023 at rupees 16 crores with EBITDA margin standing at 8.33% and net profit was reported at Rs 16 crores with margins of 8.49%. Talking about the segment wise revenue for this quarter, agriculture, industrial solution, building and micro-irrigation contributed 69%, 20%, 10% and 1% respectively in financial year 2023. Sales volume for the financial year 2023 from the agriculture segment grew significantly, while industrial solutions grew by 86% and building products by 57% on year-on-year basis.

I thank you and I would like to open up the floor for the question.

Moderator: Thank you very much, Sir. We will now begin the question-and-answer session. We have the first question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Thanks for the opportunity and congratulations for a good set of numbers. Sir, if you can talk about, how is the current season going with respect to Q1, because that is the major season for us. So, how is the demand for April and May if you can talk about that a bit.

Shiv Singh Mehta: As you would notice, Q1 is normally for agriculture season, one of the major quarters in terms of sales. Generally, there is optimism as far as demand is concerned and we are seeing significant demand from all the markets we operate in, which is further facilitated by the fact that raw material prices have come down and at these prices generally there is an intention on part of user to buy the product.

Ankit Gupta: So, then the demand acceptability at this lower price is much higher and we have seenuptick in demand that was missing over the past 2-3 years.

Shiv Singh Mehta: We are seeing a positive impact of prices and there is a demand which is spent up as well as new demand which is coming up.

Ankit Gupta: So, but we were also expanding capacity on the equity side and we do see some capital working progress of around 17 crores outstanding as on 31st March 2023. So, that new additional capacity has come for commercialization or if we are still working on?

Shiv Singh Mehta: That no, most of the capacities are ready for use and deployment. We have fewmolds which are still coming up because building material the molds take long time for delivery, but yes, most of it is in place.

Ankit Gupta: Sure, Sir and then secondly, we have also seen further declining prices for PVC during post in April and May as well. So, you know we expect some inventory losses in Q1 of next year?

Shiv Singh Mehta: You see, there is a declining trend which continues, but there is equal demand. So, you will see that the margins will be reasonably kept intact.

Ankit Gupta: Sure sir. So, sir in Q4, did we have some inventory loss because our margins in a normal scenario we have done 10 to 11% kind of EBITDA margins but this quarter we had 8.31%.So, was there any inventory loss this quarter?

Shiv Singh Mehta: You see, I mean it is very directly difficult to relate inventory loss, but in a declining market you would definitely have some inventories which are continuously maintained in operation. So, the valuation differences willalways be there.

Ankit Gupta: And sir on the industrial side, we have seen significant jump in volumes during the quarter and the entire year. So, what is driving thissignificant uptick in volumes.

Shiv Singh Mehta: It is the demand you seeIndia is putting a lot of effort on infrastructure development. There is a good demand all across, but we have been very cautious and careful in business because the generally expected payment cycle with the EPC contractors are not very comfortable and we are not very sure on that. So, we are very careful and we only do business where we are confident on payment cycle. So, there is a good demand, but we are equally careful to ensure that we are not caught into any kind of challenges or payment recovery.

Ankit Gupta: So, sir do we expect thisIndustrial demand to continue next yearas well.

Shiv Singh Mehta: The demand is likely to be quite robust in the coming year, the current year also.

Ankit Gupta: So, my last question was on the building material side. So, we have seen a decent pickup in volumes during this quarter and even the entire year of FY23 so what efforts are we doing to we know increase our proportion in the building materials, sales and how do you see the demand for next year?

Shiv Singh Mehta: You see, our base is very low, so any percentage growth is very easy to celebrate, but unless volume growth to a significant level, we should not feel complacent or happy about it. We are definitely working and we see a good opportunity and that is our focus area.

Ankit Gupta: Sure sir. Thank you and wish you all the best.

