KRITI
GROUP

BROADBASING THE BUSINESS

Enhancing capacity. Broadening portfolio. Widening footprint.

Kriti Industries (India) Limited
29th Annual Report 2018-19

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically, '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 make, certain forward-looking statements that set out anticipated results based on the management's plan and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects' believe we have been prudent in our assumptions. 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. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Broadbasing the business

At Kriti Industries (India) Limited, we are at an exciting inflection point.

During 2018-19, the Company engaged in three decisive initiatives - enhanced its manufacturing capacity, broadened its product portfolio and widened its geographic footprint – to accelerate its multi-year growth journey.

Just when India seeks to make its biggest ever investment in water security, Kriti Industries is broadbasing its business, seeding new revenue streams and spreading risks wider with the singular objective to enhance business sustainability.

Strengthening the conviction that we are in the right business in the right place at the right time.

The exciting world of Kriti Industries (India) Limited

Vision

An energetic organisation on a long haul, charting a distinct course for customer admiration, led by a disciplined team of vibrant people.

Mission

Kriti undertakes to dedicate itself and all its resources to achieving global excellence in the present sectors of operations and seeking growth via diversification.

Promoters

The Company was promoted by Mr. Shiv Singh Mehta in 1982, who is the Chairman and Managing Director. He is assisted by senior executives and more than 560 employees.

The Group governance

The Kriti Group comprises three Companies of Kriti Industries (India) Limited, Kriti Nutrients Limited and Kriti Auto Engineering & Plastics Pvt. Limited. The Group companies are respected for a high standard of governance, reflected in a defined corporate strategy, strong Board of Directors, respected for processes and proactive investment in information technology, among other initiatives.

Businesses

The Company is engaged in the manufacture of polymer pipes, primarily Poly Vinyl Chloride (PVC) and Poly Ethylene (PE), suitable for potable water supply, irrigation, building construction and infrastructure. The Company widened its product range to address a majority of sizes (small to large diameter across classes and ratings). The Company also possesses the capability to manufacture a variety of complementary PVC/HDPE fittings.

Presence

The Company's headquarters are based in Indore and manufacturing facility in Pithampur. The Company's sales footprint extends largely across Madhya Pradesh and Rajasthan.
The Company enhanced its focus in additional states during the year under review, broadbasing its presence and addressing a larger addressable market.

Financial performance

The Company registered growth in revenues to ₹571.14 crore in 2018-19. However, the charging of business development expenses to the Profit & Loss Account resulted in a decline in Profit after Tax to ₹6.61 crore. The Company reported a cash profit of ₹12.58 crore and EBITDA margin of 5.46% during the year under review.

Listing

The Company is listed on the Bombay Stock Exchange and National Stock Exchange. The Company's market capitalisation was ₹104.50 crore as on 31st March 2019. The promoters accounted for 65.80% stake of the Company's equity capital.

Brand

The Company's proprietary brand Kasta commands a significant market share in the States of its presence. The brand entered new States in 2018-19 and carved out attractive recall and visibility. The brand is respected for its consistency, product integrity, durability and service.

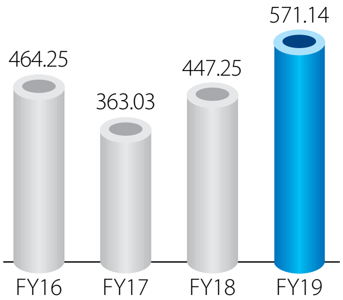
Corporate social responsibility

The Company is a respected corporate citizen engaged in addressing grass-root realities in the health and environment disciplines of the areas of its manufacturing and corporate presence.

Awards

The Company received the Arya Chaanakya Award from the MP government for corporate governance and social responsibility.

How the Company has grown its performance



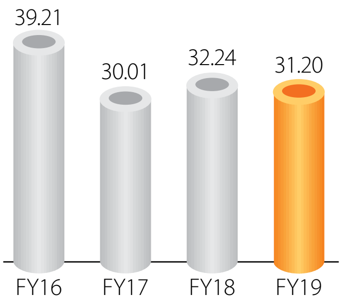
Revenues (₹ crore)

Definition
Growth in sales, net of taxes.

