KRISHCA
www.krishcastrapping.com

KRISHCA STRAPPING SOLUTIONS LIMITED,
Building 01 B, LOGOS Mappedu Logistics Park, Satharai, Thiruvallur Dist.,
Tamil Nadu - 631 203, India.

Call : +91-9884113909 / 9344991199
Mail : info@krishcastrapping.com
GST No : 33AAGCK8781M1ZW
CIN : U74999TN2017PLC119939

June 24, 2023

To

The Listing Department
National Stock Exchange of India Ltd. Exchange Plaza, Plot No. C/1, G Block,Bandra Kurla Complex,
Bandra (E), Mumbai 400051

Script Symbol: KRISHCA

ISIN: INE0NR701018

Subject: **Submission of Transcripts of Earnings Conference Call held on Tuesday, June 20, 2023 at 12.15 P.M.**

Dear Sir/Ma'am,

Pursuant to Regulation 30 of Securities Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Company is hereby submitting transcripts of Earnings Conference Call held on Tuesday, June 20, 2023 at 12.15 P.M. to discuss FY 23 earnings with Investors and Analysts.

Submitted for your kind information and necessary records

Thanking You
For and on Behalf of Krishca Strapping Solutions Limited

Diya. V

KRISHCA STRAPPING SOLUTIONS LIMITED
CHENNAI

Diya Venkatesan
Company Secretary and Compliance Officer

“Krishca Strapping Solutions Limited

Q4 FY '23 Results Conference Call”

June 20, 2023

MANAGEMENT: **MR. BALA MANIKANDAN – MANAGING DIRECTOR – KRISHCA STRAPPING SOLUTIONS LIMITED**
MR. SHIVAJI – WHOLE-TIME DIRECTOR – KRISHCA STRAPPING SOLUTIONS LIMITED
MR. RAJINIKANTH – INDEPENDENT DIRECTOR – KRISHCA STRAPPING SOLUTIONS LIMITED

MODERATOR: **MS. KAJOL GOWDA – KIRIN ADVISORS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Krishca Strapping Solutions Limited Q4 FY23 Results Conference Call hosted by Kirin Advisors Private 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, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Kajol Gowda from Kirin Advisors. Thank you and over to you, ma'am.

Kajol Gowda: Thank you. Good afternoon, everyone. Thanks for joining the conference call of Krishca Strapping Solutions Limited. I would like to welcome Mr. Bala Manikandan, Managing Director, Mr. Shivaji, Whole-Time Director, and Mr. Rajinikanth, Independent Director of Krishca Strapping Solutions Limited. Bala sir, over to you.

Bala Manikandan: Very good morning to everyone. I warmly welcome all of you to our first conference call, following our listing at SME-EMERGE platform. Today we gather to discuss Financial Performance of Krishca Strapping Solutions Limited. It is a pleasure to have each and every one of you on this call. Before delivering into the financials, I would like to provide a brief overview of our company, Krishca Strapping Solutions Limited. Our company was founded on 2017 December as a start up with the primary objective to manufacture steel strapping seals and offer a total packaging solution to the steel industry.

Within the last five years, our company has emerged as a leading supplier of strapping in the Indian steel industry. Our factory is situated in Chennai, Tamil Nadu with an installed capacity of 1,800 metric tons per annum and a seal capacity of 80 million seals per annum. This makes the largest steel strapping manufacturing unit in Tamil Nadu and one of the biggest steel strapping producers in India. Through our recent IPO, we successfully raised INR17.93 crores. From this INR17.93 crores, we are setting up a steel strapping line with a budget of INR12 crores and also we repaid certain secured borrowings of about INR3.75 crores.

In the new production line, we will enable us to manufacture ultra-high tensile steel strapping with a annual installed capacity of 1,800 metric tons, 18,000 metric tons per annum. This expansion will double our current installed capacity and will contribute to our top line growth and profitability while this repayment of loan will increase our balance sheet. In addition to expanding our production capacity, we are also venturing into the packing contract segment which presents a very excellent business opportunity.

The funds raised from our IPO will aid our entry into this packing contract segment. Our aim is to become a major player in the packing contract industry, catering to all the leading steel mills. So, we intend to increase our significant market share in this domestic market and enhance our presence in the export market through increased capacity and packing contracts. Given that our business revolves around steel strapping, the growth of the steel industry plays a major role. If you look at India's current installed capacity which is 120 million tons of steel per annum, we are the second largest producer of steel globally currently.

With the Indian government's efforts and as per the national steel policy, Indian steel industry aims to increase the installed capacity to 300 million tons by 2030. So, this provides an excellent opportunity and the market is also going to grow at minimum 10% year on year for the next 10 years. So, with the expansion, technology upgrades and new projects in the steel industry provide an excellent platform for the supply of steel strapping and also the strapping machines and the automatic packaging lines. At present, from our market estimates, we are roughly holding about 7% to 8% market share. While the leading player called Signode India, they are having about 49% market share.

And the second biggest company is holding about 28% market share. And there is one more company that is the third biggest player. They are holding about roughly 10% market share. So, with the increase in production capacity and also entry into packing contracts this year, we are expected to capture much more market share in the coming years. Now, let us look at our strength that will differentiate our company from other steel strapping manufacturers in India. If you look at the Indian steel strapping industry, Krishca Strapping is the only lead-free steel strapping producer. And also, our production is the only fully automated production line.

