

KRITI INDUSTRIES (INDIA) LIMITED ANNUAL REPORT 2020-21



Forward looking statement

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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Financial section



We have four messages to communicate in this annual report.

One, the PVC pipes industry is expected to grow at 10% per year to emerge as a ₹50,000 Cr sector by 2025.

Two, Kriti Industries expects to deliver consistent growth.

Three, the company is rapidly evolving from a manufacturing-driven to a marketing-centric focus.

Four, the company intends to graduate from a regional play into a zonal, then multi-zonal and eventually into a national polymer pipes company.



India is the second most populous country, adding the largest annual population increment by any single nation.

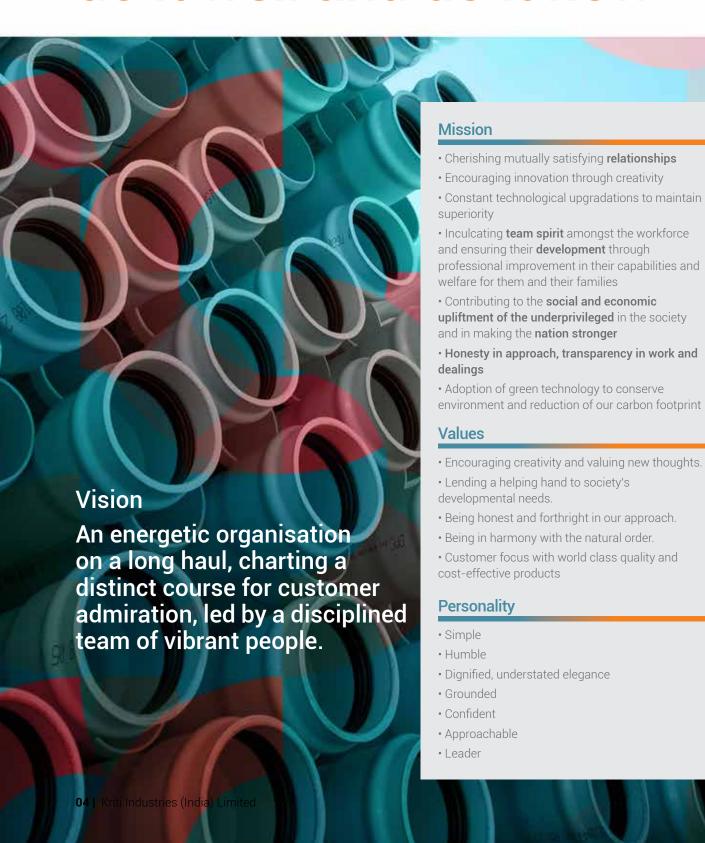
India's priority is to generate more food from the same land area. In turn, there is a growing need to aggregate and allocate available water to where it is most required to enhance crop output.

At Kriti Industries (India) Limited, we are engaged in a business that addresses this national priority. We manufacture a range of polymer pipes trusted by farmers that transport water to their farms or crops.

In doing so, we play the role of a responsible farm infrastructure provider, strengthening India's agricultural sector and food security.

KRITI INDUSTRIES (INDIA) LIMITED.

Driven to 'Do Right', do it well and do it now





Promoters

The Company was promoted by Shri Shiv Singh Mehta in 1982 who is Chairman and Managing Director. He is assisted by senior executives and more than 500 employees.



The Group governance

The Kriti Group comprises of 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.



Product mix

The Company widened its product range to address a majority of sizes (small to large diameter across classes and ratings). The Company possesses the capability to manufacture a variety of complementary PVC/HDPE fittings.



Presence

The Company's headquarters are based in Indore; its manufacturing facility is located in Pithampur. The Company's sales footprint extends largely across Madhya Pradesh, Rajasthan, Maharashtra and Telangana.



Performance

The Company registered revenues of ₹590.23 Cr and Profit after Tax of ₹38.23 Cr.
The Company reported a cash profit of ₹46 Cr and EBIDTA margin of 11.80% in 2020-21.



Listing

The Company is listed on the Bombay Stock Exchange. The Company's market capitalisation was ₹363.10 Cr as on 31st March, 2021. The promoters accounted for a 66.34% stake in the Company's equity capital.



Brand

The Company's proprietary brand Kasta commands a superior recall and traction for consistency, quality and service.



Businesses

The Company is engaged in the manufacture of polymer pipes. These comprised Poly Vinyl Chloride (PVC) and Poly Ethylene (PE) used in the downstream applications of potable water supply, irrigation, building construction and infrastructure.