Why this is measured
It is an index that showcases the Company's ability to maximise revenues, which provides a basis against which the Company's performance can be compared with sectoral peers.

What this means
Aggregate revenues increased 27.70% to a record ₹571.14 crore in FY2018-19 due to increased brand traction.

Value impact
Improved product offtake enhanced the Company's ability to cover fixed costs.



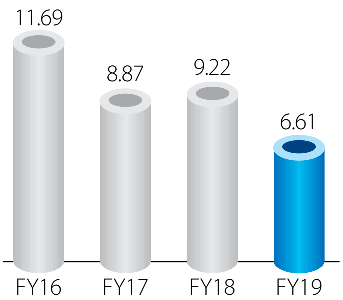
EBITDA (₹ crore)

Definition
Earnings before the deduction of fixed expenses (interest, depreciation, extraordinary items and tax).

Why this is measured
It is a measure that showcases the Company's ability to generate a surplus after operating costs, creating a basis for comparison with sectoral peers.

What this means
Helps create a robust surplus-generating engine that facilitates reinvestment.

Value impact
The Company reported a 3.23% decline in EBITDA in FY2018-19 on account of business development expenses charged to the Profit & Loss account whose benefits will gradually accrue.



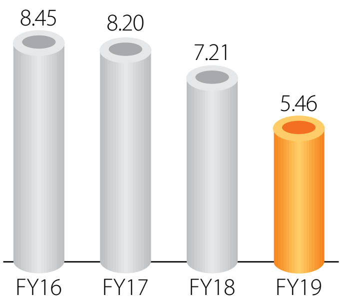
Net profit (₹ crore)

Definition
Profit earned during the year after deducting all expenses, taxes and provisions.

Why this is measured
It highlights the strength of the business model in enhancing shareholder value.

What this means
This indicates the quantum of cash available for reinvestment.

Value impact
Modest realisations and upfront business development expenses moderated profits.



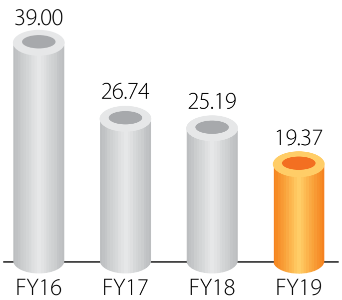
EBITDA margin (%)

Definition
EBITDA margin is a profitability measure to ascertain a Company's operating efficiency.

Why this is measured
The EBITDA margin provides an index of how much a Company earns (before accounting for interest and taxes) on each rupee of sale.

What this means
This measure demonstrates the buffer in the business, which, when multiplied by scale, can enhance business surplus.

Value impact
The Company reported a 175 bps decline in EBITDA margin in FY2018-19 on account of various business development costs being written off.



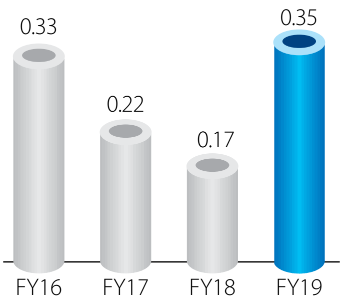
RoCE (%)

Definition
This financial ratio measures the efficiency with which capital is employed in the business.

Why this is measured
RoCE is an insightful metric to compare profitability across companies based on their capital efficiency.

What this means
Enhanced RoCE can potentially drive valuations and perception.

Value impact
The Company reported a 582 bps decrease in RoCE in FY2018-19 due to business development costs being written off from the P&L account.



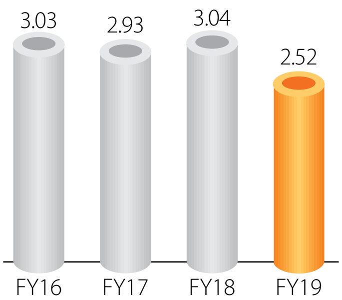
Gearing (x)

Definition
This is the ratio of debt to net worth (less Revaluation Reserves).

Why this is measured
This is one of the defining measures of a Company's solvency and liquidity.

