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AGM ON FRIDAY, 22ND SEPTEMBER, 2017

Venue

KRYPTON INDUSTRIES LIMITED

CIN : L25199WB1990PLC048791

Falta Special Economic Zone, Sector - 2, Plot No. 32
24 Parganas (South), West Bengal - 743 504
Time : 11:30 A.M.

ALL SHAREHOLDERS ARE WELCOME

**27TH ANNUAL REPORT
BOARD OF DIRECTORS**

JAY S. BARDIA : MANAGING DIRECTOR

PRADEEP KUMAR SINGH : DIRECTOR

T. C. BACHHAWAT : DIRECTOR

RAVI PRAKASH PINCHA : DIRECTOR

VIMALA DEVIBARDIA : DIRECTOR

ADMINISTRATIVE

P. L. BARDIA : CHIEF EXECUTIVE OFFICER

VINAY SIPANI : CHIEF FINANCIAL OFFICER

ARTI BOTHRA : COMPANY SECRETARY

BANKER : 1) BANK OF BARODA
International Business Branch
4, India Exchange Place
Kolkata - 700 001.
2) THE FEDERAL BANK LTD.
1, R. N. Mukherjee Road Branch
Kolkata - 700 001

AUDITORS : M/s. JAGDISH AGARWAL & ASSOCIATES
Chartered Accountants
446, City Centre,
19, Synagogue Street, Kolkata - 700 001.

DEMAT REGISTRAR : MAHESHWARI DATAMATICS (P) LTD.
& 23, R.N. Mukherjee Road, 5th Floor, Kolkata - 700 001
SHARE TRANSFER AGENT Phone : 033-2243 5029, Fax : 033-22484787

HEAD OFFICE : 410, Vardaan Building
25A, Abanindra Nath Tagore Sarani
4th Floor, Kolkata - 700 016
Phone : 033-22871366, Fax : 033-22871084
Website : www.kryptongroup.com
E-mail : kyrpton@vsnl.com

KRYPTON INDUSTRIES LIMITED

DIRECTORS' REPORT

Dear shareholders,

Your Directors present the 27th Annual Report together with the audited accounts of your company for the year ended 31st March 2017.

1. FINANCIAL RESULTS

During the year under review, the company achieved an aggregate income of Rs.3399.25 Lakhs. The highlights of the financial results are as under:

	Amount in (Rupees in '000)	
	Current Year	Previous Year
	2016-2017	2015-2016
Sales	333593.96	383983.65
Other Income	6331.21	2281.98
Gross Total Income	339925.17	386265.63
Profit before Interest, Depreciation & Tax	(888.00)	43880.32
Interest	20963.72	21161.02
Depreciation	17059.53	17855.96
Profit before Exceptional Items & Extraordinary items and Tax	(38911.25)	4863.34
Exceptional Items	-	-
Profit before Tax and after Exceptional Items & Extraordinary Items	(38911.25)	4863.34
Provision for Taxation	(242.32)	997.64
Profit after Tax	(38668.93)	3865.70
Balance in P&L A/c brought Forward	111462.02	107596.32
Adjustments under Schedule II of Companies Act, 2013	-	-
Balance Available for Appropriation	72793.09	111462.02
Proposed Dividend	0.00	0
Tax on Proposed Dividend	0.00	0
Transfer to General Reserve	0.00	0
Balance carried to Balance Sheet	72793.09	111462.02

2. OVERVIEW AND REVIEW OF OPERATION

A review on division wise performance of the company is furnished below:-

Tyre Division

The total income of the Tyre division for the year 2016-17 amounted to Rs.1177.12 lakhs compared to Rs.1380.29 lakhs of in the previous year. The profit before tax amounted to Rs. (279.94) lakhs as compared to profit of Rs.45.44 lakhs previous year.

Due to increase in raw material prices and also change in product specification we made losses in export which is one time loss and company is quite confident to make profits as past years in coming years.

Sadhurhat division

The unit is engaged in manufacturing MCP Tubeless Tires for domestic market. The unit reported an income for the year 2016-17 amounted to Rs. 784.48 lakhs as compared to the previous year Rs. 787.73 Lakhs and the unit reported the Profit before tax for the year 2016-17 of Rs. 67.67 lakhs compared with previous year of Rs. 76.14 lakhs.

This unit has maintained its profit margin intact as per last year. Although this year is very tough due to demonetization and increased raw material prices which has hurt the sale growth. But still company has maintained same turnover as per last year. We are very hopeful to make decent growth in domestic market in current year.

Wheel division

The total income of this unit for the year 2016-17 amounted to Rs.202.68 lakhs compared to Rs. 297.56 lakhs in the previous year. The unit reported the profit before tax for the year 2016-17 amounted to Rs. (78.72) lakhs compared to Rs. (27.27) lakhs in the previous year.

Due to weak export its turnover has reduced as well. This is a captive unit which is linked with the sales of other units.

Plastic division

The total income of this unit for the year 2016-17 amounted to Rs. 302.69 lakhs compared to Rs. 300.41 lakhs. The unit reported the profit before tax for the year 2016-17 amounted to Rs. 81.11 lakhs compared to the loss of Rs. 83.59 lakhs.

The unit should perform better in the current years due to the increase in production and capacity utilization.

Footwear division

The total income of the footwear division for the year 2016-17 amounted to Rs. 550.69 lakhs compared to Rs. 881.18 lakhs in the previous year. The unit reported a loss before tax of Rs. 158.32 lakhs during the year compared to loss of Rs. 144.87 lakhs in the previous year.

