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Sub: Submission of Transcripts of Earnings Conference Call held on Wednesday, February 07, 2024 at 12.15 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 Wednesday, February 07, 2024 at 12.15 P.M. to discuss Q3 FY24 earnings with Investors and Analysts.

Submitted for your kind information and necessary records.

Thanking you
For Krishca Strapping Solutions Limited

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KRISHCA STRAPPING SOLUTIONS LIMITED
MAPPEDU

Diya Venkatesan
Company Secretary and Compliance Officer

“Krishca Strapping Solutions Limited
Q3 FY'24 Earnings Conference Call”
February 07, 2024

MANAGEMENT: **MR. LENIN KRISHNAMOORTHY BALAMANIKANDAN – CHAIRMAN AND MANAGING DIRECTOR – KRISHCA STRAPPING SOLUTIONS LIMITED**
MR. TERLI VENKATA SHIVAJI – WHOLE-TIME DIRECTOR – KRISHCA STRAPPING SOLUTIONS LIMITED

MODERATOR: **MS. CHANDNI CHANDE -- KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Krishca Strapping Solutions Limited Q3 FY'24 Earnings Conference Call, hosted by Kirin Advisors.

As a reminder, all participants' 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. Chandni Chande from Kirin Advisors. Thank you and over to you, ma'am.

Chandini Chande: Thank you. On behalf of Kirin Advisors, I welcome you all to the conference call of Krishca Strapping Solutions Limited. From management side, we have Mr. Lenin Krishnamoorthy Balamanikandan, who is Chairman and Managing Director. Mr. Terli Venkata Shivaji, Whole-Time Director.

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

L.K. Balamanikandan: Thank you. Ladies and gentlemen, a very good afternoon and a warm welcome to our Q3 FY'24 conference call. I am delighted to connect with all of you as we go into the financial performance of Krishca Strapping Solutions Limited for the third quarter of this financial year 2024.

Prior to exploring the specifics of Q3 FY'24, let me underscore some significant developments that highlight the resilience and growth trajectory of Krishca Strapping Solutions. Firstly, it is with great satisfaction that we report the achievement of surpassing the FY'24 revenue within the initial nine months of FY24. Demonstrating a robust growth trajectory with a substantial total income of INR76.78 crores in the first nine months of FY'24.

This noteworthy accomplishment is a testament to the dedication of our exceptional team and we eagerly anticipate exceeding this milestone in the upcoming quarters. Out of this INR76.78 crores revenue we achieved, almost a 15% of revenue came from exports.

And operationally, we are pleased to announce that our new production line installation is going on and it will be fully operational by February 2024, this month. Simultaneously, we have achieved substantial progress in strengthening our client relationship leading to a notable uptick in sales and acquisition of new clients. And internally, we are also developing an in-house ERP for steel strapping, manufacturing and QMS management. The trials are going on. And it will be used by the team from April, next financial year. So this internal ERP development will definitely help our team to improve efficiency. It will help us when we scale up the operations.

And also, I am pleased to introduce Mr. Jagajyoti Naskar, who has been appointed as an Additional Director, Non-Executive and Non-Independent, effective from March 1, 2024. Currently, he is serving in the Directorial role at the Krishca Total Packaging Solutions in Dubai. Mr. Naskar's strategic appointment aims to enhance our operational efficiency and our growth plans in the primary packaging, especially in the HDPE, VCI, tarpaulin and drainage bag. He has a very rich experience in the senior level roles in various primary packaging companies. So we strongly believe his inclusion will help us diversify into various other segments in the primary packaging, apart from steel strapping.

Additionally, in the factory, we are optimizing the operational efficiency by relocating the strapping steel manufacturing operations from our existing facility to our adjacent facility. And on the expansion front, we are excited to announce the inauguration of new branch offices in Jharkhand and Chhattisgarh. These strategic additions serve as pivotal distribution channels, aligned seamlessly with our commitment to bolster market presence and streamline operations for enhanced efficiency.

And on the packaging contract front, we have successfully started our new packing contract in the SAIL SRU in Ranchi from December 1. And also, our team is in discussion in various packaging contracts to various clients in Odisha and Jharkhand region. Almost more than INR300 crores worth of packing contract orders are in the pipeline.

And in the public sector unit front, we are in discussion with various PSUs to get some trial orders. And we are very positive to enter into PSU of the steel strapping supplier within this quarter end. And also, we are also tied up with various automation solution providers to provide automation services, packaging lines to our clients.

And I appreciate your attention and look forward to engaging discussion on our Q3 FY'24 performance. Thank you. And let me take you through the financial performance of our company during Q3 FY'24. Our total revenue was at INR27.69 crores. Our EBITDA came at INR5.70 crores. And EBITDA margin was at 20%. Profit after tax was at INR3.44 crores. And our PAT margin was 12.43%. So, this resilient performance stands as a testament to our efforts, effective growth strategies, operational efficiency, and the lucrative market opportunity we seized during this period.

