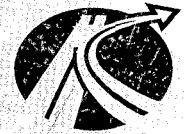


KRITI INDUSTRIES (INDIA) LIMITED



FUELLED BY GROWTH,  
DRIVEN BY TECHNOLOGY

19TH ANNUAL REPORT 2008-09

Dear Shareholders,

The year 2008-2009 posed multi pronged challenges. The high protein soya meal division was affected by the paralysis of the international markets due to the global slowdown and loss of confidence in commodity business. The problem was exacerbated by the sudden depreciation of the Indian Rupee. The plastics division faced a setback with the sudden crash in the commodity prices leading to a steep fall in the current asset value just before the advent of the peak season. Thus, the overall profitability of the company was adversely affected.

Challenging times are times of realizations and learning. These times helped us discover the strength of our brand and the strong faith of our customer's in us. Our resilience and the realization of our inherent brand value helped us in minimizing the impact of the meltdown and in improving the profitability in the last two quarters.

We persist on our journey of learning and improvement. In continuation with the initiative of the last two years, we are putting a greater focus on having robust internal control systems and hiring and retaining competent talent. Thus, in combination with using SAP as the ERP tool we have emphasized on regular performance appraisals, peer audits, use of standardized operating procedures etc. We are striving to adopt the best practices in the industry.

The upcoming year brings with it fresh enthusiasm and hope. The company has decided to focus on each of it's division as a Strategic Business Unit. We are sub-dividing every SBU into verticals and treating each as a distinct profit centre.

The Plastics unit has seen an expansion in pipe production and moulding capacities. Looking at the need of the hour we have launched water conserving, high quality in-line drip systems. With the growth in demand across old and new territories we are going in for further expansion by adding newer ranges and increasing our volumes.

I am sure that the year ahead will show encouraging results. We need good wishes of all our stake holders.

With best regards,



Shiv Singh Mehta  
Managing Director

## BOARD OF DIRECTORS

Mr Sajjan Singh Mehta - Director  
Dr S S Kothari - Director  
Mr Rakesh Kalra - Director  
Mr Prakash Pethe - Director  
Dr Somnath Ghosh - Director  
Mr Vinod M Bhole - Nominee Director (IDBI Ltd.)  
Mr Manoj Fadnis - Director  
Mr Pravin Kasliwal - Director  
Mrs Purnima Mehta - Executive Director  
Mr Shiv Singh Mehta - Managing Director

## AUDITORS

M/s Subhash Deshpande & Company  
Chartered Accountants  
403, Alankar Point, Geeta Bhawan Square,  
A.B. Road, Indore - 452001

## COMPANY SECRETARY

Mr S.C. Jajoo

## BANKERS

State Bank of India  
State Bank of Indore  
State Bank of Travancore  
IDBI Ltd.

## REGISTERED OFFICE

'Mehta Chambers' 34, Siyaganj Indore - 452007

## CORPORATE SUPPORT CENTRE

'Chetak Chambers' 4th Floor, 14 R.N.T Marg,  
Indore - 452001

## SHARE TRANSFER AGENT

M/s Ankit Consultancy Pvt. Ltd.  
2nd Floor, Alankar Point, 4-A, Rajgarh Kothi  
Geeta Bhawan Chouraha, A.B. Road, Indore - 452001



## NOTICE

NOTICE IS HEREBY GIVEN that the 19th Annual General Meeting of the Members of KRITI INDUSTRIES (INDIA) LIMITED will be held on Wednesday the 30th September, 2009 at 4.00 P.M. at Corporate Support Center situated at 4th Floor, Chetak Chambers, 14 R. N. T. Marg, Indore (M.P.)-452001 to transact the following businesses:

### ORDINARY BUSINESS

1. To receive, consider and adopt Audited Balance Sheet as at 31st March 2009 and the Profit and Loss Account for the year ended on that date together with the Directors' report and Auditors' report thereon.
2. To appoint a Director in place of Mr. Manoj Fadnis, who is liable to retire by rotation, and being eligible offers himself for reappointment.
3. Mr. Pravin Kasliwal, who is liable to retire by rotation, has not offered himself for reappointment and this vacancy be not filled.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration

### SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modifications, if any, the following resolution as Special Resolution.

