



# **ANNUAL REPORT** 2019-2020



**GROWTH,**  
woven with **VALUES**



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## FORWARD-LOOKING STATEMENT



In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospect and take informed investment decisions. This report and other statement - written and oral - that we periodically make, may content forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as "anticipates," "estimates", "expects", "projects", "intends", "plans", "believes" and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumption. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Mr. Anirudh Chittaranjan Sonpal**  
Chairman and Non- Executive  
Independent Director

**Mr. Bhuwan Navneet Modi**  
Non-Executive Independent Director  
(upto 14.11.2019)

**Mr. Dharmendra Pawar**  
Non-Executive Independent Director  
(w.e.f. 14.02.2020)

**Mr. Anand Khandelwal**  
Whole-Time Director

**Mr. Saurabh Kalani**  
Whole-Time Director

**Mr. Ashish Jamidar**  
Whole-Time Director  
(upto 30.09.2019)

**Mr. Jagdish Prasad Pandey**  
Whole-Time Director  
(w.e.f. 11.09.2020)

**Ms. Alka Sagar**  
Woman Non Executive Director

### BANKERS/LENDERS

UCO Bank (Lead Bank)  
State Bank of India  
Tamilnad Mercantile Bank  
IFCI Venture Capital Funds Limited

Punjab National Bank  
Axis Bank  
KKR India Financial Services Limited  
International Finance Corporation

Central Bank of India  
Bank of Baroda  
IFCI Limited  
TPG Growth II SF PTE. LTD.

### AUDITORS

#### Joint Statutory Auditors

**Mahesh C Solanki & Co.**  
Chartered Accountants, Indore (M.P).

#### Secretarial Auditor

**M/s. Ritesh Gupta & Co.**  
Company Secretaries, Indore.

**MSKA & Associates (Formerly known as MZSK & Associates),**

Chartered Accountants, Mumbai (MH).

### COMMITTEES OF DIRECTORS

#### Audit Committee

Mr. Anirudh Sonpal (Chairman)  
Mr. Dharmendra Pawar  
Mr. Saurabh Kalani

#### Nomination and Remuneration Committee

Mr. Dharmendra Pawar (Chairman)  
Ms. Alka Sagar  
Mr. Anirudh Sonpal

#### Management Committee

Mr. Saurabh Kalani (Chairman)  
Mr. Anand Khandelwal  
Mr. Dharmendra Pawar

#### Shareholders' Relationship Committee

Mr. Dharmendra Pawar (Chairman)  
Ms. Alka Sagar  
Mr. Anirudh Sonpal

#### CSR Committee

Mr. Saurabh Kalani (Chairman)  
Ms. Alka Sagar  
Mr. Dharmendra Pawar

### REGISTRAR AND SHARE TRANSFER AGENT

#### Link Intime India Private Limited

C-101, 1st Floor, 247 Park,  
L.B.S. Marg, Vikhroli (West)  
Mumbai - 400083  
Tel.: +91 22 4918 6000,  
Fax: +91 22 4918 6060  
Email: mumbai@linkintime.co.in  
Website: www.linkintime.co.in

### REGISTERED OFFICE

C-41 - 50, Special Economic  
Zone, Sector - III, Industrial Area,  
Pithampur, Dist. Dhar - 454775,  
Madhya Pradesh  
Tel. +91 7292 420200,  
Fax: 07292-401684  
Email: investors@flexituff.com  
Website: www.flexituff.com

### OTHER KEY MANAGERIAL PERSONNEL

#### Mr. Ajay Mundra

Chief Financial Officer  
(upto 15.05.2020)

#### Ms. Khushboo Kothari

Company Secretary

## MANUFACTURING FACILITIES

#### SEZ Unit

C-41 - 50, Special Economic  
Zone, Sector - III,  
Industrial Area, Pithampur  
Dist. Dhar - 454775,  
Madhya Pradesh

#### DTA Unit

94, Industrial Area, Sector - I,  
Pithampur  
Dist. Dhar - 454775,  
Madhya Pradesh

#### Kashipur Unit

Khasra No. 672-728,  
Village - Mahuakhera,  
Aliganj Road, Kashipur,  
Dist. Udham Singh Nagar - 244713,  
Uttarakhand

# CHAIRMAN'S ADDRESS TO STAKEHOLDERS



## *Dear Stakeholders,*

It gives me great pleasure to present to you the 27<sup>th</sup> Annual Report of your Company along with the financial and operating performance for FY 2019-20.