We remain very optimistic about the future growth prospects. And with expanded production capabilities, new product diversification, and regional expansion, and additional of various new products, and a lot of packing contracts also we are participating. So, we are very confident to continue on this path of growth. I would like to reiterate that the future holds promising opportunities for our company. And we are committed to maximizing profits from all the opportunities. So, I express gratitude for your trust in the company and for being an integral part of our journey.

So, with this brief update, now I would like to take any questions you may have. I request the operator to kindly open the floor for QA. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Nihar Shah from Crown Capital. Please go ahead.

Nihar Shah: Good afternoon, sir. I have two to three questions. First question is regarding our utilization level. Can you tell me what is our capacity utilization level?

L.K. Balamanikandan: We are right now utilizing about 70% to 75% out of everything planned.

Nihar Shah: Okay. So, then what will be our capex plan going ahead?

L.K. Balamanikandan: Our new line with the equal capacity of the existing line is, now installation is going on. Almost 75 percentage of the installation is complete. So, we are very positive that we will start the commercial production by the end of this month.

Nihar Shah: Okay. And what kind of revenue growth we are seeing going ahead? Like for Q4 and two years down the line?

L.K. Balamanikandan: For Q4, the revenue growth is very similar to the Q3 performance. We are trying to deliver more than Q3, obviously. There is a lot of positive orders we are getting in the export trend, especially in Q4. And moving forward in the next two years, since our new line is also coming into picture by this month end. And with the new line, we can produce a more grade of strapping that is a very ultra-high tensile strength. So, that is open up a new market for us in the direct phase.

In the packing contract trend, we already started doing three contracts. So, we just started the packing contract division in June. July, we got the first order. December, we got the second order. And this February, we are starting one more packing contract, maybe this week. And also, we are in discussion or in tender with various clients at various stages. So, almost INR300 crores, INR320 crores worth of packing contracts are in the pipeline. So, we are very positive that in the next two years, we can definitely maintain this similar growth trajectory.

Nihar Shah: So, around 35%, 40% growth can be expected, right?

L.K. Balamanikandan: Personally, I don't want to comment or give you a figure. But once we come up with a March figure or results, we will come up with some guidance for the next financial year. I don't want to make a comment. But definitely, we will be very positive regarding our performance, team's performance and the opportunities we are having or seeing in the market. So, definitely, we can maintain this kind of growth.

Nihar Shah: Okay. And one last question on EBITDA margins. Are we expecting EBITDA margins to grow at 20% which we achieved this time?

L.K. Balamanikandan: It would be in a similar range. If you look at our last financials, 2023 and the past three-quarter results, we are mostly trying to maintain around 20% minimum. So, we will try to maintain that. But in case there is a big opportunity, like a very big order at a little less margin, we don't mind taking it. Because all the orders we are taking are long-term orders. And there is always an opportunity to optimize the margin once we get into an order. So, we are open to be aggressive and take some more orders with a little less margin also.

Nihar Shah: Okay. All the best. Thank you.

Moderator: Thank you. Our next question is from the line of Harsh from KRIIS PMS. Please go ahead.

Harsh: Thank you for the opportunity. Congrats on a good set of numbers. I wanted to just understand that is there any progress on the PSUs we were trying to break through? In the previous concall we had discussed, we would probably expect some breakthrough this year. So, any movement on the PSU front?

L.K. Balamanikandan: Yes. Hi, Harsh. Yes, there has been some very positive progress. And we are expecting to get some orders within this quarter. It's supposed to resume December itself, but there has been some delay. We are very positive to close some orders -- from PSUs in this quarter.

Harsh: Got it. Perfect. And second was around, we have incorporated an overseas subsidiary. So, just want to understand what is the business ongoing there? And is it as per the desired goals which we had set for incorporation of the subsidiary?

L.K. Balamanikandan: Yes, definitely. The subsidiary is in UAE performing very well. I can give you an example. If you look at our last financial year, almost 8% of our revenue came from exports. But till December, for the first three quarters, almost 15 percentage of our revenue is coming from exports. So, our revenue is almost doubled in the exports front. So, our team in UAE is performing really well, considering we just incorporated in July, I guess.

Harsh: Got it. Makes sense. Perfect. Thank you so much. Best of luck.

L.K. Balamanikandan: Thank you, Harsh.

Moderator: Thank you. Our next question is from the line of Vivek from Shanthi. Please go ahead.

Vivek: Yes. Thank you. Hi, Mr. Lenin. Vivek here. You are staying the course. You are doing very impressive things. And I heard about your office opening in Jordan. Am I right? Jordan and Chhattisgarh.

L.K. Balamanikandan: Yes. Chhattisgarh and Jharkhand.

Vivek: Which one? At Jharkhand.

L.K. Balamanikandan: Jharkhand, yes.