From the start to end, it is a single production line which is fully automated. If you look at the competitor, all other people are doing a two or three step process. So, this provides us the lowest production cost in the industry when compared with our competitors. And also, our employee cost is the lowest in the industry. And our factory is located in Chennai port which enables faster exports to all other destinations when compared with our competitors. And with this brief introduction about the company, now let us move on to discussing about our financial performance in the last financial year FY23.

I am very pleased to announce that our revenues have increased four times compared with the financial year 22. And our net profit has increased almost six times when compared to the last financial year, financial year 22. To summarize the financial highlights of FY23, total revenue was INR72.4 crores in the last financial year which is a 386% growth when compared to FY22. And our current EBITDA is INR13.87 crores which is almost 330% growth compared with the previous year. Our current EBITDA margin is about 19.15% which is almost 2% increase when compared against the previous financial year.

Our net profit for FY23 is INR9.34 crores which is a significant growth of 518%. So, almost five times our net profit has increased when compared against FY22. Our current net profit margin is about 12.9% compared to 8% in the previous year. Our current earnings per share reached INR10.68 paisa compared to INR2.22 paisa in the previous financial year. So, we maintain a highly optimistic outlook for the future demand and anticipate reporting robust numbers in the current year as well.

So, we are very much positive that this year, in this financial year, we will increase our revenue by at least 40%. And as I explained, we are putting up a new production line which can able to produce ultra-high-density steel strapping. That is also an excellent opportunity to increase our sales and as well, we are entering into packing contracts. So, that is also providing an excellent opportunity to increase our revenue. Apart from our efforts in domestic market, we are also setting up a new office in Dubai.

By end of July, we will have operational warehouse and office in Dubai and already we have a few people to join from after August. So, from our new office in Dubai, we are expecting to increase our revenue not only by selling steel strapping, we are also trying to trade other items to provide a total packaging solutions to our customers. So, with this, I will now hand over the call to the operator and I am happy to answer any of the questions you are having.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mayur Liman from Profitmart Securities. Please go ahead.

Mayur Liman: Thank you so much and good afternoon all. Thank you for the opportunity and congratulations on a good set of numbers. My first question is I just want to understand in FY20, top 10 customer contribution is around 95.06%. It has now reduced to around 68.73% for FY23. Can you please throw some light on that?

Bala Manikandan: Yes, sure. If you look at our FY20 figures, our revenue was about INR9.8 crores in that year. We started our commercial production from the month of March 2020 and immediately upon our production, COVID lockdown was imposed. So in the first financial year, we were not able to cater the large volume customers like JSW and Tata Steel because we never completed our vendor registration in the first year. So we were mainly supplying to the local coming out players. During COVID, we were unable to travel also. So our customers were very limited.

So that's why we hardly had 20 customers in the first year. Maybe that's the reason the only from top 10 customers is looking very huge. But now in the last ten to two years, we added so many new customers like JSW Steel. We just added two years back and POSCO and there are some packing contractors, they are taking almost INR2 crores to INR3 crores worth of material from us. So all those new customers we added in the recent years and also we added so many small customers also.

That's why the total revenue from the top 10 customers are decreasing. It will keep decreasing up to, because we need more customer base. That is a good for us. We cannot depend on large volume buyers. That is always a risk, even if one customer leaves from our, they will take a significant amount of revenue. We will try to add more customers with a small volume in the future.

Mayur Liman: And my next question is what kind of initiative the company is taking for the expand the export sale?

Bala Manikandan: Sorry, can you repeat the question again?

Mayur Liman: Yes. What kind of initiatives the company is taking for the expand the export sales, international sales?

Bala Manikandan: Yes. So right now we are in the process of setting up a company in Dubai. The registration process is going on. By mid of July, our company, which is a subsidiary of Krishca Strapping will be ready in Dubai. And we already recruited two people to join from our Dubai office. So they will stay in Dubai, they will cater the entire Middle East market. Because Middle East, there is not even a single street shopping manufacturer in the entire Gulf Middle East region.

So that's where we wanted to explore initially. And we already, we look at most of our export sale is going to Middle East only.

So by having local presence, we strongly believe that we can increase our export share up to 30%. If you look at current export share in our revenue, it is almost only 10% to 15%. So in this financial year, I want to increase the export sales to at least minimum, you know, 20% to 30%. And the major goal of setting up an office in Dubai is eventually in after two years or one and half years, we are going to come up with the production line in Middle East.

Mayur Liman: Okay, thank you, sir. And my last question is now the company revenues went up around the 290% and the PAT is up around 500%. What is your expectation from the next financial year? And what is the outlook for the market for the next financial year?

Bala Manikandan: Yes, if we look at this financial year, 23-24, we are very much optimistic that we will deliver a revenue increase of 35% to 45%.

Mayur Liman: Okay, and how do you see the market for the next year?

Bala Manikandan: Next year would be much better than this financial year. The reason is we are putting so much effort, you know, in packing contracts, and we are appointing a head of packing contract division from August 1st. So right now, you know, there is no packing contract team and by three months, there will be a bigger team in our place. And we are coming up with a new strapping line, which is expected to be operational by December month this year. And as I said, we are setting up a new office in Dubai. So all these three efforts we are putting in this financial year will bring much more revenue in the next financial year. So compared to this financial year, I'm very much optimistic about the next financial year.