"RESOLVED THAT Shri Prakash Madhav Pethe, who was appointed as an Additional Director of the company with effect from 03.03.2009 and who in terms of Section 260 of the Companies Act, 1956 holds office upto the date of this meeting and in respect of whom notice has been received under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retirement by rotation."

6. To consider and if thought fit, to pass with or without modifications, if any, the following resolution as Special Resolution.

"RESOLVED THAT Dr. Somnath Ghosh, who was appointed as an additional director of the company with effect from 03.03.2009 and who in terms of Section 260 of the Companies Act, 1956 holds office upto the date of this meeting and in respect of whom notice has been received under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retirement by rotation."

7. To consider and if thought fit, to pass with or without modifications, if any, the following resolution as Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 314(1b) and other applicable provisions, if any, of the Companies Act, 1956 and the rules and regulations thereto, the consent of the Company be and is hereby accorded to the appointment of Ms. Devki Mehta, a relative of the directors of the company, to hold and

continue to hold an office or place of profit as an employee of the company w.e.f 01st October 2008 to 30th September 2010 on remuneration and terms and conditions mentioned in the explanatory statement annexed hereto."

8. To consider and if thought fit, to pass with or without modifications, if any, the following resolution as Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 314 (1B) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Central Government and the rules and regulations thereto, the consent of the Company be and is hereby accorded to the appointment of Mr. Saurabh Singh Mehta, a relative of the directors of the company, to hold and continue to hold an office or place of profit as an employee of the company w.e.f 1st July 2009 on remuneration and terms and conditions mentioned in the explanatory statement annexed hereto."

9. To consider and if thought fit, to pass with or without modifications, the following resolution as Special Resolution:

"RESOLVED THAT subject to the approval of the Hon'ble High Court of Madhya Pradesh, Indore Bench, the consent of the Company be and is hereby given to change the Appointed Date of the Scheme of Arrangement from 1st April, 2008 to 1st December 2009, whereby the demerger/hiving off of 'Solvent Division' and 'Engineering Moulding Division' in M/s Kriti Nutrients Limited and M/s Kriti Auto Engineering & Plastics Private Limited respectively is sought and THAT para (iv), Section B, Part I and para (iv), Section B, Part II of the Scheme of Arrangement be substituted and read as under:

"Appointed Date or Transfer Date means 01st day of December 2009, the date from which the scheme shall be applicable or such other date as this Hon'ble Court may deem fit."

RESOLVED FURTHER that any reference to the Appointed Date in the Scheme of Arrangement shall mean the 1st day of December 2009.

RESOLVED FURTHER that the Board of Directors be and are hereby authorised to make amendment to this date as and when required for such purposes, as may deem fit and proper.

RESOLVED FURTHER that Shri Shiv Singh Mehta, Managing Director be and is hereby authorised to file application before the Hon'ble High Court for this purpose and do all such acts and things in this regard as he may deem fit."