Vivek: And in the last call, I think you did mention that you are opening a Middle East presence also. So, my question is, while you are showing an impressive -- I am assuming you are showing something like 25%, 30% year-on-year quarterly growth. But can you just roughly give a guidance for this year, what growth would you show? And more importantly, on the EPS, because the last call that you had, you had a very impressive EPS growth. So, can we look forward to something similar? Or what would your guidance be on that?

L.K. Balamanikandan: Regarding the growth for this year, when we announced the March 2023 results, we were given, I think, 35% to 45% guidance. And I would like to stick on to that forecast for this year. I think we would definitely achieve that, whatever we are given guidance.

Vivek: Okay. So, you are saying from the INR10.67 EPS for the last year, you would show something like a 35% to 40% growth on EPS, which is the guidance that you gave at the beginning of the year.

L.K. Balamanikandan: See, I think EPS, in March, we did not go to IPO. So, the number of shares was less. I think now, the number of shares has increased. So, even though we are delivering almost 45% higher revenue, the EPS calculation, I am not very sure that I have to check.

Vivek: Okay. So, that would be one indication. And you did mention that for the capex that you are doing, the proceeds of the IPO would be deployed in capex. And have your lines been fully installed? And over how many years now, two years, three years, what kind of percentage improvement in the top line you expect on account of the capex?

L.K. Balamanikandan: The line, 75% installation is completed. Actually speaking, the line is supposed to be ready in January. There has been some delay at various points in the commissioning of this line. So, almost we are running six weeks delay than the original deadline. Anyway, it should be ready by this month end. And regarding the revenues from the new line, within the first year, we are expecting it to be utilized at least 40% in the next financial year. And our plan is to try to maximize the capacity as early as possible.

Vivek: Okay. And at the current run rate, I think you would exceed INR100 crores in top line this year. I am assuming from the quarterly performance of around INR23 crores, INR24 crores that you have posted, if I remember right, then you would be exceeding INR100 crores this year, right?

L.K. Balamanikandan: Yes, I think we should do that. It is very much possible. Easily possible.

Vivek: Okay. Many congratulations for your performance and all the best.

L.K. Balamanikandan: Thank you. Thank you Mr. Vivek.

Moderator: Thank you. Our next question is from the line of Yashswanti from Kojin Finvest. Please go ahead.

Yashswanti: Thanks for the opportunity and many congratulations for the good set of results.

L.K. Balamanikandan: Yes. Thank you, Yashswanti.

Yashswanti: So, I just wanted to know what is your current order book and if further, if you can bifurcate between what is from the strapping business and what is from the packaging business?

L.K. Balamanikandan: Okay. So, the thing is, we got two packing contract orders, one in July and one in December. So, these two orders are valued at about INR5 crores per annum. And we just started one more contract that we still did not disclose because we are yet to get a clear purchase order from our client. This is a very, very big client. For them, it's a pilot order. So, we are unable to judge the exact value. But we are expecting it to be at least INR3 crores to INR4 crores. So, if you consider that, we have roughly INR10 crores order book for the next financial year from packing contracts. That's on date.

So, considering to last financial year, there was like zero revenue from packing contracts. This year, since we just started doing two contracts, almost we have done almost INR1.52 crores to INR2 crores billing for the existing contract in this first nine months. But for the next year, definitely with the existing orders in hand, we can expect INR10 crores revenue on the conservative side. But anyway, we are almost in various stages. In almost six to seven contracts, we are participating. All are big contracts. Then what we have in hand. But I don't want to give you any revenue guidance because all these orders are still in the various stages.

Yashswanti: I'm just talking about the current order book, sir?

L.K. Balamanikandan: Current order book, yes. We can say INR10 crores order book for the next financial year from packing contracts.

Yashswanti: Okay. And from the strapping business? From a traditional business, strapping. What kind of order book do you have currently?

L.K. Balamanikandan: So, see, almost like 70% of our orders are recurring orders. We don't have a long-term PO. That month-on-month, we get the PO from our clients. And we do have some, I can say, roughly 1,500 tons of long-term orders in strapping sales, per annum.

Yashswanti: Okay. Yes, thank you so much. So, my next question is regarding to the new production line which is expected to be operational by March, you said, right?

L.K. Balamanikandan: Yes, correct.

Yashswanti: So, at a full capacity utilization, what kind of revenue we can see from that production line?

L.K. Balamanikandan: See, the capacity is about 1,500 tons. Okay. So, with the full capacity, we can expect up to INR150 crores of revenue from the newly installed production line.

Yashswanti: Okay. And we can expect a full optimization by FY'26, FY'27, if I understand it correctly?

L.K. Balamanikandan: We are flexy. Our plan is to utilize the capacity as less as possible. But I don't want to comment on how fast we can do that.

Yashswanti: Okay. So, recently you had expanded your presence to your branch office in Jharkhand and Chhattisgarh. So, can you give some more light, what are your strategies of having the business over there? What are the reasons for that? What are the staff, how much of the staff you are employed there? So, basically, what strategies you have and how it is going to contribute to your overall revenue or maybe on your profitability? This is basically, I believe, it's a marketing effort, right sir?