Mayur Liman: Okay, thank you so much. That's all from my side and best of the luck.

Bala Manikandan: Thank you very much.

Moderator: Thank you. We have the next question from the line of Harsh Mulchandani from Kriis Portfolio. Please go ahead.

Harsh Mulchandani: Hi, congratulations on a set of good numbers. I wanted to understand the economics for the packing segment, which is where you're going to enter packing contract segment. How does that work? And is it going to be different from the existing strapping business in terms of revenue potential margins, etc?

Management: Yes, hi, Harsh. Good morning. So if you look at the packing contract industry, it is mainly dominated by the steel strapping manufacturers, like my competitors, Signode. They are the major packing contract in India. Because the steel strapping is the major packing consumable in the packing contract for steel industry. So since we already have steel strapping, and also we are very comfortable in supplying strapping tools to do a packing contract. Let's say a TMT bar is being produced in a steel mill. They will need a strapping tool and also steel strapping to do the packing and the manpower to do the packing.

So out of three elements, we have the steel strapping and the strapping tools. We only need to deploy manpower in the site to do the packing. So we are very much positive. But this will bring much more revenue because the number of manpower will be very high because we are running a three-shift in the steel mills. So we will generate much more revenue by supplying the manpower also. And also we are responsible for the maintenance of tools and providing staff, everything.

The reason for entering the packing contract is that it provides a very stable order. Each packing contract, it is minimum one year, even up to five years. So once I get a packing contract, my steel strapping sales is assured for minimum one year at an agreed price. So I don't know how to negotiate each and every month for the consumer supplies. So this gives us a, you know, assured revenue. That's why we are entering the packing contract.

Harsh Mulchandani: Okay, got it. So typically, it's more of providing manpower over there and a lot of visibility once you get the contract. That understanding is correct, right?

Bala Manikandan: Yes, correct. 60% is strapping, maybe 40% put together, steel-strapping tools and the manpower will come. So anyway, we are only doing 60% supply. We only need to have this remaining 40% element, which we are very much comfortable doing.

Harsh Mulchandani: Got it. Perfect. Thank you.

Bala Manikandan: Yes, thank you, very much.

Moderator: Thank you. The next question is from the line of Navin from Bellwether Capital. Please go ahead.

Navin: Yes, thank you for the opportunity. I want to understand about the industry in terms of what are the entry barriers for a new player to get into the industry? How difficult is it?

Bala Manikandan: The major entry barrier in this industry is getting your product approved at all steams. It took us almost three years to get our product approved because steel strapping is a very safety critical item. The items packed with steel strapping are weighing between 10 tons to 25 tons. You look at the HR coil and CR coil from steel mills, minimum 10 tons is the weight. Even if there is any small crack in the strap, it will break, it will lead to a very severe accident or fatality. So steel mills, they give utmost importance to steel strapping purchase.

So getting a product approved will take a minimum between six months to 12 months. And if you look at the public sector, like SAIL and Vizag steel, all those steel companies, that is even more difficult because they will ask us to provide a PO from private mills for at least INR10 crores, INR15 crores worth of purchase orders in the last two years. So even to participate in the PSU, we need at least three, four years of experience, market presence, so that we can even participate in the PSU tenders.

If you look at our company, till now, we are only supplying to the private companies. We haven't entered into the PSU. For the first time, we are participating in a PSU tender in August. Now only we got all the credentials to participate in the tender itself. So any new player will have to go through this approval process and the previous year supplier criteria. So it is a slow process, I would say.

Navin: And is it a contract, a long-term contract or every year, based on the pricing, it gets renewed?

Bala Manikandan: If we look at our current order book, about 40% are long-term contracts from various mills, which we have a long-term contract of five year. And POSCO, which is a Korean company, we are supplying to the entire six service centers in India. There we have a six-month contract, and there are packing contractors with whom we have a one or two-year contract. So the remaining 60% of our sales will go to multiple people. Whenever they have a requirement, we give the pricing and they get the order, it's like that.

Navin: Understood. Is there any alternate material which can do the same work instead of steel strapping, is there anything else in the market?

Bala Manikandan: The industry we are catering to is steel mills, mainly JSW Steel, Tata Steel all those are bigger steel mills. The steel is produced at a very high temperature. Our steel straps are used to pack when the steel coil comes out of the oven, which is almost 200-degree, 300-degrees. There is no other consumer which can withstand this temperature during packing. See, there are -- if you look at the secondary market, touch-strapping is used heavily, but that can be used only for very stable loads, up to 500 kg one-term. But in the steel industry, we are not looking at any alternate materials in the near future.

Navin: And why don't the steel mills themselves produce this material?

Bala Manikandan: It is a very interesting question. If you look at JSW Steel, they have about 11 to 12 different production sites in India. From South India till they have in Kolkata, so almost 11, 12 sites. And each and every site has a different packing requirement. So the size of steel strapping, if you look at, the thickness ranges from 0.4 mm to 1.27 mm. And there are 500 combinations. So almost 30 to 40 different types of strapping is being used at various locations. So if you look at JSW Steel, they are doing almost INR12 lakh crores revenue.