The year 2019-20 witnessed a challenging business environment. Against an initial projection of 3.5%, global GDP growth eased to 2.9%. The generally sluggish demand environment was impacted by rising trade-protectionism driven by tensions between China and the USA, coupled with other geopolitical tensions. The COVID-19 pandemic has further adversely impacted global economic activity from March 2020.

The Indian economic growth in GDP terms also decelerated in FY 2019-20 to 4.2%. In fact, in the fourth quarter of FY 2019-20, India's GDP growth declined to 3.1%, mainly due to the pandemic and related lockdown. Economic revival will be slow and with varied speeds of recovery across geographies and sectors. A key risk is the restoration of normalcy to global supply chains and spending confidence among consumers, while markets have pinned their hopes on government stimulus to revive demand.

Your Company's foremost priority since March 2020 has been the health and safety of its employees and the communities in which it operates. Keeping this in mind, the Company had resumed its activities (operating at ~60% capacity), on receiving the necessary permissions from the local authorities, with less staff and suspended its administrative activities at various offices until the necessity arose. The Company has put in place strict safety protocols within the plant as well as office premises as per requisite guidelines.

The COVID-19 related lockdown has adversely affected the Technical Textile industry, being it's a labour intensive industry, led to operate at ~60% capacity for Flexituff. On the other hand, international markets have shown increasing demand for Company's product line and the Company is well positioned to increase its exports in response.

The Company will maintain and is maintaining its focus on principle of "Theory of Constraints" for reducing costs and improving efficiency in a structured manner, whilst expanding its export portfolio. Also, the Company's Management will continue to work towards making the enterprise more efficient, profitable and creating value in future.

The overall operational performance of the Company during the year under review remained subdued due to lower production volumes. This was coupled with the slowdown in sales in the fourth quarter as well as non-availability of working capital and additionally fund source.

During the year under review, the Company's performance was satisfactory. Total revenue on a standalone basis for the FY 2019-20 stands at Rs. 8927.70 Millions. Notwithstanding, the financial challenges in the current scenario, the Company is making its best possible efforts to overcome the challenges with a positive note.

On this note, we are grateful to all our shareholders, partners, bankers, lenders, vendors, creditors and customers for their continued support for their faith and commitment. We aim to earn your continued trust every day. And finally, sincere thanks to the Company's employees, whose proficiency and professionalism makes us the best in the industry.

**Stay Safe and Healthy!!**

**With Regards,**

**Anirudh Chittaranjan Sonpal**  
**Chairman**

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### ECONOMIC REVIEW

#### Global Economy

##### Global Economy -“Fragile, Handle with Care”.

Trade policy uncertainty, geopolitical tensions, and de-globalisation in key emerging market economies continued to weigh on global economic activity—especially manufacturing and trade—in the second half of 2019. Intensifying social unrest in several countries posed new challenges, as did weather-related disasters—from hurricanes in the Caribbean, to drought and bushfires in Australia, floods in eastern Africa, drought in southern Africa and further adding fuel to fire, to the end of the financial year 2019-20, a great pandemic COVID-19 across the globe.

The COVID-19 pandemic has radically changed the prospectus of the global economy. This unprecedented crisis limiting physical mobility and social activity have effectively stopped economies around the world, and the global economy is being said to enter a recession in 2020. As per IMF the global economy is likely to contract by 3% in 2020, surpassing the worst seen during the global financial crisis in 2009. However, the magnitude of the downturn will depend on the length of the restrictions imposed in respective countries. Government around the world have announced record-breaking stimulus packages to aid economic recovery.

World trade is expected to fall by between 13% and 32% in 2020 as the COVID 19 pandemic disrupts normal economic activity and life around the world. Among emerging markets and developing economies, all countries face a health crisis, severe external demand shock and tightening in global financial condition which will have a severe impact on their economic activities. The course of recovery in India and China is expected to be smoother than any other advanced countries.