Place : Indore  
Date : 21st August, 2009

By order of the Board,

S.C. Jajoo  
Company Secretary



**Kriti Industries (India) Ltd.****Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM IN ORDER TO BE VALID AND EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF HOLDING THE AFORESAID MEETING.
2. The Register of Members and Share Transfer Books of the Company will be closed from 23rd September 2009 to 30th September 2009 (both days inclusive) for the purpose of Annual General Meeting.
3. Members who have not yet encashed their Dividend warrant for the year 2001-02 and subsequent years are advised to approach the Company in order to have their Dividend Warrants revalidated. Dividend which remain unclaimed for a period of 7 years from the date of their declaration will be transferred to the Investor Education and Protection Fund of the Central Government under Section 205A of the Companies Act, 1956, Further, once the unclaimed dividend is transferred to the aforesaid account as above, no claim shall lie in respect of such amounts. Please note that unpaid Dividend for and upto the financial year ending 31st March, 2002 has been already transferred to Central Government Account / Investor Education and Protection Fund.
4. As per the provisions of Section 109 of the Companies Act, 1956, facility for making nomination is now available to the shareholders in respect of the shares held by them. Nomination forms can be obtained from the Registrar of the Company.
5. Members attending the meeting are requested to bring with them the attendance slip duly filled and to be handed at the entrance of the meeting hall. They are requested to bring their copy of the Annual Report to the meeting.
6. Members are requested to:
  - A. Notify immediately any change in their address to the Company quoting their folio numbers.
  - B. Send to the Company details of all folios, if holding shares in identical order of names in more than one folio, together with the Share Certificates for consolidating the folios into one. The Share Certificates will be returned to members after making the requisite endorsement thereon.
  - C. Write to the Company at least 7 days before the date of the meeting, if any information with regard to accounts are required, so as to enable the management to keep the information ready.
7. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under item no. 5-9 set out above is annexed hereto.

**ANNEXURE TO THE NOTICE**

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956

**ITEM NO. 5**

Mr. Prakash Madhav Pethe was appointed as an additional director of the company on 03.03.2009 to hold office till the date of ensuing Annual General Meeting of the company. The company has received the notice from the member of the company under Section 257 of the Companies Act, 1956, proposing the name of Mr. Prakash Madhav Pethe to be appointed as the Director of the Company subject to retirement by rotation.

Mr. Prakash Madhav Pethe is a consultant of Exim/Forex Business and International Banking and Finance also OSD (Training) FEDAI, Mumbai.

Your directors feel that his appointment as the director will be of benefit to the Company and therefore commends the resolution for your approval.

None of the directors except Mr. Prakash Madhav Pethe is concerned or interested in the resolution propose at item no. 5 of the notice since the aforesaid resolution relates to his appointment

**ITEM NO. 6**

Dr. Somnath Ghosh was appointed as an additional director of the company on 03.03.2009 to hold office till the date of ensuing Annual General Meeting of the company. The company has received the notice from the member of the company under Section 257 of the Companies Act, 1956, proposing the name of Dr. Somnath Ghosh to be appointed as the Director of the Company subject to retirement by rotation.

Dr. Somnath Ghosh is a HR, Organization Design and Institutional Development specialist and consultant to corporate as well as development sector.

Your directors feel that his appointment as the director will be of benefit to the Company and therefore commend the resolution for your approval.

None of the directors except Dr. Somnath Ghosh are concerned or interested in the resolution propose at item no. 6 of the notice since the aforesaid resolution relates to his appointment

**ITEM NO. 7**

Board of Directors appointed Ms. Devki Mehta as "Manager-Special Projects" w.e.f. 1st October 2008 on a consolidated monthly salary slab (cost to the company) of Rs. 46000-3000-49000 for a period of 2 years i.e. upto 30th September 2010.

Ms. Devki Mehta is a BE (Civil) Gold Medalist from SGSITS, Indore and MBA from S.P. Jain Institute, Mumbai. Earlier, she was working with ECS Limited, Mumbai as a consultant.

Payment of remuneration to the relative of the director attracts provisions of Section 314 (1b) of the Companies Act, 1956 and requires consent of shareholders of the company by way of



special resolution. Ms. Devki Mehta being the relative of Mr. Shiv Singh Mehta, Mrs. Purnima Mehta, Mr. Sajjan Singh Mehta and Dr. S. S. Kothari, consent of shareholders is being sought under Section 314(1b) as a special resolution.