L.K. Balamanikandan: See, we only have one branch office we opened in July or August in Odisha, where we got our first packing contract in Shyam Metalics. So, there we have a small team of like five to six people. They are managing their existing contract. If you look at the steel production, Odisha is a major state where all the major steel mills primary and secondary mills are there. And now we are opening up our office in Chhattisgarh, in Raipur. Raipur is a secondary steel market for India. So, there are so many wire rod and TMT manufacturers are there. And we are actively in discussion with two major clients in Raipur for a packing contract.

So, once we get out, these are like very big packing contracts in terms of value. So, to manage the packing contract, we need a team over there and also try to get -- convert more customers. Because a packing contract requires a warehouse where we can keep our materials, stock, tools. So, the purpose of opening a branch office is to directly supply strapping as well as manage the packing contracts.

Yashswanti: Okay. So, just to understand it, you also need a warehouse or a branch office to facilitate direct sourcing from the supplying company to the customers? Just to understand it.

L.K. Balamanikandan: We usually set up a small warehouse because a lot of tools, spares and all we have to keep that in terms of need basis only we will give it to the customer. We keep a lot of stock of critical spares and tools. And to manage because packing contracts are running three shifts, right? Sometimes we go for auditing, we need a place to stay. So, it's better to have a small office close to the place we do packing contracts. That is the usual market practice.

Yashswanti: So, the office in Raipur is basically a warehouse plus branch office, right?

L.K. Balamanikandan: Yes, correct.

Yashswanti: And that is on a rental basis or you have…

L.K. Balamanikandan: It will be on a rental basis.

Yashswanti: Okay. And then as far as the Dubai subsidiary, are we supplying it to the overseas contracts or it is just in sales support for the Indian operation?

L.K. Balamanikandan: Sorry, can you repeat your question again?

Yashswanti: For your Dubai operation, are we supplying it from the Dubai setup or it is just in sales support for the Indian operation?

L.K. Balamanikandan: It's kind of both. Mostly, we are supplying directly from India. But now we started supplying directly from Dubai office also. Our plan is to slowly migrate our sales via our Dubai subsidiary.

Yashswanti: Okay, so basically it is in sales support?

L.K. Balamanikandan: Yes, it is currently -- mostly in sales support.

Yashswanti: Okay. Thank you so much for your kind reply. I'll join back in the queue. All the best.

L.K. Balamanikandan: Thank you, Yashswanti.

Moderator: Thank you. Our next question is from the line of Darshit Shah from Niravana Capital. Please go ahead.

Darshit Shah: Congratulations on a good set of numbers. So in the previous call, you talked about your setup facility in Dubai. I think around INR20 crores was the requirement for that. So any update on the plan? How is it going and do we kind of intend to put a capacity there?

L.K. Balamanikandan: I do have an update on that. We have identified a location, a place to put up a plan in Middle East. That might not be Dubai, maybe some other country. And it will be a joint venture. We are in discussion with a potential partner. So we are in process of signing the initial MOU. So hopefully, this month we will come up with some announcement regarding our joint venture and also where we are putting the plan.

Darshit Shah: Got it. And how big would be this opportunity since I understand majority of the Middle Eastern market is being catered by Chinese players. Can you help us understand how big is the opportunity for players like us and which markets are the most important ones?

L.K. Balamanikandan: See, the Middle East setup won't be safe. Even now also we are not only supplying strapping. Apart from strapping, we need a lot of services and also consulting, automation, everything we are providing. So if you look at Middle East, there is no such solution provider, packing solution provider in entire Middle East.

So by having a strapping plant and local supplier and also who can advise them on various packing methodology, I'm sure there is a good chance even though the Chinese pricing might be lower. But having those local presence because now everybody is waiting almost two months after paying advance for Chinese to get the materials. A lot of working after also they are blocking and having a local manufacturer will definitely support the steel manufacturing in Middle East.

Darshit Shah: Got it. And sir, what would be the market size that you understand? India is roughly what you had highlighted earlier was around INR3,000 crores to INR4,000 crores including packing and strapping. So what about the Middle East kind of rough ballpark market size there which probably we can cater to?

L.K. Balamanikandan: It would be lot less but I'm expecting at least in INR at least INR300 crores to INR400 crores currently.

Darshit Shah: Okay. Got it. And sir, would we be kind of requiring funds for doing this JV or it would be I mean how do you plan to fund this?

L.K. Balamanikandan: We are putting a budget for it. Regarding funding we also have multiple options to find like we can either fund it from internal accruals we are also thinking about potential issue still in discussion. Maybe we will come out with our announcement in this month.