#### Commodities and inflation

The prices of most commodities fell in 2019, mainly reflecting the deterioration in the growth outlook—especially that of EMDEs, which tend to have a larger income elasticity of demand for commodities. Forecasts have been revised down for most commodities in 2020. Prices for most base metals weakened in the second half of 2019, primarily reflecting weaker global growth and trade tensions. Metals prices are expected to decline further in 2020, reflecting subdued industrial commodity demand. As with oil, a significant continued mitigation of U.S. - China trade tensions presents a key upside risk to metals price projections. Agricultural prices declined in the second half of 2019 on improved weather conditions that ensured elevated stock levels for grains. Agricultural prices are expected to stabilize

in 2020, with risks to the forecast broadly balanced.

Along with the weakening of global economic activity, inflation the world over also remained muted in 2019. Inflation softened in advanced and emerging economies reflecting a slack in consumer demand. From the supply side, lower energy prices in 2019 also contributed to softening of inflation.

**Financial conditions in emerging markets-** Global financing conditions eased considerably in 2019. Bond yields in advanced economies fell to unprecedented lows, notwithstanding a pickup toward the end of the year amid improvement in market sentiment.

Global financing conditions have eased considerably, as major central banks have provided accommodation in response to softening economic prospects, heightened downside risks, and persistently low inflation. However, EMDEs with low credit ratings have not benefitted from the global decline in borrowing costs. Prior to their recent recovery, EMDE equity markets had been suffering significant outflows. A rising share of EMDE currencies are at their lowest level against the U.S. dollar in a decade. Despite weak global investment, corporate debt has been rising in many countries, with particularly rapid growth in some riskier categories, such as lending to highly leveraged firms in the United States and the Euro Area.

#### Indian Economy

The COVID-19 pandemic and consequent nationwide lockdown measure implemented since March, 2020 has worsened the prospectus across manufacturing, service and agriculture industries in India. Consumptions is also getting impacted due to job losses and decline in income levels of people particularly the daily wage earners. As per the provisional estimates released by the Central Statistics Organisation (CSO), the growth of India real GDP during F.Y 2020 is estimating at 4.2 as compared to 6.1% in F.Y2019. GDP at current prices in F.Y2020 is estimated to attain a level of 203.40 lakh crore, representing a growth rate of 7.2% YOY as compared to 11.0 % YOY in FY2019. The per capita Income at current prices during FY2020 is estimated to be 134 lakhs as compared to Rs 1.26 lakhs during the FY2019, showing a rise of 6.1% YOY.

The Inflation measured by the Consumer price Index (CPI), peaked at 7.6 % in January 2020 before being moderated to 5.9% by March, 2020. With softening of food prices, sharp fall in crude oil and expected normal monsoon, RBI expects inflation to remain firm in first half of FY 2021 and is expected to fall below the target of 4% in second half of FY 2021.

Despite, slowing GDP, India stills presents enormous potential due to consumptions needs arising out of 1.3 billion favourable demography that aspires for a prosperous life.



nominal GDP and 3rd largest in terms of Purchasing power parity (PPP), Indian economic is one of the fastest growing economies in the world. Nearly 60% of India's GDP is driven by Domestic private consumption, as compared to 40% in China. The rural population which constitutes around 65% of population has been the key force driving consumption. In respect to the unprecedented crisis, the Government of India has announced a financial stimulus of about Rs. 20 trillion and several relief measures, particularly for the vulnerable sections of the society. The package aims to promote self-reliance in India "Atma – Nirbhar Bharat Abhiyan" and it accounts for 10 % of the Indian GDP. It largely focused on land, labour, agriculture, supply chain, MSMEs, middle class and tax reforms to tackle the liquidity problem. The Reserve Bank of India (RBI) has undertaken a slew of measures to inject large liquidity into the system through open market transactions and reducing cash reserve ratios, reserve repo rate, providing six months moratoriums on loan etc.