The Board commends the resolution for approval

None of the Directors, except Mr. Sajjan Singh Mehta, Dr. S.S. Kothari, Mr. Shiv Singh Mehta and Mrs. Purnima Mehta, are interested in the said resolution.

#### ITEM NO. 8

Board of Directors appointed Mr. Saurabh Singh Mehta as an "Assistant General Manager- Operations" w.e.f. 1st July 2009 on a consolidated monthly salary slab (cost to the company) of Rs. 70000-10000-90000 for a period of 3 years i.e. upto 30th June 2012.

Mr. Saurabh Singh Mehta is a B.E. in Computer Science and Engineering from The Ohio State University, USA and M.B.A from S.P. Jain Institute, Mumbai.

Payment of remuneration to the relative of the director attracts provisions of Section 314 (1B) of the Companies Act, 1956 and requires consent of shareholders of the company by way of special resolution subject to approval of Central Government. Mr. Saurabh Singh Mehta being the relative of Mr. Shiv Singh

Mehta, Mrs. Purnima Mehta, Mr. Sajjan Singh Mehta and Dr. S. S. Kothari, consent of shareholders is being sought under Section 314(1B) as a special resolution.

The Board commends the resolution for approval

None of the Directors, except Mr. Sajjan Singh Mehta, Dr. S.S. Kothari, Mr. Shiv Singh Mehta and Mrs. Purnima Mehta, are interested in the said resolution.

#### ITEM NO. 9

The Scheme of Arrangement ("the Scheme") of the Company with M/s. Kriti Nutrients Limited and M/s. Kriti Auto Engineering & Plastics Private Limited is pending before the Hon'ble High Court of Madhya Pradesh, Indore Bench. The Appointed Date fixed for the present scheme is 1st April 2008 and having regard to the present status, it may take another few months for the Hon'ble Court to finally dispose of the application for the sanction of the scheme. Therefore, in view of the administrative, accounting and operational convenience, it would be prudent if the Appointed Date of the present scheme is changed from 1st April 2008 to 1st December 2009.

Your Directors commend the passing of the above resolution.

None of the Directors is interested in the aforesaid resolution except to the extent of their shareholding.

#### Details of the directors seeking reappointment at the Annual General Meeting

Name of the Director	Mr. Manoj Fadnis	Mr. Prakash Madhav Pethe	Dr. Somnath Ghosh
Date of Birth	16.07.1962	23.09.1948	31.05.1953
Date of appointment	24.06.2006	03.03.2009	03.03.2009
Expertise in Specific areas	Company Law, Taxation and Accounting	Forex, International Banking	HR, Organisation design and institutional development specialist.
Qualification	FCA	M.Com, DBM	M.A., M.Phil, PH.D
List of Outside Directorship held	-Fadnis Gupte Consultants Pvt. Limited -Accounting Research Foundation	Nil	-PAN Network Pvt. Ltd. -KSB Local Area Bank -Kriti Nutrients Limited
Chairman/Member of the committees of the Board of Directors of the Company	Chairman: Audit Committee Member: Financial Committee Member: Remuneration Committee	Nil	Nil
Chairman/ member of the Committees of Director of other companies in which he/she is a Director			
(a) Audit Committee	Nil	Nil	Nil
(b) Shareholder Committee	Nil	Nil	Nil
(c) Remuneration Committee	Nil	Nil	Nil
(d) Compensation committee	Nil	Nil	Nil

**Kriti Industries (India) Ltd.****DIRECTORS ' REPORT**

Your Directors have the pleasure of presenting the 19th Annual Report together with Audited Accounts of the Company for the year ended on 31st March, 2009.