Darshit Shah: Sure. And sir, lastly, as you I mean most of the bigger companies like Signode and all have majority of the revenue coming from packing contracts. So where do we see us over the next maybe two years, three years, four years? Do we also see the revenue shift changing towards more towards kind of packing contracts and I understand that gives little more longevity also to our revenues and how is the margin there compared to strapping if you can help us know?

L.K. Balamanikandan: If you look at, Mr. Shah, at Signode apart from strapping they have like multiple products and they also do packing contracts where a lot of products are like pet strapping, plastics everything being used. So Signode is dealing with various products not only strapping. So if you look at the revenue it is coming from various sectors, maybe strapping and packing are still the biggest but they diversified, they also do automation.

So there are opportunities in various sectors packing contracts, I have multiple times I mentioned this in the previous concall, let's say last year out of INR73 crores of our revenue, packing contract revenue was zero. And this year it will be like at least INR3 crores, INR4 crores from our from packing contracts. Next year as I said already we have INR10 crores worth of packing contracts. So slowly, our packing contract share of business is increasing it will continue to increase definitely even we wanted to push it up to 50% in the future in the domestic market apart from the exports.

Darshit Shah: And sir how about the margins over there?

L.K. Balamanikandan: Similar margins. Margins, some orders you get very good margins. Some packing contracts are very tricky. Sometimes we are dealing with lot of uncertainties. Some areas margins might go little less also. It is difficult to predict when we get the order. We do the order -- do the contract there is always opportunity to optimize the margins but the whole idea about packing contracts is to have a long term like three years, four years kind of orders order book, stable order book with a similar margin.

Darshit Shah: Correct. And sir lastly, on this domestic market so we understand Signode is one of the major players and there are little smaller players over there. So in terms of gaining market share from existing players what is your sense on this I mean how can we kind of reach up to those levels almost majority of the market share is held by a couple of companies?

L.K. Balamanikandan: The thing is, market is also evolving increasing at a very high rate, so there is definitely there is a 10% to 15 percentage market size expansion year-on-year. Lot of existing steel mills are moving towards packing contracts. There is a new packing contract opportunities and also like big steel mills very big companies they always wanted to get have one guy like they cannot always go to Signode. Even Signode cannot do all the contracts. So there is always opportunity for one more guy to pitch in and support the customer and again with our aggressive process and setup, we are also very positive to capture orders from our competitor.

Darshit Shah: Great. Thank you, Mr. Bala. And all the best.

L.K. Balamanikandan: Thank you.

Moderator: Thank you. Our next question is from the line of CA Varun Agarwal, an individual investor. Please go ahead.

CA Varun Agarwal: Thank you for the opportunity. Congratulations for the good set of numbers. I heard two numbers discussed on the call. One is about INR10 crores expectation from packing contracts next year and another order book of about INR300 crores. I am needing to get clarity in both of these can you please explain.

L.K. Balamanikandan: Now we already have three packing contracts in our hand. So the orders put together would amount to INR10 crores. So this INR10 crores revenue definitely will happen in the next financial year because already we have the order for the entire portfolio. And I what I mentioned in the previous answer, we are participating in various packing contracts, there are various stages in various tenders. Total orders in the pipeline amount to INR300 crores to INR330 crores.

CA Varun Agarwal: And these INR300 crores of contracts you are talking about packing contracts only, right?

L.K. Balamanikandan: Yes. Only packing contracts.

CA Varun Agarwal: Because our strapping business is anywhere recurring business where there is no concept of order book?

L.K. Balamanikandan: Yes.

CA Varun Agarwal: Okay. And how do we defend and maintain the margins whenever there is a raw material price fluctuation?

L.K. Balamanikandan: See it is a very standard practice in this industry. All the orders are coming with a price variation class. So this price variation class is linked with the [HR] price for quarterly or monthly basis because like we are doing contracts mostly to filmers. So everybody know what is the price increase or decrease in a month in [HR] price. So based on the price increase or decrease there will be a calculation in the PO that will be added. Let's say, INR1,000 increase means that will be added in the next PO.

CA Varun Agarwal: Right. And what is the present debt level or borrowings?

L.K. Balamanikandan: Debt level, okay. So we do have like working capital limits with the HDFC Bank almost INR13 crores to INR14 crores.

CA Varun Agarwal: Okay. Thank you so much. All the best.

L.K. Balamanikandan: Thank you Mr. Varun.

Moderator: Thank you. Our next question is from the line of Tarun Modi, an individual investor. Please go ahead.

Tarun Modi: Good afternoon. First of all, I would like to congratulate Krishca team for such a nice result. So I have only, I was able to understand from many of the queries that you were able to answer. Now only one query left out is about Middle East operation. What we are starting so how is our order book from Middle East side?

L.K. Balamanikandan: Mr. Tarun, in Middle East, most of the orders are on monthly basis. So there is no concept of packing contract. All the clients are doing their own packing so they only buy the consumables. So there is no we don't have a long term arrangement with anyone any customer but all the orders are like monthly or quarterly basis. We get like three months PO continuously, they will argue the schedules stuff like that but not like India we don't have long term one year or two year orders with anyone.