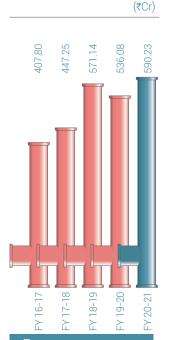


Responsibility

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

'Do Right' has translated into growing numbers

(₹Cr)



Revenues

Definition

Growth in sales, net of taxes.

Why this is measured

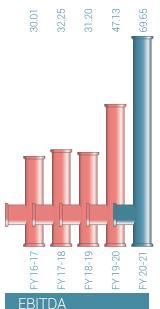
It is an index that showcases the Company's ability to maximise revenues, which provides a basis against which the company's performance can be compared with sectoral peers.

What this means

Aggregate sales increased 10% during the year under review on account of a wider marketing footprint.

Value impact

The volume offtake remained creditable in an otherwise challenging year for the economy, protecting the Company's industry visibility.



Definition

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

Why this is measured

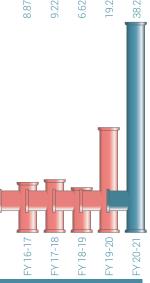
It is an index that showcases the Company's ability to generate a surplus after operating costs, creating a base for comparison with sectoral

What this means

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

Value impact

The Company reported a 46% growth in EBIDTA in FY 20-21 due to better price realisations.



(Rs. Cr)

Net profit

Definition

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

Why this is measured

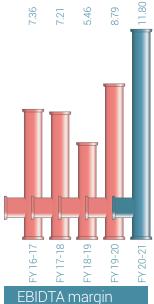
It highlights the strength of the business model to enhance shareholder value.

What this means

This ensures the quantum of cash available for reinvestment.

Value impact

Wider footprint and higher sales helped strengthen PAT to the highest ever in the company's existence, nearly 100% over the previous year an instance of profitable arowth.



(%)

Definition

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

Why this is measured

The EBIDTA margin provides an index of how much a company earns (before interest and taxes) on each rupee of sales.

What this means

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

Value impact

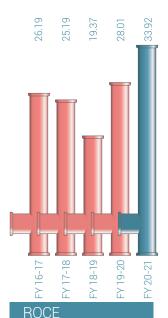
The Company reported a near-300 bps increase in EBIDTA margin in FY 20-21 (highest in 5 years) on account of a superior product mix, higher revenues and payback of business development costs.

(%)

(x)

(%)

(x)



Definition

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

Why this is measured

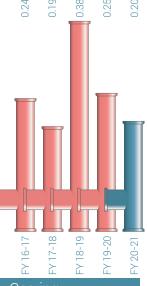
ROCE is an insightful metric to compare profitability across companies based on their capital efficiency.

What this means

Enhanced ROCE can potentially drive valuations and market perception.

Value impact

The Company reported 600+bps increase in ROCE in FY 20-21 following increased volumes, recovery of business development costs and economies of scale (manufacturing, distribution and brand).



Gearing

Definition

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

Why this is measured

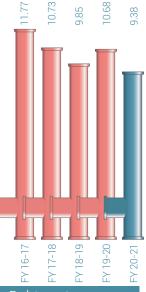
This is one of the defining measures of a company's solvency and liquidity.

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 improved at 0.20 in FY 20-21 compared to 0.25 in FY 19-20 following debt repayment and increased net worth. This ratio should ideally be read in conjunction with net debt/EBITDA (lower the better).



Debt cost

Definition

This is derived through the computation of the average cost of the consolidated debt on the Company's books.

Why this is measured

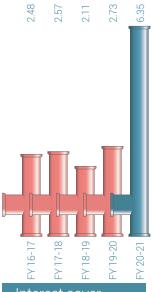
This indicates the company's ability in convincing debt providers of the robustness of the business model and negotiating a lower debt cost (leading to higher margins).

What this means

This translates into enhanced cash flows and strengthens credit rating leading to declines in debt cost.

Value impact

The Company's debt cost was 9.38% in FY 20-21, lowest in five years. This ratio should ideally be read in conjunction with net debt/operating profit (a decline indicating higher liquidity).



Interest cover

Definition

This is derived through the division of EBIDTA 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 strengthened from 2.73x in FY 19-20 to 6.35x in 2020-21, which was largely on account of superior cost management, higher realisation, projects payback and increased business growth through accruals.