## INDUSTRY OVERVIEW

As per the estimates of India Brand Equity Foundation (IBEF), India's overall textile exports during FY 2017-18 stood at US\$ 38.70 billion in FY19 and is expected to increase to US\$ 82.00 billion by 2021 from US\$ 39 billion in FY 19.

Peculiarly, Technical textiles as a segment is directly proportional to the stage of industrialisation and economic growth of any country. Developing countries undergoing large scale industrialisation fuel the demand for technical textile products. The usage may range from infrastructure, agriculture, health, defence, automobiles, aerospace, sports, protective clothing, packaging, etc. With transformation of the Indian economy post liberalisation in the early 1990s, the demand and consumption of technical textiles products in India has been consistently increasing. The growth of technical textiles has also helped growth and innovation of conventional textile products, owing to significant value addition across the textile value chain. All major players in India have started developing technical textiles products as they provide better margins in comparison to conventional textiles.

Currently, share of technical textiles in Indian textile value chain is around 13 per cent. With the growth potential of various related sectors, technical textiles are poised to grow at 18 per cent CAGR during the period 2018-25. Technical textile industry in India is import dependent. Many products like speciality fibres/yarns, medical implants, protective textiles, webbings for seat belts, etc. are mostly imported. However, technical textiles sector has registered impressive growth in the recent years. As per the Baseline Survey of technical textile industry by Ministry of Textiles, Indian technical textile industry is estimated to grow at a CAGR of 20 per cent to USD 28.7 Bn (INR2,00,823 crore) by 2020-21 from USD16.6 Bn (INR 1,16,217 crore) in 2017-18. In order

to capitalise on the growth potential, technical textiles ecosystem in India needs to grow significantly with focus on research and innovation in high growth sectors, such as Mobiltech, Buildtech, Indutech, Meditech, etc., to ensure sustainable growth, the sector needs to adopt global best practices and attract FDIs (100 per cent FDI is allowed under automatic route) and JVs with global technical textiles companies.

## COMPANY OVERVIEW

Flexituff Ventures International Limited ("FVIL") is a multi-product, multi-market and multi-location enterprise. Having evolved from a leading global FIBC major to a foremost Indian Geosynthetics solution provider, Flexituff – through its niche products also serves the domain needs of retail, agro, pharma and infrastructure sectors. With three manufacturing plants across India, 2 direct subsidiaries, one based in India & another in Cyprus exports to over 60 countries, employing over 8000 global citizens. Flexituff is truly an Indian multi-national company that has come of age.

FVIL is a trusted name in the manufacturing of Flexible Intermediate Bulk Container (FIBC), geotextiles, reverse printed BOPP (Biaxially Oriented Polypropylene) woven bags and NPC drippers. Economies of scale, the edge of attitude, 100% integration under one roof, global foot-prints for more than 25 years of being in the industry are the key pointers for excellent reputation in domestic as well as international market.

## BUSINESS OVERVIEW

Your Company faced huge financial distress in the financial year 2019-20. The major problem of the company started only with the default of the bonds and consequent thereupon withdrawal of working capital by the banks and further no resort from any other source of borrowing other than its earnings and demand for its world class products.

The FIBC business has proven its strength twice once during 2008-09 global meltdown where all the export businesses had suffered drastically however, our business had no adverse impact either on sale or margins. And another, when whole world is suffering under COVID-19 pandemic scenario where most of the businesses have suffered drastically yet we are standing pristinely.

Company endeavoured to evaluate various options & potential ways of improving the cash flow through injection of working capital, other long term funding, cost cutting etc. However, the shadow of COVID-19 pandemic will likely to impact its financial planning and health.

Putting limelight on the working of the Company in FY 2019-20, in such a rugged environment, the Company's performance was satisfactory.

## SEGMENTAL REVIEW

### FIBC BUSINESS

A flexible intermediate bulk container (FIBC), bulkbag, or big bag, is an industrial container made of flexible fabric that is designed for flowable products, such as sand, fertilizer and granules of plastic. They are mainly used for the purpose of protection, storage, handling and transportation of goods in a large quantity from the manufacturing facilities to distributions hubs.