Tarun Modi: So currently, we have three months visibility there? Do we have now currently like some orders like three months or some orders are there or still we are looking…

L.K. Balamanikandan: Next three months we have pipeline.

Tarun Modi: Okay. So what is the side value if we see our revenues, how much will be the contribution there?

L.K. Balamanikandan: Till December, we have done INR76 crores right, out of that 16% of revenue came from exports. Roughly, INR11.50 crores. But I think moving forward in this Q4, we are expecting more shares more than 15% we are expecting from exports.

Tarun Modi: Fine. So when sorry I missed one thing. When we started this Middle East because I was based on the last con call what I have gone through, like we will be starting this quarter so whatever 15% is there export revenue coming, so that will be like this will be Middle East operation will be additional what we will be getting it?

L.K. Balamanikandan: No. I am including that Middle East sales and our exports I am telling this is the share.

Tarun Modi: Okay. Fine. So our margin would be similar like what currently what domestic margins we have, similar margins will be there in Middle East also in packaging?

L.K. Balamanikandan: In Middle East, right now it is little less, honestly speaking. Because we are fighting it out with Chinese mainly. So the margin because there has been some increase in the shipping cost because of the Red Sea issue. So that is also lowering little margins and also even lot of even Koreans are also very aggressive with pricing. Because the raw material is cheaper in China and Korea compared to India. So margins are little less overall in exports.

Tarun Modi: Okay. So when we are targeting our company like reaching to INR300 crores level? This year we have touched INR100 crores, so when we are targeting any, by when…

L.K. Balamanikandan: Well. We have five-year plan. We maintain the similar growth projection and whatever efforts we are putting in exports and packing contracts and also from the new line everything goes well that is an easily achievable target.

Tarun Modi: Okay. Thank you sir, thank you. All the best.

L.K. Balamanikandan: Thank you Mr. Tarun.

Moderator: Thank you. Our next question is from the line of Jishan Singhi from Krijuna Research and Analytics. Please go ahead.

Jishan Singhi: Thank you for the opportunity sir. As you mentioned that you are in the order book worth of INR300 crores in packaging business, right?

L.K. Balamanikandan: You can say again?

Jishan Singhi: As you mentioned that you have participated in the bid for INR300 crores in packaging segment right?

L.K. Balamanikandan: Yes, yes. Various almost to some different contracts worth INR300 CR we are in discussion with various clients

Jishan Singhi: What going to be a strike? That is….I was asking what can be the benefit for you in this segment?

L.K. Balamanikandan: I think at least to be on a very conservative side, 20% of when you are dismantled, most the case.

Jishan Singhi: Okay, got it sir, got it. And can you please give me the estimate for the minimum market price that you are considering?

L.K. Balamanikandan: Yes.

Jishan Singhi: Yes, sir, I was asking that can you please give me an estimate regarding the middle east market price that you are considering?

L.K. Balamanikandan: Sir, if you have any questions, you contact the company secretary or you can email, I can answer it separately.

Jishan Singhi: Okay, sir, thank you.

Moderator: Thank you. Our next question is from the line of Suruchi Parmar from NX Wealth Management. Please go ahead.

Suruchi Parmar: Yes, hello sir, just one question from my side. Last con call you have told about your setup in Singapore also and you told that some big contract is coming, so for that you want to have a local presence in Singapore. Any update on that, sir?

L.K. Balamanikandan: Yes, that tender is not yet concluded by the Singapore government, maybe it will happen in the Q1 of next financial year.

Suruchi Parmar: Okay, fine.

L.K. Balamanikandan: We are actively following up, it will definitely possibly happen in the next financial year, maybe in Q1 or Q2 of this case.

Suruchi Parmar: Okay, so we are eyeing some other contracts also there in Singapore other than that?

L.K. Balamanikandan: Right now, that is the only contract we are focusing.

Suruchi Parmar: Okay, fine. And in Dubai also, earlier like you were mostly trading activity is there in Dubai, but can you tell me that there also packaging contract option is there in Dubai portion?

L.K. Balamanikandan: No, madam. In Dubai, there is no concept of packing contract in the steel mill because the manpower expenses are very high and handling of manpower, availability of manpower also, visa issues are there. So generally, all the manufacturers, they try to keep their manpower themselves.

Suruchi Parmar: Okay, fine. Like you have appointed additional director in Dubai, so are you looking for diversifying from the packaging of steel strapping contracts? You are eyeing for that in coming 2-3 years or so?

L.K. Balamanikandan: So if you look at steel mill packaging, strapping is a major component. Apart from that, lot of plastics like HTPE, VCI, desiccant, tarpaulin, everything is being used to pack any steel materials. So since we already have strapping, our next organic growth would be entering into primary packaging. So this addition of NASCAR is part of that strategy. We have a rich experience in that domain. Already, we started dealing with those products from Dubai onwards.