**FINANCIAL RESULTS**

The performance of the Company for the financial year ended 31st March, 2009 is summarized below:

PARTICULARS	(Rs. In Lacs )	
	CURRENT YEAR 2008- 09	PREVIOUS YEAR 2007 - 08
Total Income	56965.79	50290.14
Profit before Interest, Depreciation & Taxes	2082.55	2915.92
Less: Interest	1876.41	1419.27
Profit before depreciation	206.14	1496.65
Less: Depreciation	452.31	349.42
Profit/ (Loss) after depreciation	(246.17)	1147.23
Provision for Taxation	14.75	397.71
Net Profit/(loss)	(260.92)	749.52
Less: Prior year Income/Expenditure	10.37	6.47
Add: Transfer from reserves	235.00	0.00
Add: Balance Brought Forward	725.22	215.90
Profit available for Appropriation	688.93	958.95
Proposed Dividend	0.00	74.41
Corporate Dividend Tax	0.00	12.65
Transferred to General Reserve	0	142.67
Transferred to Contingency Reserve	0	4.00
Balance Carried over to Balance Sheet	688.92	725.22

**PERFORMANCE OF THE COMPANY (Year in Retrospect)**

The company recorded a top line growth of 13.27% with total income of Rs. 56965.79 lacs as against Rs. 50290.14 lacs in the previous year. Profit before depreciation was Rs. 206.14 lacs as against Rs. 1496.65 lacs. After providing for depreciation and tax there was a loss of Rs. 260.92 lacs as against the profit of Rs. 749.52 lacs.

The performance of the company was adversely affected due to global recession, foreign currency fluctuation, steep and sudden erosion in commodity values, causing substantial inventory losses.

**DIVIDEND**

In order to conserve resources, your directors have not recommended dividend for the year ended 31st March 2009.

**EXPANSION**

The Company has undertaken construction of two silos with capacity to store soyabean seed of approx. 16000 tons at Solvent division. The silos will operationalise during the coming season. This will save substantial handling cost in the year 2009-10.

Further, in pipe division, the company has increased its capacity in PVC fittings from 1400 MT per annum to 1800 MT per annum, the RPVC plant capacity from 39000 MT per annum to 42000 MT per annum and one Inline drip machine has also been installed.

**CORPORATE RESTRUCTURING**

The Scheme of Arrangement ("the Scheme") of the Company with M/s. Kriti Nutrients Limited and M/s. Kriti Auto Engineering & Plastics Private Limited is pending before the Hon'ble High Court of Madhya Pradesh, Indore Bench. The Appointed date fixed for the present scheme is 1st April 2008 and having regard to the present status, it may take another few months for the Hon'ble Court to finally dispose of the application for the sanction of the scheme. Therefore, in view of the administrative, accounting and operational convenience, Board of Directors at the meeting held on 21st August 2009 passed resolution to change the Appointed Date of the present scheme from 1st April 2008 to 1st December 2009.

**CORPORATE GOVERNANCE:**

The Company has complied with the mandatory provisions on Corporate Governance as prescribed in the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance is included as a part of the Annual Report along with the Auditors' Certificate on its compliance.

**Directors' Responsibility Statement**

Your Directors hereby confirm that: -

1. In the preparation of Annual Accounts, the applicable accounting standards have been followed along with the proper explanation relating to material departures.
2. The Directors have selected such accounting policies and applied them consistently and have made judgment and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at end of the financial year ended 31st March, 2009 and of the Profit and Loss Account of the Company for that period.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the Annual Accounts for the year ended 31st March 2009 on a going concern basis.

**DIRECTORS:**

Mr. Manoj Fadnis retires by rotation and being eligible offers himself for re-appointment.

Mr. Pravin Kasliwal, who is liable to retire by rotation, has not offered himself for reappointment and the vacancy is proposed not to be filled.

The Board places on record its appreciation for valuable guidance and services rendered by Mr. Pravin Kasliwal to the company, during his tenure.

The board has appointed two additional directors, Mr. Prakash Madhav Pethe and Dr. Somnath Ghosh in the company and they hold the office till the date of ensuing Annual General Meeting and are then to be appointed as directors in the company.

**STATUTORY INFORMATION:****PUBLIC DEPOSIT:**

The company has not received/accepted any deposits from public during the year under review.