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

Dhwanil Desai: Good afternoon Sir. Congratulations for good number. Sir my first question is you know if you can talk about growth. On across every segment, you know in our metro market as well as our new market, so Madhya Pradesh, Maharashtra, Rajasthan and then new market is it like which markets are growingat which they need and are we penetrating more into new markets. Have we entered any new market? If you can give any sense on that.

Shiv Singh Mehta: You see the market demand in agriculture segment is certainly good because as I was explaining earlier at these prices, the current prices are quite comfortable for some people to buy and #2 because of high volatility and very high prices last couple of years, there is some pent-up demand in market which will also come to the market. So, we will see growth in most of the markets we operate. Yes, our efforts are now to increase our geographical spread and I am happy that in the new territories where we have ventured, we are getting better footing and we are improving our sales quarter-to-quarter.

Dhwanil Desai: Sir on the building product side, we ended in spite of the fire incident and for declining prices. So, from 73-74 crore, I think giving 100 crores this year short of that, but do we think that we can go to 125 to 130 crore next year. I mean how is the business plan for next year on the building side.

Shiv Singh Mehta: You see, we are making all efforts to grow at that level and increase our volumes and that because of the fire we had lot of disruptions. So, when you prepare a market and you have defections disruptions because of supply constraints, you have certain challenges to rebuild the whole ecosystem on a similar footing, what you had aspired or planned for, but I am happy that we have been able to come out of this struggle and we are sure that we will make a significant headway in coming times, but yes, what we are showing a further improvement quarter to quarter than what we had done early. So, we should be aspiring for better numbers in the coming year.

Dhwanil Desai: Okay and sir in this building products, can you give us some sense as to what is the mix between PVC and CPVC?

Shiv Singh Mehta: CPVC volumes are growing. Our supply constraints are also now considerably we have been able to mitigate, but it's a exact percentage between PVC and CPVC in building product is something which we are still improving month on month, so we will be able to give you some kind of a sense on that after we have experienced couple of months.

Dhwanil Desai: Okay and sir, I think fittings as a percentage used to be 3%-4%. Have we improved on that number? How are we scaling up on that?

Shiv Singh Mehta: Will you repeat your question. I could not get your initial.

Dhwanil Desai: Fittings as a percentage of revenue.

Shiv Singh Mehta: It is certainly growing. It is about 35 to 40% of total sales, which is significantly higher than agriculture, where it is 6 to 7%.

Dhwanil Desai: Okay **a**nd last question, so next year from whatever sense that we are getting there is going to be significant improvement in volumes because the demand is good and also building product proportion also will increase. So, given all thatare we aspiring from for 10-11-12 percent kind of margin next year, how? How do you look at?

Shiv Singh Mehta: You see, our expenses will continue to be higher on building material because we are introducing new areas and initially a lot of marketing and retail distribution access to be incurred. So, we are sure that our EBITDA margins will be better, but in building product expenses will also be higher as compared to generally, what is this industry trend? So, we are trying to improve our EBITDA margins and we will definitely not compromise on our efforts to expand our market. So, there will be a combination of two sites stretching each other. So, let us see where we strive.

Dhwanil Desai: Ok, got it. If I have more questions, I will come back.

Moderator: Yeah. Thank you. Now the next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Thank you for taking my questions and congrats for a good set of numbers. Sir, the first question is on the industrial solution segment. So, almost revenue has almost doubled this year compared to the last year. So, can we expect this kind of growth to continue for the next year?

Shiv Singh Mehta: No, Sir, we are very cautious and careful because industrial product business market is fairly large and huge, but as I was telling earlier, the EPC contractors are dependent government payments because they are mostly suppliers to government projects. So, we do not want to risk our business by increasing our outstandings or taking extra call where we are not sure about payments coming to our EPC contractors who in turn will pay us. So, we will limit our business as I have been always saying on building material, industrial product size to a limited numbers.

Ankur Kumar: But Sir, can you comment on what is limited number? Can we expect growth or we want to reduce this?