They cannot cater all these small, small requirements. Each site will use 10 tons, 20 tons and different paint, different packing. So it is so many combinations. A company like JSW Steel, when I think, they will think a minimum INR10 crores budget, they will think of a project. So for a mere cost saving, they cannot do this kind of thing. That is my opinion. Because I am also buying cargo boxes and other things for my factory for up to let's say 20 lakhs per month. For that I cannot go and put a cardboard manufacturing or an HTP production line. That is not viable. My major aim is steel strapping. So I think the steel mills also will look at this in that way only.

Navin: Understood. My last question is you had touched upon your margins compared to your peers. If I look at your peers, margins is in single digit EBITDA margins I am referring to. But yours is 19% to 20%. You touched about automation. Is there anything more, if you can add more color that will be helpful? Because if I look at your, one of the highest margins in the industry.

Bala Manikandan: That is because we have the automatic production line. Our production cost is less than 50% of my competitors. And we are using different grades of steel. Our production line is designed to process multiple grades of steel, of raw material. Because we are using induction oven which can tune the temperature very easily between 300-degree to 700-degrees. So what happened during COVID, there was some order, we focused on R&D and we developed various alternate grades which are cheaper to the traditional grades used by competitors. So even in the raw material we are saving about 5% to 6% compared to the competitors. Our production cost is also much lower. And our employee cost is much much lower. So putting together all these things we are able to show, we are able to get a better profit margin.

Navin: And is this margin sustainable?

Bala Manikandan: Yes, very much sustainable. Because after IPO our debt level also reduced and we are increasing the revenue. We are not increasing the manpower to the same level. Already we have the sufficient team in place to even do the one more production line. So definitely this margin will be in the same level between 11% to 14% in the near future.

Navin: Understood. I have a few more questions. I will get back in the queue. Thank you for answering.

Bala Manikandan: Thank you.

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

Deepak Poddar: Thank you very much sir for the opportunity. Sir, I just wanted to know, I mean in your releases you mentioned that in this FY '23, our capacity utilization was close to 37%, right? So as per current capacity our revenue potential is close to INR200 crores. Would that be a fair understanding?

Bala Manikandan: I think there is a mistake. Our current capacity is about 55% utilization, not 37%.

Deepak Poddar: But it is mentioned in the press release. Yes, 37%.

Bala Manikandan: Okay, I will check it. See, currently we are at 55% capacity utilization. So with the similar current line we can do up to INR140 crores, INR150 crores.

Deepak Poddar: Okay, understood. Fair enough. I understand. And with this new capacity that is coming, our revenue potential will be doubling to about INR250 crores to INR260 crores, right?

Bala Manikandan: Yes, because the new line has the same capacity. We are doubling the capacity. So upon completion of this new line, we will be have -- INR300 crores to INR350 crores we can do from the installed capacity.

Deepak Poddar: From INR300 crores to INR350 crores?

Bala Manikandan: Yes, from the installed capacity from December, we can do up to INR350 crores.

Deepak Poddar: INR350 crores. And our installed capacity post this expansion would be 36,000 metric tons per annum for steel straps?

Bala Manikandan: Yes, correct. 36,000 metric tons per annum.

Deepak Poddar: Yes. And what about strapping seals?

Bala Manikandan: No, we -- strapping seals we are already increasing the capacity by 30% in this month. So we can do up to 120 million tons of seals.

Deepak Poddar: So from 80 million tons to 120 million tons, right?

Bala Manikandan: Yes.

Deepak Poddar: Okay. And that is -- that also coming by December 2023?

Bala Manikandan: No, that will happen next month itself. It is a small investment. We are just adding a few clusters. We are just investing INR10 lakhs to increase the capacity.

Deepak Poddar: Okay, understood. And in the previous participant you mentioned about 11% to 14% margin, right? That's the range -- that's the PAT margin we are talking about, right?

Bala Manikandan: Correct.

Deepak Poddar: 11% to 14% range. Okay. So even when you get leverage, I mean, this INR260 crores or INR300 crores to INR350 crores revenue potential, that's the range you would be looking at?

Bala Manikandan: Yes, so that is the minimum range we -- presently, we will deliver, but going forward, definitely that will increase. But that will not go less than a long term at any point of time.

Deepak Poddar: Correct. Understood. And by when we are targeting to kind of achieve a full utilization, I mean, that INR300 crores to INR350 crores, I mean, in next two to three years or how would the timeline look like?

Bala Manikandan: We are definitely assuring a minimum increase in revenue of 40% year on year for the next five years. Within five years, definitely we will use the full capacity.

Deepak Poddar: Understood. Okay. That's it from my side, sir. All the very best. Thank you.

Bala Manikandan: Yes. Thank you, Mr. Deepak.

Moderator: Thank you. We have the next question from the line of Hiral Nandu from Kalpvruksh Capital. Please go ahead.

Hiral Nandu: Thank you for the opportunity. Hello, Mr. Bala. Just a couple of questions. One is on the IPO fund deployment, have it gone already deployed or it is still unutilized some amount? Secondly, the packaging service, what we are talking about, what will be the margin profile in that? Will be a better margin compared to the steel strap and sale of this or it will be a similar margin? And what turnover we expect from this packaging service, maybe over a year or two timeline?