FIBC are made from woven polypropylene or polypropylene fabric of different weights and strength. FIBCs are available in a wide variety and are suitable for numerous applications in the chemical, pharmaceutical and food industries. The FIBC market is characterized by innovative offerings and customizations according to customer specifications.

It comprises of strong, plastic-based, flexible fabric and can hold upto weights of 2 tons of material. They are manufactured with either one, two or four loops for efficient handling purposes. Also, there are several specialized product-types such as flame-retardant, pallet-free, baffle-bags, UV resistant & conductive.

We endeavor to emerge our products with innovative concepts and delivering the products within time period as per the customer specifications.

According to the various Global FIBC Market Research Reports, the flexible intermediate bulk container market is fragmented with several players. The market growth is expected to change if the market structure changes due to industry consolidation or if some vendors exit the market. Analysts estimate the market to grow at a CAGR of 6.48% till 2024. During the forecast period, the market will show an accelerating growth of \$1576.82 million.

Heading forward, FIBC, being the major segment of the Company, contributes around 78% to Company's topline. It holds a market share of 15-20% of Indian exports of FIBC.

### Opportunities and Outlook

Flexituff is among the few FIBC manufacturing companies across the world who are perpetually focusing on its products quality, durability, designing and satisfying end user requirement aptly. Nearly 65% of Company's FIBC product portfolio comprises of high-end bags for food, chemical and pharma industries and thus commands premium realisations in the export market. The Company is likely to benefit from the growth opportunities in the top three regions—America, Europe and Asia Pacific. Moreover, it's well-placed to address the growing demand in the domestic market.

### Risks and concerns

Operating margin remains susceptible to fluctuations in the prices of key input i.e. polymer, which move in tandem with crude oil prices. Also, we are subjected to foreign currency

exchange rate fluctuations which could have impact on results of operations. However, this is hedged by executing forward contracts, thereby mitigating forex rate fluctuation risk.

The FIBC industry is fragmented because of low entry barrier as capital and technology requirements are limited, gestation period is small and raw materials are easily available. This restricts substantial scale up in operations and exerts pricing pressure. Also, this industry being highly labour intensive the retention of workers has been high priority for the Company. Attrition of workers may affect the production and also involves cost and time in inducting and training of new appointees. Several other global as well as Indian economic and political factors that are beyond our control may affect the business of the Company.

### GEOSYNTHETICS BUSINESS

Geosynthetics are synthetic products which are used to stabilize terrain, and are polymeric products used to solve civil engineering problems. It includes products including geogrids, geotextiles, geomembranes, geonets, geosynthetic clay liners, geocells, geocomposites and geofoam.

Geosynthetic products uses durable polymers such as high-density polyethylene (HDPE), polypropylene (PP) and polyester. They are produced from petrochemical based plastics that remain unaffected by bacteria or fungi and are non-biodegradable.

Geosynthetics help reinforce soil, distribute loads, prevent soil erosion and control water pressure. They are used in civil construction and environmental applications such as landfills and filtrations. Geosynthetics serve as cost-effective alternatives in civil and coastal engineering, construction industries and environmental applications. It has applications in road construction, railway stabilization, water management, waste management, mining and soil reinforcement and erosion control.

Geosynthetic materials perform many functions such as filtration, reinforcement, separation, drainage, protection and barrier. These products retain their properties when exposed to harsh environmental conditions. They showcase physical properties such as strength, stiffness and durability.

The applications of geosynthetics have increased because of their significant properties of easy accessibility, low thickness, less use of airspace, lightweight, and tremendous robustness. There is a broad range of geosynthetic materials in the global geosynthetics market due to the standards set by organizations such as Geosynthetic Institute, American Society for Testing and Materials and International Organization for Standardization.

The rise of land scarcity, growth in awareness about seismic hazards, and stringent environmental regulations are the key factors driving the growth of the global geosynthetics market worldwide.

Flexituff's geosynthetics business also making its presence and receiving appreciation in the market. With its vast product portfolio consist of woven and non-woven geo-textiles, sand-tubular geomattresses, GRW (Geosynthetics-gravity Reinforced Walls) chains, megabags and geotextile tubes and proven project execution abilities, the Company has earned reputation in the domestic as well as international markets in a short span of time. In FY 2019-20, geosynthetics business accounted nearly 9% of Company's revenues and its share is expected to go up in future.