Shiv Singh Mehta: Marginal growth, but nothing major. I mean, you can say last year to this year can be 5 to 10% growth, not really major numbers. We will tryto be very careful on that side.

Ankur Kumar: Okay sir and on the agri side, can you comment how has been April May because prices have come down most of the companies are saying demand is quite good and some of the competition is also reduced because as in one CompanyPrince Pipesaying that they are into ERP implementation, so they are not able to meet the demand. So, how are we looking as in can we benefit from all this situation?

Shiv Singh Mehta: In the agriculture segment, the market demand is good and in all our markets, as I said, we are seeing good demand and good pick up. So, we are quite comfortable on the demand side and we are trying to meet whatever is the requirement to our best of capability.

Ankur Kumar: And sir overall, any guidance for the full year you would like to give on sales or margin side?

Shiv Singh Mehta: You see margin side, we will definitely as you must have seen in Q4, we have shown EBITDA margin which is around 15%-16% EBITDA margin. So, we will try to maintain around 15%-16% margin EBITDA margins during the coming year. and we are growth in terms of top line as well.

Ankur Kumar: Margin was not 8% for Q4.

Shiv Singh Mehta: EBITDA margin was 8.33% right. So, it will be a little above 8.33 going forward. This is what I see and I stand corrected because I saw a wrong number in front of me, so EBITDA was at 8.33, which will be up better now. I mean, we see a positive improvement in coming quarters.

Ankur Kumar: Yes sir, actually we in previous calls we have been guiding that we can reach to 10%. So, we think that number.

Shiv Singh Mehta: Right.We are trying to see that we improve only as I was telling you earlier that our expenses side on developing our new businesses. Will also keep pressure on overall available EBITDA margin, but still looking to last quarter, we are hopeful that we will improve on the. numbers what we had done in Q4.

Ankur Kumar: Sure, sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Aditya Sen from RoboCapital. Please go ahead.

Aditya Sen: Thank you for the opportunity, Sir. I would like to know the difference in the realization between the agri segment and the industrial segment in terms of per kg or percentage, whatever it will be.

Shiv Singh Mehta: You see, the industrial segment will offer lower margin as compared to agriculture segment. Because Industrial segment is though, the demand is very large, the competition is also fairly aggressive all across and a buyer who is buying bulk will always negotiate for a better capability in terms of prices because that is where he is not using your brand so much as is your product. So, industrial segment will not offer the margins which agriculture will offer. So, suppose EBITDA margin in agriculture is at about 8% to 10% in case of industrial solutions, it will be 5% to 7%.

Aditya Sen: So, I am assuming this will be the reason of the dip in EBITDA this quarter because industrial volume has grown and EBITDA has declined and yes, that is all for now. I will call back in the queue for more questions.

Moderator: Thank you.The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead. Yes, please proceed.

Deepak Poddar: Thank you very much sir for the opportunity. Sir, I have got three questions now. Number one is in terms of Agri and industrial, what is the revenue mix right now and how do we see that mix changing over maybe what next two to three years? That is my question number one and then I also wanted to understand the PVC pricing right now. So, what sort of pricing we are seeing right now and maybe what sort of outlook or any view we have on PVC pricing and 3rd is what sort of growth the revenue growth we are looking at for FY24 yes, those were my 3 questions.

Shiv Singh Mehta: First question, what you said is about agriculture and institutional. So, look at total numbers, agriculture is about 70% of the total sale and institutional about 20% of total sales. So, I mean something like that exact number in percentage is something like that. But yes, going forward, we will not grow in institutional business much because we are clear that we will not increase our outstanding beyond the point. So, there will be around same within 5 to 10% of what we are doing but agriculture is bigger jump because there is a positive demand and we are comfortable, the current market is comfortable with the current prices of material. Going forward on price front as of today, the prices of PVC have come down to about Rs. 80. We are seeing a slightdip othenextnext couple of weeks or months or so, but thereafter, at these levels, the international prices will stabilize. Internationally, the other economies are weak, so the availability of product or all the polymers is comfortable and they have improved significantly. So, there is a definite reason that is the reason the prices have come down to the levels they are at present. So, we there may be slight drift going forward further the dip, but more or less stable, they may come up again because at these prices the suppliers are not very comfortable.