Bala Manikandan: Yes. Thank you for the question, Hiral. Regarding the IPO funds, we have already pre-closed the unsecured loans of INR3.75 crores immediately upon receiving the funds. And we have given advance to the suppliers of the new production line. Some advance has been given already and some minor components we are finalizing. So I can say roughly, 40% to 50% funds already been deployed.

Hiral Nandu: Okay, great.

Bala Manikandan: And when we look at the packing contract margin, the margins are currently in a similar level. There will be up to 15% margins are there. But the thing is, it will bring us much more revenue than what we are doing, because in the packing contract, only 60% to 50% is the strapping component. So we can able to fetch much more revenue and also profit. We are doing service like manpower and strapping tools maintenance.

Hiral Nandu: So we will be giving them an end-to-end solution kind of a service?

Bala Manikandan: End to end solution. In the packing of the particular product.

Hiral Nandu: So which will help us to gain more customer and more bigger contracts?

Bala Manikandan: Yes, stable revenue and better -- I can say, more revenue because we are adding manpower and other things into the thing. Stable order for strapping also.

Hiral Nandu: Okay, great. And if we have to bifurcate in a percentage term that, in a particular year for turnover by ‘24 or ‘25, how much percentage would be towards packaging and how much would be towards a strapping sale?

Bala Manikandan: See, in this financial year only, we are starting to participate in all tenders and each packing contract has a eligibility criteria. So to crack first three or four contracts, it will take some time. But once, we have the experience and the purchase orders from the three or four contracts, we can able to participate in much bigger contracts. So moving forward, let's say in the long run, three years to four years, we are aiming to get at least 30% of our revenue from packing contracts.

Hiral Nandu: Okay, great. And with the current expanded capacity, future expanded capacity, we are targeting for a turnover of INR300 crores to INR350 crores per annum, right?

Bala Manikandan: Yes, with the installed capacity, we can do up to INR350 crores, certainly.

Hiral Nandu: Okay. Great. Thank you. Thank you for this information.

Bala Manikandan: Thank you, Mr. Hiral.

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

Namish Gupta: Hello. Sir, congratulations for the good set of results.

Bala Manikandan: Thank you, Mr.Gupta.

Namish Gupta: Sir, I have two questions, essentially, sir. My first question is, sir, like if we see your results, you have grown like multiple from like INR18 crores to INR72 crores in just one year period of time. So I just want to know that, there are so many players in the market. So what has been the differentiating factor that, we were able to capture such good market share from already big established players?

Bala Manikandan: Okay. Mr. Namish Gupta, see, before we entered the market, if you look at Indian strapping industry, there were only three players in the market. In the last 20 years, there were only three players. The biggest player is called Signode. They are a US company. And the second biggest player is called Grip. They are a German company. And there is one more player in Kolkata. They are very small in terms of revenue compared with the first two players. So, the market is desperately looking for additional alternate suppliers.

If, whenever I go to a customer place to supply steel strapping, we got a very good reception. Because in the past 10 years, they've been buying from a same vendor. Any good purchaser will always try to encourage more vendors. And that's in steel strapping, margins are good compared to other steel ware products. And when we compete against a US company and German company, our overheads are much lower. And our production cost and employee cost are little very cheap compared to the other players. So, we got an entry at all places. Easily, because of our much more competitive pricing.

Namish Gupta: Okay. So that means, sir, is the entry in this field relatively easy? Since, some more other players might be, looking at the margins of your company, they might be interested to enter this field?

Bala Manikandan: See, the market is big. If you look at the strapping industry in India, it is currently 120 million tons. Almost all the major steel mills are under expansion. So the market is going to increase, 2x, 3x in the next 10 years-15 years. So even if the new player comes also, there is a space in the market.

Namish Gupta: Okay. So may I ask one more question? Just related to some cash flow.

Bala Manikandan: Yes. Sure, sir.

Namish Gupta: Sir, in your profit and loss account, you have shown a tax amount of around INR2.93 crores. But in your cash flow, you have shown a tax of INR2.99 crores. But in your cash flow, what I can see, you have paid the other tax of only INR82 lakhs, sir. I am not able to get this, sir. Since, when you show like, whatever amount you show in your profit and loss account, as a tax, normally that much or like 80% to 90% amount is normally paid, through like advance tax or TDS like something. But in your cash flow, amount is very less. If someone can answer from your team, sir?

Bala Manikandan: We have paid advance. Yes. Please, sir.

Management: Yes. See, I just want to make a clarity, over here. We have paid an advance tax and TDS to an extent of, what was mentioned in the cash flow. But however, we are planning to remit the balance tax, before end of this month. And rest, we can file maybe little bit amount, whatever interest is coming, we can pay and file the returns.

Namish Gupta: Okay. So, you will take the balance along with interest?

Management: Yes. Since, it's a company incorporated maybe in three years before and company wants an working capital, so we just flow back this money. Otherwise, we don't have any intention, not to pay the tax. But however, since we have been coming with a cash flow and even this first quarter result is much better in terms of net accruals. With that, we are trying to clear the tax and whatever left over is there which we can pay by the time of filing the IT returns. Any how, we have a due date till 30, September.

Namish Gupta: But, sir, till 30, September, there will be huge interest and as other companies...?

Bala Manikandan: Majority, we are going to clear before end of this month.

Namish Gupta: Okay.