Although FY 2019-20, the geosynthetics business saw a reduced topline basically on account of blockage of working capital challenge and low realisations. A management decision was taken to change the model of the business and to ensure that funds are not blocked. The working capital which was available with the company was deployed in the area which has the fastest turn around of money. All those areas where the turnaround was higher were discouraged.

### Opportunities and Outlook

The global geotextiles market size is expected to reach USD 11.3 billion by 2027, according to this report registering a CAGR of 11.9% over the forecast period. Increasing adoption of geotextiles in road construction and infrastructure development activities is expected to drive the market growth over the forecast period.

Innovations by manufacturers are backed by government and regulatory bodies to improve product properties, which, in turn, would contribute to the market growth. Governments across various countries are actively participating in geotextile production as it creates ample employment opportunities and helps in the improvement of adverse environmental conditions. Geotextiles are used in soil to improve stability and to protect land surface to promote vegetation growth. The product also plays a significant role in soil erosion control and helps mitigate soil erosion. On-going research related to the use of geotextiles for soil erosion prevention in unpredictable climatic conditions is expected to aid in promoting their application in erosion prevention over the forecast period.

In emerging countries such as India and China, there is an absence of a standardized manufacturing process, resulting in lower quality products with differentiated standards. However, increasing focus on exports to international markets by local producers is expected to compel them to adopt advanced manufacturing techniques.

With the growing competition in the geosynthetics market, market players are developing innovative geomembranes to tap the potential markets. Geomembranes are being used as a replacement for cofferdams that are built for water closure in the construction of hydraulic projects. The market further has an opportunity in the usage of green roof and green wall in the construction industry to control soil erosion and for the better

drainage system to remove the excess rain water from the roof top.

One of the major factors driving the growth of the market is the increasing demand from the infrastructure sector in Asia-Pacific, mainly in China, India, and ASEAN countries.

Indian Economy is poised for great development. Geosynthetics would be the key pillar in realizing the growth. Life extension benefits and durability featuring geosynthetics wooed Indian government to promote the segment by incentivizing their usage. The Indian government's current focus on upgrading infrastructure and increased importance of environmental issues will be the biggest growth drivers for Indian geosynthetics market.

Flexituff is also foreseeing from the benefits from the incremental spending on infrastructure across geographies. The Company is well-equipped to capitalise on this multi-year and multi-market opportunities by having established itself as a Research and Development (R&D) oriented Company emphasizing on creating awareness of the technology among end users.

### Risks and Concerns

The volatile prices of raw material due to fluctuations in prices of crude oil and gas along with its availability, increased labor costs and potential labor shortages are hindering the growth of the geosynthetics market. Especially, demand for the naphtha due to its pricing has affected which is a key material as intermediate. The price-sensitive regions are restraining growth of the geosynthetics market.

By and large, the government demand drives the geosynthetics market. Budgetary constraints or change in the political parties at the helm may pose a risk to the growth of the sector.

Flexituff has been increasing its presence across geographies to deal with such risks effectively and has been developing unique products at competitive costs. As a contractor, it is enabling to demonstrate the benefits of geotextiles in various government/ non government projects, thereby creating awareness among contractors as well as governments.

### REVERSE-PRINTED BOPP WOVEN BAGS BUSINESS

Biaxial Oriented Polypropylene (BOPP) is poly film that can be stretched in both directions, owing to which it offers premium durability. This poly film is laminated onto woven polypropylene fabric and converted into a bag. Environmental hazards related to PE (polyethylene)& high cost of jute bags have spurred the adoption of polypropylene woven bags and sacks as comparatively sustainable alternative. Rapid inroads flagged by retail industry in FMCG (fast-moving consumer goods) sector has resulted in increasing retail outlets that is likely to bode well for



expansion of polypropylene woven bags and sacks market.

Polypropylene, also recognized as polypropene, is a thermoplastic polymer which is used in various industries that include packaging and labelling, reusable containers, textiles, stationery. The polymer which is made from monomer propylene is used for acids and chemical solvents.