Deepak Poddar: Ok. Yeah and so basically you expect Rs 70 to Rs 80 per kg range would be a stable scenario, sir.

Shiv Singh Mehta: Stable 75 to 80 rather than 70 to 80, but let us see, I mean this is where the prices should be.

Deepak Poddar: And about the growth part.

Shiv Singh Mehta: Growth is significant because at these prices now, customers are comfortable in buying the product.

Deepak Poddar: OK, because there were some destocking happening, right? I mean in industry as well as because of the when the pricing is on a downward trend, the destocking kind of increases. People do not want to stock it, right?

Shiv Singh Mehta: Absolutely that happens, and that has been happening for last couple of weeks and months, but ultimately there is a demand. So, there will be restocking which will continue to happen.

Deepak Poddar: Ok and FY24 growth, what sort of top line growth we are looking at?

Shiv Singh Mehta: We are certainly looking at about 10 plus percentage.

Deepak Poddar: Fair enough. OK. That is it from my side. All the very best.

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

Ankit Gupta: Thanks for the opportunity again, Sir, if you can talk about our initiatives to enter into the new stage and how are we working on that and what are our plans for that?

Shiv Singh Mehta: You see, as I have been maintaining, we have been trying to develop few more states and our experience has been fairly positive because of supply constraint last year and disruptions our efforts had taken a little set back because of discontinuity for some time, but again, we have revived those channels and we are working on them and you will see that there is a positive growth in coming quarter.

Ankit Gupta: And sir on, you know our plans to start a new plant that you know location other than our existing ones and we are also thinking about starting and looking at a new plant in South India. So, any decision that the Company has taken on that.

Shiv Singh Mehta: You see, after the disruption of last year, we are trying to first we have tried to build up our current plant, brought it to full production and now we are once again focusing on market and whenever there is a critical mask ready for a new plant, we will definitely consider that.

Ankit Gupta: So, any chance that we will take somedecision this year or do you think?

Shiv Singh Mehta: It will things will be getting reviewed only after 1/4th or 2 because if we have seen that kind of growth which we have planned and we are confident that we have created critical mass, we will definitely look at it.

Ankit Gupta: We have seen, the past two years, we have seen that interest course also has increasedquite a bit, from around 10-11 crores in FY21 toalmost 16.74 crores in FY23. So, like, how do you think this will progress going forward timely because although our volumes in inventory might increase, the prices of PVC have come down significantly. So, do you think our interest was being come down next year or given the demand that will continue to remain around this levels only.

Shiv Singh Mehta: You would see there were two reasons primarily which contributed to increase in interest cost last year. One was our debt stock because we had lot of raw material inventory which we could not be consumed because of fire. So, for the extended period, we had additional inventory which was lying with us. So, it was not only that we had a trading loss, but we had an interest cost too associated with it. Number 2, as you are seeing, there is a growth in institutional business and it is the extended credit institutional business payments do not come immediately they take time. Every Company has its own policy 30 days to 60 days payment cycle. So, because of that also there is a significant increase in the current asset leveland this is these are the two primary reasons of increased interest costs. Going forward yes, institutional business, we are capping our total business volume to a limitation. It will not show any significant changes. It will be stabilizing at current levels more or less and as far as raw material inventory which we are stuck is no more there, so through that extent Company will get relief.

Ankit Gupta: Okay. Thank you and wish you all the best.