Bala Manikandan: And maybe anything left over like INR5 lakhs- INR10 lakhs, which we will pay and file the return. That's our plan based on the cash flow.

Namish Gupta: Sure, sir. Thanks, sir. Thanks for answering my question.

Bala Manikandan: Yes.

Moderator: Thank you. We have the next question from the line of Viraj Mahadevia, an individual investor. Please go ahead.

Viraj Mahadevia: Hello, sir. Congratulations on making headway into what seems like a very interesting industry. I am very new to it. You have touched upon, what gives you your competitive advantage. How much is the pricing differential between yours versus the incumbent MNC players?

Bala Manikandan: Hi, Mr. Viraj. See, it is case to case, they are supplying. If you look at the PSUs, currently I haven't entered. So, there the margins are very high. They are only enjoying that. At an average, I can say, it is about 5%-6% discount. And that's sustainable because of your automation, because of your lower labour cost. And was there a third thing also responsible?

Management: Production cost.

Bala Manikandan: Lower production cost. Yes.

Viraj Mahadevia: But production cost is lower because of your automation and lower labour, right? Anything else?

Bala Manikandan: No. We are using induction based furnace and competitors are using a muffle based furnace. So, the energy cost, which is almost 50% of my competitors. So, let's say, I am only doing INR2,000 per ton in energy cost. Other people are doing almost INR4,000 per ton.

Viraj Mahadevia: Fantastic. And this new capacity expansion, where you are doubling your capacity to then eventually take it to INR300 crores- INR350 crores top line. How is that being funded entirely through the IPO proceeds and cash accruals or are you taking any debt?

Bala Manikandan: No, it is entirely from the IPO proceeds.

Viraj Mahadevia: You will continue to be in your debt free basically?

Bala Manikandan: Yes. We will continue to have only working up to limits.

Viraj Mahadevia: Exactly. That's what I was going to say. So, only interest cost will be working capital related.

Bala Manikandan: Correct.

Viraj Mahadevia: And in your presentation, you mentioned opening up Dubai to access the US market. I didn't quite understand that. Why do you need Dubai to access? Why can't you access straight from India?

Bala Manikandan: It's an interesting question, Mr. Viraj. See, if I supply steel strapping from India to US, in the US, there is an anti-dumping duty of almost 50%. You know, after Trump came, he improved the steel tax on India and China steel.

Viraj Mahadevia: Right. It’s not there from Dubai

Bala Manikandan: Yes, most of the, for my HS code, it's coming up to 50%. So, with 50% anti-dumping duty, definitely I can’t able to sell any of steel strapping in the US. But the reason of setting our base in Middle East, I can buy cheaper material from anywhere in the world. I can buy raw material from Korea, China, wherever it is cheaper. And I can process it, I can export it anywhere in the world without any anti-dumping duty.

Viraj Mahadevia: So, would Dubai be more of a trading arm or would it just be a routing arm for your India manufacturing?

Bala Manikandan: See, right now, it will be a trading arm. We cannot route the sales from Dubai to US. That is not legally correct. So, we have to manufacture in Dubai, then only we can able to sell to US.

Viraj Mahadevia: Understood. This is why, you are secretly setting up a small manufacturing line in Dubai.?

Bala Manikandan: Yes. So, in the next one year, during trading, we will do a market research of, where to set up a plant and which is more viable. So, after that, we will definitely put up a plant over there.

Viraj Mahadevia: Right. And that would also be funded through internal accruals?

Bala Manikandan: At that point of time, based on the budget of the project, we have to take a call.

Viraj Mahadevia: Understood. Sir, can you throw some light on this China Plus One policy? Everyone in manufacturing talks about it. But are you really seeing export customers coming to you saying, we want an alternative to China? Do you have someone focused on export sales? I have seen 23 exports is about INR8 crores for you. It can be 100 times that number eventually. So, I am just trying to understand, what is the level of depth or seriousness about this China Plus One sourcing? Is it coming as a pull factor from the end client or are you having to proactively approach these export customers through your sales office?

Bala Manikandan: See, from our export client, even though, they have a very comfortable Chinese supplier, still they are, everybody is adding an Indian supplier. At least, they want to do a trial and demo, a competitor, so that they can place the order in the future, whenever they want. So, like that, we got many inquiries from the Middle East.

Viraj Mahadevia: So, there are inbound inquiries?

Bala Manikandan: Yes. And everybody wants to diversify from the Chinese supplier. That is, even if a small percentage of the customers come to India that, is a very significant volume.

Viraj Mahadevia: So, this INR8 crores represents really the trial volumes of these export customers because typically, if they approve you as a credible supplier, these volumes can go up 5x-10x very quickly?

Bala Manikandan: Yes. See, when you look at this INR8 crores, there are customers, who are giving out of 100% share. There are, some people are giving 20% share to me, even though Chinese is cheaper. They want to have an Indian supplier on a month-to-month basis. And some people are giving 30%-40% market share. So, like that, we are getting more market share despite the higher pricing in the Indian steel market due to the China-Plus One policy.

Viraj Mahadevia: Okay. Can I ask two questions? Why is India pricing more expensive than China?

Bala Manikandan: That is not in my hands, sir. If you look at it currently, Indian steel pricing is at least $200 more than international Chinese pricing.

Viraj Mahadevia: Since the raw material cost is higher?