Suruchi Parmar: So these will come in packaging contracts or these are just the trading goods?

L.K. Balamanikandan: Everywhere, it comes in both. Trading also, we are dealing with products as well as in packing contracts, how it is being used.

Suruchi Parmar: Okay, so this will be in addition to steel strapping? In addition to that?

L.K. Balamanikandan: It's a complementary product. Whoever is buying strapping, definitely they will be using this same product. So our same team can do consulting on these products also.

Suruchi Parmar: Okay, so are margins going to have some impact due to this? Like it will improve or it will remain the same?

L.K. Balamanikandan: The idea is generally, primary packaging has little higher margin than strapping overall. So the idea is to definitely try to improve overall margin if we increase the packing and primary packaging sales.

Suruchi Parmar: Thank you so much, sir, for answering all the questions and congratulations.

L.K. Balamanikandan: Thank you very much.

Moderator: Thank you. Next question is from the line of Shubham, an individual investor. Please go ahead.

Shubham: So I just want to continue on that margin question. So firstly, on the steel prices, somebody asked that how do you age your raw materials? I just wanted to get a sense, do you have all the contracts on a pass-through basis or are those a fixed contract?

L.K. Balamanikandan: No, all the contracts are like, there are some contracts we have fixed where the strapping compound is very less. We have a fixed price and around 70% of the contracts, we have variable pricing.

Shubham: So that's 70% pass-through, right?

L.K. Balamanikandan: Yes.

Shubham: So it's better to say that you may or may not get any trending gains on those contracts. I mean, you already have steel raw materials, so you would have that sustained 20% margins for that matter, right?

L.K. Balamanikandan: Okay. So you are saying that if there is a price increase, you are telling like price falls, we will get a better margin?

Shubham: No, but you have already hedged it. So for example, if you get a contract, right, so that matter only you would book your raw materials.

L.K. Balamanikandan: Yes. But in the long-term one-year order, we cannot block raw materials for the entire year.

Shubham: Correct, correct. In that sense, then how do you procure? Do you have any forward contacts?

L.K. Balamanikandan: See, mainly steel is the highly fluctuating component and where we have a fixed price contract, those contracts are very small in value. Manpower cost also, there are tools, service cost, everything is fixed. The variable component will be very less. Like our overall value, 30% is the variable component. Remaining 70% would be like pallet cost, everything would be fixed throughout the year.

In those contracts, we will always try to have a cushion in the margin in case of any huge price difference that happens in the market.

Shubham: Okay, okay. So at a point in time, how many days of inventory do you hold for your raw materials?

L.K. Balamanikandan: In our factory or in a packing contract you are asking?

Shubham: In factory.

L.K. Balamanikandan: Factory, minimum one month of inventory we are keeping.

Shubham: Okay, okay. Understood. And one question on capex. So say the plants that you have, if it gets operationalized under timelines you suggested, so say FY24 or FY25, so what would be the maximum revenue potential of those capacities running at the ideal utilization rate of 70% to 75%? What would be the maximum revenue potential there?

L.K. Balamanikandan: The maximum revenue, we can definitely expect INR150 crores revenue from the new line. At 75%, definitely INR100 crores we can expect from the new line.

Shubham: That's on new line you are saying? So, for the entire set of projects, so for the entire business that would reach like INR200 crores by FY24?

L.K. Balamanikandan: No, for the entire business, the full capacity put together only strapping sales would be INR300 crores. Now we have two lines. Total capacity would be 3,000 tons per month. Even if we just consider the strapping sales, not any packing contract, the potential top line can be up to INR300 crores.

Shubham: Up to, sorry I missed your number.

L.K. Balamanikandan: Up to INR300 crores. Let's say we are utilizing full capacity in both lines, so we can expect INR300 crores only.

Shubham: This is including your packing as well, right?

L.K. Balamanikandan: Not including, only the direct sales of strapping, not including packing contracts.

Shubham: And the packing contract potential would be, say by FY25, how would that be?

L.K. Balamanikandan: See, it is difficult to like put a figure on it. The market segment is very big and we are already, as I mentioned, we are participating in contracts with INR300 crores. So, it is very difficult to put a number on it. But it can be as big as INR100 crores in two years.

Shubham: Okay, so you expect like by FY26, right? To get this all operational at the ideal capacity, ideal utilization.

L.K. Balamanikandan: That would be very difficult, but we are very positive. We are trying, putting our effort to make it to the fullest capacity. But yes, it is very much possible to do that in three years.

Shubham: Okay, okay. Sure, sure. Thanks. That's it from me. Thank you.

Moderator: Our next question is from the line of [Nimal] Jadeja, an Individual Investor. Please go ahead.

Nimal Jadeja: Good afternoon, Bala.

L.K. Balamanikandan: Hi.

Nimal Jadeja: Can you hear me?

L.K. Balamanikandan: Yes, I can hear you.