**PARTICULARS OF EMPLOYEES**

The Company does not have on its roll any employee drawing remuneration attracting provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO**

Information as per section 217(1)(e) read with Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 are given in the Annexure-A forming part of the report.

**AUDITORS**

M/s. Subhash Deshpande & Co., Chartered Accountant, Indore the Auditors of the Company retire at the conclusion of the

ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

**INDUSTRIAL RELATIONS**

Your directors wish to place on record their appreciation for the contribution made by the company's workforce at all levels of operations for the success and progress of the company.

**ACKNOWLEDGEMENT**

Your Directors place on record their appreciation of the co-operation and assistance extended by the Central / State Government, Financial Institutions, Banks. The Directors also convey their sincere thanks for the continued support given to the Company by the esteemed shareholders, suppliers, dealers and valued customers.

FOR & ON BEHALF OF THE BOARD,

**S. S. Mehta**  
(Chairman)

Place : Indore

Date : 21st day of August, 2009

**ANNEXURE**

Information as per Section 217(1) (e) read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules 1988 and forming part of the Directors' Report for the year ended 31st March 2009.

**A CONSERVATION OF ENERGY**

(a) Energy Conservation measures taken:

(1) Energy conservation devices have been installed and the equipments are maintained properly to reduce energy consumption.

(2) New systems are being devised to reduce electric power, fuel, and water consumption.

(b) Additional Investment and proposals for reduction of consumption of energy.

By relocating, modifying the available equipment, energy, conservation measures are being implemented and major investments have not been made for equipments so far.

(c) Impact of above measures:

The above measures have resulted in energy saving and subsequent decrease in the cost of production.

(d) Total energy consumption and energy consumption per unit of production:

As per Form "A" Annexed.

**A. POWER AND FUEL CONSUMPTION**

	2008-09	2007-08
1. Electricity		
a) Purchased Units	17891265	18890789
Total Amount	84056017	84650272
Rate/Unit (Average Rs.)	4.70	4.48
b) Own Generation		
i) Units	142900	59247
Units per ltr. of Diesel Oil	3.07	3.38
Cost per unit (Rs.)	13.36	10.10
i) Through Steam Turbine/Generator Unit/Unit per ltr. of		

Diesel oil Cost/Unit

Nil

Nil

2. Coal (specify quality & where used)

RDM/Steam B

Grade used in Boiler

Quantity (Tones)

13193

11572

Total Cost

52889022

46288480

Average Rate

4008.93

4000.00

3. Furnace Oil

Quantity (K.Ltr.)

-

-

Total Amount

-

-

Average Rate

-

-

4. Others/internal Generation

Total Cost

-

-

Quantity

-

-

Rate/Unit

-

-

**CONSUMPTION PER UNIT OF PRODUCTION**

	EXTRACTION	REFINERY	LECITHIN
Electricity			
(Units per ton)	73.13	114.21	40.33
Coal (Specify quality)			
(Kg. per ton)	138.15	324.58	92.63

Note: Information in respect of Pipes & Fittings has not been provided as Form "A" under Section 217(1)(e) of the Companies Act, 1956, is not applicable to these units.

**Kriti Industries (India) Ltd.****FORM - B****(A) (I) Research and Development (R & D)**

Specific areas in which R & D carried out by the Company.

The company undertakes upgradation of its products as a continuous process. New products and process equipments have been developed resulting in improved efficiency of operations.

**(II) Benefits derived**

With the installation of various additional equipments it was possible to achieve consistency in production and quality of products.