Polypropylene Woven Bags & Sacks have become popular due to their inertness towards moisture, chemical & exceptional resistance towards rotting, fungus attack as they are nontoxic, perforation for breathability, UV protection and anti-skid printing, 100% recyclability, light weight and are more advantages than conventional bags. Polypropylene Woven Bags and sacks laminated with LDPE/PP liner have wider applications. Moreover, BOPP bags perform extremely well with paper bag filling equipment. The popularity of BOPP bags is rising in the market as they are cost effective and 100% recyclable, which makes them environment friendly. BOPP bags offer high aesthetic value that adds an extra promotional feature to the products packaged in them. These bags can be stacked easily and have high tensile strength and barrier properties. BOPP bags primarily find applications in the packaging of cereal & pulses, pet food, grass seed, animal nutrition, fertilisers, etc.

Flexituff is known worldwide for its stylish and highly durable multicolored BOPP Woven bags. These special PP bags and reverse printed BOPP bags are used in packaging of agro and industrial products, pet food, retail industry and chemicals etc. It has an installed production capacity of 100 million bags a year, from small orders to extra large ones & represents an advanced concept of bulk packaging from 5-50 kgs that adds value to a brand's personality. Reverse-printed BOPP woven bags contributed close to 9% of revenues in FY 2019-20.

### Opportunities and outlook

Developing consumer market & growth of middle class is fuelling the domestic demand of reverse printed woven BOPP bags. Rapid inroads flagged by retail industry in FMCG (fast-moving consumer goods) sector has resulted in increasing retail outlets that is likely to bode well for expansion of polypropylene woven bags and sacks market. Flexituff is well-placed to exploit the market requirements and enhance its revenue contribution from this division.

Internationally, anti-dumping duty on Vietnam & Chinese origin of reverse printed woven BOPP bags is opening new doors for the Indian producers. Also, demand in USA is extremely big.

### Risk and threats

Since this division of reverse-printed BOPP woven bags is also related with Polypropylene hence raw material price fluctuations is major risk and threatening factor impacting

Company's performance as well as revenue margins. The Company endeavors to mitigate these risks by following a board-approved hedging policy wherever possible.

### DRIP IRRIGATION/INJECTION MOULDING BUSINESS

The global drip irrigation market size is projected to reach USD 9.37 billion by the end of 2026. The increasing number of farming activities will bode well for the market in the coming years. Drip irrigation is an efficient technique used for dripping water into the soil surface and root of the plant by a filtering process. Drip irrigation is used across several agricultural practises for water distribution purposes. The ability of a drip irrigation system to minimize water wastage as well as maximize the amount of nutrient consumed by the crops, is a major factor why this concept has gained massive popularity in recent years. The massive investments in the R&D of new products will constitute an increase in the overall drip irrigation market size in the coming years. The presence of numerous agricultural subsidies will contribute to the growing adoption of drip irrigation systems across the world. Moreover, the emphasis on adoption of sustainable farming and agricultural practises will aid the growth of the market. The growing demand for a highly efficient agricultural produce will create a subsequent demand for drip irrigation systems across the world.

Micro-irrigation systems such as drip and sprinklers help save 20%-48% water and about 30% energy. Therefore, the government has been not only creating awareness among farmers to use micro-irrigation instead of conventional flood irrigation but has also been providing higher budgetary support to improve the penetration of micro-irrigation facilities in the Indian farms.

Global drip irrigation market is segmented on the basis of types by control & safety valves, drip emitters, filters & filtration, micro sprays & spinners, micro sprinklers & jets, PE tubing, pipe and pipe fittings, polyethylene hose & tubes, pressure control valve, pressure regulators and pumps & pump stations. Based on applications, global drip irrigation market is segmented as agriculture, public gardens and residential gardens and others that include greenhouses and nurseries.

Flexituff has the installed production capacity of over 1 billion Non Pressure Compensating (NPC) drippers per annum. With over 30% market share, it holds a leadership position in India's flat dripper market. It also exports the drippers to the drip irrigation pipe manufacturers outside India. In FY 2019-20, NPC drippers contributed close to 3% of the Company's revenue.