Nimal Jadeja: Okay, great. So, congratulations on the great set of numbers, Bala and your team. Okay, I want to understand more from the risk perspective from the Chinese and the Korean players. So, I understand you mentioned in one of the answers to the question that Chinese and Korean players at a global level, they are competitive. So how cheaper they are compared to our current cost base, okay, in terms of percentage. So, are they 10% cheaper, 15% cheaper?

And secondly, if they come to India, in terms of expanding their operations to India, Indian steel market, and there is no dumping duty. I think currently we have 10% or something dumping duty on the team. So, if we take out that protection, how competitive are we compared to the Chinese and the Korean players? So, that would be my question.

L.K. Balamanikandan: See at the global level, I think we are -- Koreans could be 3%-4% cheaper than our pricing. And Chinese pricing is like a huge range. In India, there are only four manufacturers. But in China, there are more than 100 manufacturers after the trapping. Of various qualities, in India, we have only three-four grades. But in China, the number of grades are so much wider.

So, the price difference could be as low as 15% to 10%. So, to answer your second question. Right now, nobody is importing strapping from Korea or China to India. Because there is a BIS regulation. Anti-dumping Duty is there, that is secondary. But the manufacturer of the strapping should have the BIS certification for the particular [inaudible] code.

Without that BIS certification, they cannot even export to India. Right now, none of the Chinese strapping manufacturers are having the BIS. So, first of all, even if they wanted to supply with the anti-dumping duty, they cannot do it. Thanks to the Indian government, they are protecting the domestic steel industry.

So, it has been eliminated, completely eliminated, the strapping imports. There is a Korean manufacturers having BIS, but they are not actively supplying. Because of the shipping and pricing, at the end of the day, they are not competitive compared to the Indian mills. So, overall, the Indian market is -- domestic market is completely protected by this external threat.

But obviously, there is a -- lot of orders missing because of the pricing only. In fact, I could do more than INR30-INR40 crores worth of exports in this financial year if the pricing viability is there. Since the domestic pricing is very high, that's why we are losing these orders. That is one of the major reasons we are looking at setting up a factory out of India, in the Middle East.

So, once we put up a plan in the Middle East, we can buy from anyone. We can buy raw metal from anybody, not only from India. So, once we put up a plan successfully, we can expect more orders in the overseas.

Nimal Jadeja: Okay, very clear. Thanks a lot for the detailed explanation and congratulations and good luck for the future.

L.K. Balamanikandan: Thank you very much.

Moderator: Thank you. Our next question is from the line of Rohit Reddy, an Individual Investor. Please go ahead.

Rohit Reddy: So, my question is regarding the tender business, which we had a couple of months back, like in November and December. So, I see we were L2 and L3 bidders and we did miss a couple of contracts to our competitors, ignored and grip strapping. So, what are the key takeaways from them? What are the things you would be improving in the next tenders? Which you'll do, anything you can point?

L.K. Balamanikandan: In the packing contract, there are a lot of competitors, not only those two you mentioned. Everybody has their own strength. They have regional advantages. Some people have better coaching of particular items. It is a huge subject. But overall, we are putting our team, like we are putting regional officers to locally cater each and every client.

That is one of the things. And as we put our regional officers, we are getting a lot of good inquiries. The number of orders we are participating also is increasing. So, we always try to participate in all the possible contracts. Last year, we did not do a single contract. Now, already we got three.

There are a lot of contracts for eligibility criteria. Since we are new, we are losing out on so many contracts because we do not have that kind of expertise and experience. As we grow, as we participate in more contracts, as we start more contracts, slowly we can be able to take on the established players also.

Rohit Reddy: Another question is regarding the [inaudible]. So does it play an important role in the contract? Will there be any differences among competitors? So, we do [inaudible] strapping. So does it make any difference when compared to our competitors in gaining some orders?

L.K. Balamanikandan: You are saying we are producing our own strapping. So, that can have some impact. That is what you were asking?

Rohit Reddy: We do the [inaudible]. Regarding that, do we gain some competitive advantage in gaining some orders?

L.K. Balamanikandan: Okay. Because of our production process, see that is always a plus point when we go to a customer discussion. People are giving good respect for that. Because everybody, especially, for steel mills, they want to source from sustainably manufactured products. So people are really appreciating. That is one of the plus points we are having. That definitely has some impact in all the orders we are participating.

Rohit Reddy: That's it for me. Thanks for the opportunity. Congrats to Krishnamoorthy. Just a request, keep doing con-calls every quarter so that the investors could know what is going on -- That's it from me. Thank you.

L.K. Balamanikandan: Thank you, Mr. Rohit Reddy. Definitely, we will do frequent con-calls every quarter.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to Ms. Chandni Chande for closing comments.

Chandini Chande: Call of Krishca Strapping Solutions Limited. If you have any queries you can write to us at research@kirinadvisors.com. Once more, thank you, everyone, for joining the conference.

L.K. Balamanikandan: Thank you.

Moderator: Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.