Moderator: Thank you. We have the next question from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Hi sir, thanks for the opportunity again. Sir one slightly broader question is that if we look at the industry playersplayer with a much larger base are also striving to growth at 25-30% and they also are likenot deep focusing on every segment. Sireven that compared to themour base is look smaller do not you think that our aspiration to grow at least that rate should be there and earlier we were thinking about thousand to 1200 crore kind of revenue. So, are we looking at those kind of growth aspirations or we think that 12%-15% is the range that is more realistic?

Shiv Singh Mehta: You see, unless and until you do your homework and make your base sufficiently strong, I would prefer to go and launch things out slowly and consolidate first. Once you are sure that your base has become very robust then you can see a significant flight for future. So, having a major reverse last year due to this fire and the challenges we had to face because of that we will take this coming one or two quarters more for consolidation and readiness rather than new major growth initiatives for a little while because all hardware-softwareeverything has to be made robust enough so that you do not make mistakes and you are on surer footing.

Dhwanil Desai: Thank you so much.

Moderator: Thank you. The next question is from the line of Aditya Sen from Robo Capital. Please go ahead.

Aditya Sen: Sir you gave a split between agri and industrial revenue of 70% to 20%. So, this is in terms of volume, right?

Shiv Singh Mehta: No, this was in terms of value because I was asked specifically on value side.

Aditya Sen: So, this is in terms of value. Okay. So, because volumes are also similar, that is why I came up with this question.

Aditya Sen: Okay. Thank you.

Moderator: The next question is from the line of Rupesh Tatya from Intel Sense Capital. Please go ahead.

Rupesh Tatya: Okay. Thank you for the opportunity sir and congratulations for good Q4 Result. My questions are is on inventory when I look at the balance sheet. Inventory was 207 crore at the end ofMarch 2022 and it is 159 crore at the end of March 2023. I understand that previously prices have come down, but we must be preparing formajorseason. So, can you give some sense income so volume of savings? Because of this price reduction I am not able to make sense of it. So, yes, that is the question Sir.

Shiv Singh Mehta: You see the quantity of stock will be more or less near what we were last time. It is only that the raw material prices have come down significantly. That is why the value in rupees term is showing much lower number.

Rupesh Tatya: But I mean thiswe have likeenough inventory and enough supply secured for so that we were prepared for the season.

Shiv Singh Mehta: Yes, yes, we are adequately prepared and we are lined up everything as per our plans.

Rupesh Tatya: Okay and so I mean in also in PVC I see there are multiple players, some players are 4000, 5000 crore market revenue, some players are under 30000 crore range, some players are 1000 crores range and everybody is, I mean capacity utilization is 50 to 60%, but everybody is talking about CAPEX, some people are talking about 500 core CAPEX, some people are talking about 200 core CAPEX. Everybody is talking about CAPEX, but we arenot talking about CAPEX, we are not talking about capacity expansion. So, I mean what is it that you are doing or whatis it that they are seeing that you are not seeing? Why this divergences from the industry?

Shiv Singh Mehta: No, we had done our CAPEX last time and we have faced difficulty here as you must be aware last year because of a major fire. So, we are first put our plant in operation and after that 30 crores CAPEX which we did last time. We are now trying to rebuild and we will definitely do a CAPEX as per the growth we see and we see the opportunities around as I was talking to earlier, I was responding to earlier question and I said that once our critical volumes go, we may look at some more opportunities beyond what we are in terms of locational presence or in terms of developing further products, so we are quite optimistic about future. But I said first two or three quarters we are looking at consolidation and then we will definitely look for expansion and growth.

Rupesh Tatya: Okay sir. Thank you sir for answering my questions.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to Mr. Shiv Singh Mehta from Kriti Industries India Limited for closing comments. Over to you Sir.

Shiv Singh Mehta: Thank you, friends. Thank you for your participation, because your insightful questions help us to understand our business from different angles and points of view and helps us to build better clarity and going forward we get further energy to work. Thank you very much.

Moderator: Thank you sir. On behalf of Kriti Industries India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.