Bala Manikandan: Yes, raw material cost is higher, right Indian domestic steel pricing is $200 higher than international pricing at the moment.

Viraj Mahadevia: Right. Okay. That's all from my side. And all the best.

Bala Manikandan: Yes. Thank you, Mr. Viraj.

Moderator: Thank you. We have the next question from the line of Janak Lotwala, an individual investor. Please go ahead.

Janak Lotwala: Hi, sir. Thank you for taking my question. I have two queries. First is around the 25%-40% guidance that, you have given for the current financial year in terms of top-line growth. So, what are the key two-three risks that you foresee to achieving this, both in terms of top-line as well as in terms of bottom-line? So, let us know, what are the potential segments of the risk that, we can encounter on this journey, one.

And the second query is around the Dubai expansion that, we are doing in this call. So, in this call, you have mentioned that, we are planning to expand our office out of Dubai to cater to the US and the Middle East market. Sir, you mentioned that, there is lack of competition to cater to Dubai as far as the strapping solutions are concerned. So, what are the two-three reasons that is discourage the existing players to cater to this market or establish the office out of there? What is discouraging people or the MNCs to cater to the Middle East market directly?

Bala Manikandan: See, if we look at the, this market, in India, Signode is the number one player in terms of market share. Signode has a factory in Turkey and Signode has a factory also in Korea. So, for the Middle East market, they have internal agreement that, it will be catered by Turkey Signode, not from Indian Signode and also from Korean Signode.

So, naturally, when I compete against Turkey pricing, my pricing is much more attractive. So, due to this thing, we are able to sell more volume in Middle East. That is one thing. And there is not much trade happening between Turkey and Saudi. So, that is also an opportunity for Krishca to supply more material to Saudi from India.

Janak Lotwala: Okay, got it. But why are Indian players not really being encouraged to take this route? Are there some other entry barriers for Indian players over there?

Bala Manikandan: There are no entry barriers. But in the Indian market, there are only two other suppliers. That's why there are very limited suppliers. And in India, one more company is a German company. They have internal policy that some regions will be catered by the German European market. So, we are free to supply anywhere. But other two competitors are limited due to the international presence from Europe and Asia.

Janak Lotwala: Okay, fair enough. And the first query, as far as the guidance is concerned, what are the two or three possible risks that you foresee in both top line and bottom line growth that you just guided for FY '24?

Bala Manikandan: See, if we talk about the risk, some of the revenue we are expecting is to come from a new production line in the last quarter. So, the new production line will be operational by December as per our current planning. And January, February, March, I have taken some revenue from the new production line as well into consideration.

So, let's say, by any chance, if there is a delay in the commissioning of the new production line, that might affect the revenue by some level, maybe not much, 5%-6%. And that is one risk. And our revenue is based on the steel pricing. So, now if you look at the past two months, there is a dip in the steel pricing in the month of April, also in the month of May. So, if it continues to go down, our revenue will go down, obviously, because steel pricing is going down.

But in terms of profit margin, our margin will be in a similar level, despite the steel pricing, because we operate based on fixed margin levels. Whatever is the raw material pricing, the margin will be similar. So, our revenue might get affected because of the volatility in steel pricing. And also, if there is a delay happening in the commissioning of the new production line, there will be a 5%-6% round-off might happen. These are the possible risk factors.

Janak Lotwala: Okay, fair enough. And one follow-up to this. So, how susceptible do you see RV to raw material price fluctuations? And do we use hedging as a policy to protect against it? Do we have some mechanisms like this in place?

Bala Manikandan: Yes, see, we have a quarterly contract with some suppliers, and we have a 6-month contract with some suppliers. And also, we have a monthly spot price supplier. So, we have different combinations of suppliers. So, even if there is a sudden price increase, let's say in July, August, I will mostly buy from my quarterly supplier or 6-month supplier. So, they will keep the price the same for 3 months, 6 months period. So, like that, by having multiple suppliers with different pricing policies, we are able to protect ourselves.

Janak Lotwala: Fair enough. So, is it fair to assume that we are protected at least from price fluctuations for 3-6 months period? This is what you are trying to imply?

Bala Manikandan: Correct, correct.

Moderator: Thank you. We have the next question from the line of Pavan R, an individual investor. Please go ahead.

Pavan R: I was highly impressed with this promoter, Bala Manikandan sir, because of his past achievements, what he has done. So, what I saw is, he is an expert in cyber security, privacy, private security and IT firms. So, is there any chance in future that Krishca may venture into those fields also? Like after 5 years or 10 years, like that?

Bala Manikandan: First of all, thank you, Mr. Pavan. I don't think I will venture into cyber security. Because in cyber security, somebody should stay relevant. It's a fastly evolving industry. Even if I'm in the past 5 years, I'm not at all into that industry. So, whatever I know must have been changed now. So, since I'm fully committed with Krishca, I have no plans to go into that sector at all.

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

Anand Patel: Yes, good afternoon all. So, from our presentation, it is like an Indian steel strap industry, I think around 10,000 to 11,000 tons per month. So, how much is the import out of that? And any entry that being duty from Indian government, which is helping the domestic players?