**(B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

The Company does not have any imported technology

and hence the details required to be given for the imported technology is not applicable

**(C) FOREIGN EXCHANGE EARNING & OUTGO**

(Rs. In Lacs)  
2008-09 2007-08

1. Earning		
FOB rate of Export	12596.45	11305.60
2. Outgo		
a) CIF Value of Imports	2122.12	1841.20
b) Expenditure in Foreign Currency	45.77	60.10

### AUDITORS' REPORT ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

#### To the Shareholders of Kriti Industries (India) Limited

We have examined the compliance of the conditions of Corporate Governance by Kriti Industries (India) Limited, Indore for the year ended 31st March, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accounts of India we have to state that no investor grievances were pending for a period of one month against the Company as per the records maintained by the Investor / Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Subhash Deshpande & Co.  
Chartered Accountants

Place : Indore  
Date : 30th June, 2009

(R.D.Asawa)  
Partner





## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. INDUSTRY STRUCTURE AND DEVELOPMENT

The company is currently operating in three major business segments, which are: -

1. Solvent Division
2. Plastic Division
3. Engineering Plastic Division

The industry structure and development for each of the three divisions are discussed under.

#### Soya Division:

The main products of Soya division are Refined Soya Oil and Soya Bean Meal (SBM).

**Indian Soya Crop Scenario:** In the previous year, the soya bean production was over assessed at 108 Lac MT, however the final crop figure was 85 Lac MT. In the current year the monsoon was delayed by 15 days, initially, which delayed the sowing by 15 days. However, in July the monsoon was good and the shortfall of June has been recovered. The current feedback of sowing is encouraging and it is expected that the coming season would be good.

**International Soya Crop Scenario:** US the largest soya bean growing country in the world, has the same soya cycle period as India. As per current reports, the crop condition is good and the crop size is expected to be reasonable. The South American countries of Brazil and Argentina are the second and third largest soya bean growing countries respectively. The harvest in Brazil and Argentina this year, was lower than normal, especially due to the drought conditions in Argentina. The combined crop harvested is 90 Million MT against the initial assessment of 110 Million MT.

Economic recession has affected the Soya bean Meal consumption in South East Asian countries. Their Aqua exports have been affected by the lowering in demand in European Union and Japan. However a distinct recovery in demand for SBM has been observed in the last few months and it is seen returning to a normal level.

The South East Asian countries are major consumers of Soya bean Meal and are entirely dependent on imports from India, Brazil, USA and Argentina. Indian SBM has an advantage over the Western varieties due to higher protein content and lower logistics cost. These countries import roughly 19-20 Million MT per annum, out of which India contributes 4.0 to 4.5 Million MT and the balance demand is met from South America and USA. The demand in these countries is growing at a moderate rate.

#### Opportunity

Argentina, the largest exporter of SBM in the world, has been badly affected by a drought and this has opened a good opportunity for the Indian SBM to increase its share of exports in the coming season up to May/June 2010. India enjoys an added advantage of producing entirely Non-GMO crops, which further strengthens its hold in the world markets.

#### Threats

The Macroeconomic and Global issues of inflation, recession, and inadequate rainfall may have an effect on the demand. The crop in the current year is expected to be a record harvest of over 87 Million MT, which may lower the international prices of SBM. The domestic prices of the seed, meal and oil are impacted by the international prices. Therefore, maintaining the price parity of our products may be a challenging task.

#### Business Strategy

KIIL markets its High Protein SBM mainly to South East Asian Countries and the company's focus will be on: -

- ◆ Introduction of higher grade SBM
- ◆ More field and International Accredited Lab trials
- ◆ Participation in international trade fairs
- ◆ Customer education on quality, adulteration and certification
- ◆ Strengthening Long term relationships
- ◆ Strengthening Distribution network
- ◆ Developing marketing models to give end-to-end solutions to the customers

#### Plastic Division

The Indian Plastic pipe industry is third in the list of top three manufacturing hubs in the world, after Japan and Europe. There are good growth opportunities in the irrigation and agriculture sector, water/sewer/gas transportation, OFC ducts in telecom sector and turnkey infrastructure projects.