### Opportunities and outlook

Environmental concerns and participation of government regulatory bodies in water management is a driving factor

over the period. Drip irrigation is extensively used over conventional irrigation techniques as it saves water and fertilizers. This is a major driving factor for global drip irrigation market. Rising world population has led to rise in demand for water saving techniques and is driving the drip irrigation market. Decreased levels of underground and natural water resources have made agricultural firms to adopt drip irrigation systems. Hence, this business segment plights one's troth.

### Risk and threats

**Government spending remains the Key:** Reaching to each field and its soil requires government's support and budgetary allocations. High initial cost of system installation along with the sophisticated level of management is expected to hinder the market growth particularly in developing countries. To mitigate such risks associated with the domestic markets, the export market needs to be catered. Flexituff is walking on same footing.

### INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company has an Internal Risk Management Policy and adequate Internal Control System in place. The members of the Risk Management Committee presents the risk appetite of the Company by enumerating & segregating major risks that could affect the performance of the Company, readiness of the Company to deal with the risks & suggesting a mitigation plan for those risks. The main objective of the policy is to assess & evaluate significant risk exposures & assess management's actions to mitigate the exposures in a timely manner. The Company periodically reviews its various types of regulatory, financial, operational, environmental and other business risks.

Internal Control system is commensurate with the size, scale and complexity of its operations. There are adequate systems to ensure compliance of various statutory and regulatory requirements and review the same & take appropriate actions from time to time.

### FINANCIAL OVERVIEW

#### Standalone

- ♦ In FY 2019-20, Company's total revenues stands at Rs.8927.70 Million as compared to Rs.12016.99 Million in FY 2018-19, thereby recording decline by 25.71%.
- ♦ The Company reported decline in EBIDTA (Earnings before Interest, Tax, Depreciation and Amortization) in FY 2019-20 which reached to Rs. (489.22) Million. In FY 2018-19, the Company had recorded the EBIDTA of Rs. 1578.21 Million.
- ♦ The Company's net worth mark a decrease to Rs. 2035.26 Million in Financial Year 2019-20.

### Consolidation

- ♦ In FY 2019-20, Company's total revenues stands at Rs.9,014.57 Million as compared to Rs. 12,663.97 Million in FY 2018-19, thereby recording decline by 28.82%.
- ♦ The Company reported decline in EBIDTA (Earnings before Interest, Tax, Depreciation and Amortization) in FY 2019-20 which reached to Rs. (525.52) Million. In FY 2018-19, the Company had recorded the EBIDTA of Rs. 1,500.97 Million.
- ♦ The Company's net worth mark a decrease to Rs. 1,939.42 Million in Financial Year 2019-20.

### Key Financial Ratios

In accordance with amendment made in SEBI (Listing and Disclosure Requirements) Regulation, 2015, details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in Key Financial Ratios and any changes in Return on Net Worth of the Company (on standalone basis) are given below:

Ratios	2020	2019
Debtors Turnover	2.80	3.14
Inventory Turnover	7.03	7.15
Interest Coverage Ratio	-0.66	1.45
Current Ratio	0.58	1.03
Debt Equity Ratio	3.51	1.97
Operating Profit Margin	-16.43%	5.15%
Net Profit Margin	-18.47%	-1.32%
Return on Net Worth	-81.03%	-4.29%

### Reasons for significant changes from 2018-19 to 2019-20

Your Company has been facing extreme shortage of working capital since beginning of 2018 due to exit of two working capital bankers from the consortium. These bankers were foreign banks and they decided to close their credit operations in India.

Further in January 2019, the Company defaulted in bond payment of International Finance Corporation ("IFC") and then in June 2019 of TPG Growth SF II Pte. Ltd. ("TPG").

Due to above, some more working capital banks reduced their exposure and consequently withdrew the working capital facility of Rs.200 million. Further one of the NBFCs recalled working capital support of Rs.700 million given to the Company.

All the above resulted in an acute shortage of funds with the company hence our Company was unable to purchase the requisite raw material and run the company on full capacity. Thus, the capacity utilization came down drastically resulting in losses, inventory erosion and consequently disturbing all the ratios.