Bala Manikandan: Yes, there is an entry being duty for steel strapping. And also, there is one more thing called BIS. There is a BIS certification required for any steel strapping manufacturer to supply to India. If you look at the overseas suppliers, there is only one company in the world has BIS out of India. Only that company can able to supply to India, which is a Korean company. And if you look at the total Indian market, only 1% to 2% are imports.

Anand Patel: Okay, okay.

Bala Manikandan: And that also, I think is higher than the domestic market.

Anand Patel: Okay. So, for similar grade of steel strap, what is the price difference between our company and China? I mean, even if China is cheap, they cannot supply. Am I correct?

Bala Manikandan: Yes, there is one thing. First, they should have BIS. Currently, none of the Chinese mills are having BIS. Let's say, somebody go ahead and get a BIS. And they have to face import duty, which is 7.5%. And there is an entry being duty also, I think, for steel strapping grade, almost 10%. So, roughly 18% additional tax somebody has to pay in order to supply to India. And the current price difference between Chinese and Indian pricing is about 20%. So, even if somebody put in an effort to import that, it will be on par with domestic pricing. So, without any pricing advantage, they cannot do much.

Anand Patel: Okay, okay. Understood. And raw material constitutes a significant cost of production for us, around 70% to 75%. So, how fast can we pass on incremental raw material costs, if any? I mean, like price revision, which our customer happens every 30 days, 90 days, even if contract is for 5 years?

Bala Manikandan: We usually pass on the price increase by monthly. Whatever the price increase in June, let's say, INR3 or INR4 that will be passed on in the July pricing. And there are some contracts which involve quarterly price increase. In some cases. There, we are passing on the price increase on quarterly basis.

Moderator: Thank you. The next question is from the line of Manan Patel from 3P Capital. Please go ahead.

Manan Patel: First of all, congrats on successful IPO and Q4 results. Most of my questions related to Metrix have been answered. I'm just left with a couple of questions. My first question is, you are part of two other companies, Maxwell Business Services and Spyromax India Private Limited are there any future plans to start a different kind of business or to integrate these two companies into Krishca?

Bala Manikandan: See, Maxwell, that company I just started along with a friend to supply manpower. My friend started, I just invested, but I didn't take off. So that company is in the process of take off. So it will be closed within this financial year. We didn't do any operations in the company. Okay. And in Spyromax, I'm not a director. My wife, Saraladevi is a Director. That is a small trading arm because my native is Tirugati. So we are doing some trading of firehose consumables in that company. So there is no relation between Krishca and Spyromax. That will be a separate entity.

Manan Patel: Got it. My second question, sir, I may be a little late to ask this, but it would be kind of for you to answer. Working in a Cybersecurity service in U.K., I was just a bit curious, how did you come up with this idea of setting up a venture in a strapping industry? Because it's a little non-core industry and unconventional business, I would say. I was just a bit curious. Was there any experience in your family related to steel business or something?

Bala Manikandan: See, not really. None of my family members had any experience in this industry. When I was working in the U.K. in '17-'16, I really wanted to move back to India. So I was analyzing various business opportunities. That's how one of my well-wishers gave me this idea. So I was doing market research about this product also. So purely logically and financially, when you look at this project, there was a gap in the market. And I was confident that I was able to address this gap by putting up a production line. So that's how we started this project.

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

Namish Gupta: Sir, it's just a follow-up question. I think I missed some conversation in between. So pardon me for that. I just want to know regarding our EBITDA margins. Do we have any cost plus margin kind of contracts with our customers? So that whenever there is a fluctuation in steel prices or something, we can protect our margins?

Bala Manikandan: See we have – in packing contracts in long-term supplies, usually there is a fixed component, raw material plus x rupees that is the selling price. So that component is agreed during negotiation in packaging contracts or in other contracts. I have a five year contract with JSW, there whatever my EBITDA margin, is already fixed. Based on monthly price increase and decrease the selling price will be fluctuating. So like I said 50% of my orders are long-term order 40% to 30% of my orders where the EBITDA margin is already fixed.

Namish Gupta: Okay. So I mean, sir, whatever the raw metal price fluctuates, that we easily pass on to the customers. If it increases, then we charge more. If it decreases, then we reduce our selling price. Correct?

Bala Manikandan: Correct. That's absolutely correct. So this is in 50% of the contracts you are saying?

Namish Gupta: Yes, I mean, in 50% of orders, EBITDA margin is fixed. Even in the remaining 50% of regular orders, you know, there are companies, they don't go into contracts, they buy month on month whenever they have a requirement. There, whatever is the spot price, we will pass on to them. Let's say if there is a INR3 pricing in May, I will increase my June prices by INR3. All the customers will buy with the current pricing.

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

Viraj Mahadevia: Sorry, sir, no more questions at my end. But at some point, it would be great if you can organize a maybe a site visit or a visit to your headquarters in Chennai.

Bala Manikandan: We love to have you here. You can email to my company secretary, cs.scrapshopping.com. We are regularly facilitating visits from investors. So whenever you're available, we can definitely take you here.

Moderator: Thank you. As we have no further questions from the participants, I would now like to hand the conference over to Ms. Kajol Gowda. Over to you, ma'am.

Kajol Gowda: Thanks. Thank you, everyone, for joining the conference call of Krishca Strapping Solutions Limited. If you have any queries, you can write to us at research at kirinadvisors.com. And once again, thank you, everyone, for joining the conference.

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