#### Opportunity

The positive trend in demand in this industry is expected to continue in the coming years, due to increased focus by the Government on agriculture, construction and infrastructure development projects. Kasta is a well-established brand and is preferred by the users and supported by a strong distribution network.

## Kriti Industries (India) Ltd.

### Threat

The volatility of PVC/HDPE prices and cyclic nature of the industry, coupled with tight availability of raw materials, particularly Resin are the major areas of concern. The product prices are highly dependent on Raw Material (RM) prices as the RM cost accounts for more than 70% of the total cost for PVC pipes.

### Business Strategy

The company is consolidating its existing markets through deep penetration in rural areas and multi product selling. The company is also trying to become more cost effective and a very high quality producer.

It is working on widening the product range to reach out to a larger customer base in agriculture and building sector by launching Drip Irrigation Systems under Micro Irrigation Projects of various State Governments' subsidy scheme and introducing newer accessories for the piping system. There is also a greater focus on institutional sales in infrastructure, telecommunication and building construction sectors.

### Engineering Plastic Division

The Indian auto component industry is one of India's sunrise industries with tremendous growth prospects. From a low-key supplier providing components to the domestic market alone, the industry has emerged as one of the key auto components centers in Asia and is today seen as a significant player in the global automotive supply chain. India is now a supplier of a range of high-value and critical automobile components to global auto-makers such as General Motors, Toyota, Ford and Volkswagen amongst others.

As per an Automotive Component Manufacturers Association of India (ACMA) report, the turnover of the auto component industry was estimated at over US\$ 18 billion in 2007-08, an increase of 27.2 per cent since 2002. It is likely to touch US\$ 40 billion by 2015-16.

### Opportunities and threats

The Indian Auto components industry has evolved over a period of time, from being a domestic supplier of low-value auto components to a sought-after hub for a variety of critical and high-end auto parts.

According to the Auto Component Manufacturers Association of India (ACMA), the Indian auto component industry, currently worth US\$ 10 billion, has the potential to grow to a US\$ 40 billion industry over the next decade.

India now ranks amongst the most-preferred destination for most of the major global car manufacturers. The country has inexpensive but skilled manpower, local availability of most of the raw material, credit facilities across the country and industry-favourable government policies.

KIIL's unit is strategically located near the major automobile industry players, in Ranjangaon, near Pune in Maharashtra. The company is supplying to the Tier One manufacturers in the automotive market. It is also developing its own products and identifying strategic partners for manufacturing the tools for automotive components and consumer durable articles.

### Business Strategy

For higher growth the company is exploring new customers and developing new product lines in automobile sectors to expand its operations.

## 2. FINANCIAL PERFORMANCE

The financial statements are prepared in compliance with the Companies Act, 1956 and as per the generally accepted accounting principles, policies and practices prevalent in India.

### Results of operations

#### Income from operations:

The Turnover during 2008-09 has increased to Rs. 56899.69 Lacs against Rs 50171.23 Lacs in the previous year, which shows an increase of 13.41% in Turnover over the last year. Net sales shows an increase of 15.13% in the current year over the previous year

#### Export

During the year under review, exports increased to Rs. 17090.04 Lacs from 12804.82 Lacs in the previous year, recording an annual growth of 33.47%.

#### Profit before interest, depreciation and taxes:

The profit before interest, depreciation and taxes of the company is Rs. 2082.55 Lacs as compared to Rs. 2915.92 Lacs in last year

#### Profit Before depreciation:

The profit before depreciation is Rs. 206.14 Lacs as against Rs. 1496.65 Lacs in the previous year

#### Profit/Loss before and after taxes:

There is a loss before taxes of Rs. 246.17 Lacs as against profit of Rs. 1147.22 Lacs in the previous year. The loss after tax is Rs. 260.92 Lacs as against last year's profit of Rs. 749.52 Lacs.

### Financial Position

#### Share Capital:

The share capital of the company consists of Equity Share Capital. The total paid-up share capital of the company consists