What this means
This indicates whether the Company enhances shareholder value by keeping the equity side constant and progressively moderating debt.

Value impact
The Company's gearing stood at 0.35 in FY2018-19 compared to 0.17 in FY2017-18. This ratio should ideally be read in conjunction with net debt/operating profit.



Interest cover (x)

Definition
This is derived through the division of EBITDA by interest outflow.

Why this is measured
Interest cover indicates the solvency available to service interest – the higher the better.

What it means
A Company's ability to meet its interest obligations is one of the most important measures leading to shareholder returns.

Value impact
The Company's interest cover weakened from 3.04x in FY2017-18 to 2.52x in FY2018-19 following the expensing of business development costs from the P&L Account.

“Kasta ki khardeeaari me samajhdaari hai”

MOHANLAL PATWA IS A FARMER IN THE DEWAS REGION OF MADHYA PRADESH.

He has been engaged in the business of growing soyabean for four decades.

The world has transformed in this period: new seed varieties, drip irrigation, advanced agricultural practices and higher farmer yields.

The one thing that has not changed is his selection of the PVC pipes that he uses across his farm. The brand has continued to be Kasta consistently for more than three decades.

The decision has been based on a validated experience. The Kasta pipe that he laid five feet below the ground three decades ago continues to be in use. No repair. No change. No additional joint sealing. No significant decline in water throughput.

Mohanlal ji sums Kasta up:

‘Ek baar ka lagaiyye. Zindagi-bhar aaram paiyye!’

At Kriti Industries, we believe that by investing decisively in our future, the Company has entered a new phase in its growth journey.

Overview

I am pleased to present the performance of Kriti Industries (India) Limited for 2018-19.

Even as the year under review proved challenging on account of a slowdown from the second half of 2018-19, the Company reported growth that was considerably higher than the percentage growth of the PVC pipes sector in India and growth of the overall Indian economy.

The Company's principal business-strengthening initiative was its extension into new markets. This represented the most decisive such initiative in years and provides the Company with a wider platform to build sustainable growth.

The business development costs incurred by the Company were charged to the Profit & Loss Account in 2018-19, moderating margins and profitability but whose benefits will become progressively visible.

The result is that the Company reported a 27.70% growth in revenues and a 28.29% decline in Profit after Tax during the year under review. What made the performance creditable is that despite the prevailing economic challenges, the Company selected to make significant investments in strengthening its business for the foreseeable future.

This proactive investment was in line with the Company's objective to keep growing across market cycles. I am happy to communicate that by continuing to make selective investments, we are in a stronger position to sustain our momentum, which should reflect in improved performance from 2019-20 onwards.

Sectoral landscape

At Kriti Industries, we believe that a company's performance is largely influenced by the sectoral landscape.

I am pleased to communicate that our sectoral context has become progressively stronger in the last few years.

There is a greater recognition that a change in global climatic patterns has enhanced monsoonal erraticity. The Indian monsoon has been affected by a variation in the rainfall quantum and timing across regions. This phenomenon has increased the premium on water transfer from regions of high precipitation and high water storage to deficient regions.

This recognition has translated into a decisive priority related to water resource management. These policies have been directed at adequate water storage, timely water transmission and responsible water use, each of which warrants a large use of polymer extruded products.

The other sectoral game-changer has been the introduction of the Goods & Services Tax in 2017. For a number of years, organised players in the country's polymer processing sector operated at a disadvantage related to tax treatment. Most unorganised players in the sector operated outside the tax system while organised players incurred a higher compliance cost.

Following the introduction of the GST, the tax disadvantage that organised players had long suffered from declined, enhancing their competitiveness. This transition is reflected in the growth of the organised polymer processing sector, which grew 16%, following GST introduction.

This sectoral inflection point provides long-term players with an incentive to invest wider and deeper in their businesses, strengthening their sustainability.

Broadbasing the business

At Kriti Industries, we addressed this sectoral inflection point with a corresponding speed and seriousness.

Our seriousness comprised a strategic 'broadbasing' that will achieve two things – seed the business with new initiatives that provide additional revenue engines and widen the Company's risk profile across a larger number of variables. This broadbasing is aligned with our