Due to Demonization and adverse market condition, the unit reported a loss. The Company is taking steps to change the product and customer mix for a stable business and specifically moving towards high value added products and expecting turnaround in this business segment and also we are working hard for further cost reduction for better bottom line. Our tie up with VKC group has also started giving positive results. Also company has started production of safety shoes which will give better turnover and higher margins. We are hopeful to reduce our losses in current year.

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Engineering division

The total income of this unit for the year 2016-17 amounted to Rs. 951.61 lakhs compared to Rs.1019.84 lakhs in the previous year.

The unit posted the profit before tax for the year 2016-17 amounted to Rs. 3.93 lakhs compared to Rs. 21.15 lakhs.

The Indian Rehab Care Equipment Market has stated accepting the Brand "**iCare**" which was very encouraging for our company and the same is also noticeable from the current year itself.

Company has always taken a long term view of this business and the company is also in process to come with more similar products for the disabled persons in the coming year. And the company is also expecting very high demand due to weaker rupee and stronger USD & Chinese Yuan due to which we will be very competitive not only in India but all around the world. This currency situation will help us to increase our sales quickly.

2. DIVIDEND

In order to strengthen the financial position of the company the Board of Directors have decided not to recommend any dividend for the Financial Year ended 31st March, 2017 and plough back the profits of the company in its business.

3. SUBSIDIARIES, JOINT VENTURES OR ASSOCIATES

At present, the company does not have any subsidiary, Joint ventures or associates.

4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required Listing agreement with Stock Exchange:-

A. Industry Structure & Developments:-

Krypton Industries Limited (KIL) had a tough last year due to difficult market conditions and high input cost and high manufacturing expenses.

The company is mainly focusing in market expansion in India for its MCP tubeless tires and hospital/disabled support equipment business. Company is looking for Big OEM's for its MCP tubeless tires for better replacement market penetration. Company is also focusing on high end products for disables persons and to increase its product portfolio. Also company is aggressively betting for government sector for Wheelchairs & other support equipment. We have started working on de bottle necking our production facilities and to upgrade our machinery with very minimal capital outlay which help us to enhance our production capacity.

The company had a negative growth from its footwear business due to change in business model and the company has also restructured the business from complete manufacturing to job work & manufacturing to get better results in the current and future years. The company is also focusing to

change the product and customer mix for a stable business. Company is also working in reduction of cost and increasing its efficiency. In footwear segment also we have entered safety shoe segment which will help company to achieve high turnover and high profitability. Also company is looking for African market for safety shoe segment which will give company higher margins with stability.

B. Outlook and opportunities

Your Company has identified the following opportunities and future building business areas:

The company's major focus is on tire and rehab care business which has very high potential in future. Primarily, the PU tire for Bicycle, rehab care products and industrial application tire business will be our main focus this year and years to come for the domestic as well as international market.

With Rehab care / disabled support equipment business, the company is now considered as one of major domestic brand in India with brand name "**ICARE**", with our current product portfolio & brand recognition in market the future looks very promising. With government focus on "**Divyang**" section of society, huge demand from both government sector as well as from market will come in future. We have been also accredited with certain quality certification which will help company to participate tenders from Defense, NGO's, Hospitals & other government organizations. Company is also continuously making efforts to increase its product portfolio to stay competitive from imports and other emerging players in the segments.

With change in business model of the footwear business, company is expecting a turnaround in footwear business in coming years. Also company has started manufacturing safety shoes market which will give company access to niche segment, which will help company to increase its profits & turnover.

C. Outlook on threats, risk and concern

1. Business Risks:

Company's major product portfolio is MCP tubeless Tires & castor wheels, which faces tough competition from rubber tires as prices of those tires are comparatively lower than PU tires. Also our bicycle tire is new entrant in our portfolio which is still in growing stage and has a huge potential but at the same time it's a completely new product for the market and acceptance will take some time to establish. Also globally PU raw material prices are higher than rubber prices which can also impact our topline.

Company is facing biggest competition from cheap & low quality Chinese products in Hospital/ disable support equipment business in Indian and across the world. Company is normally engaged in import of Raw Materials and export sales during its course of business which exposes it to exchange fluctuation and crude & petrochemicals prices, cost of manufacturing are also the areas of concern which we are mitigating it by cost reduction in each area possible.

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Company also needed to improve its overall performance in both monetary as well as non monetary terms by emphasizing its product quality and increasing its topline and reducing its overall cost of sales including reduction of Cost of raw materials and other fixed and variable overheads.

2. Financial Risks:

Majority of raw material are imported, so any major fluctuation in US\$ can affect the performance of the company. Although foreign exchange risks somewhat balanced by exports and company is regularly covering such risk.

The interest cost is still on the higher side although RBI started reducing interest rates and banks are reluctant in passing the benefit to borrowers. Company is exploring the other means to reduce interest cost.

3. Legal & Statutory Risks

Company is complying regularly with all the regulatory requirements with respect to manufacturing, taxations, statutory requirements, company law, SEBI etc, with new laws coming in, this exercise will need more inputs which company is working towards.

4. Political Risks

Any major change in local, national or international can effect the business but as, at the moment, company does not have any business with government entities, the risk is minimal. Although company is trying to secure government business at the moment, this can impact positively as well as negatively in a small percentage of growth of the company.

D. Internal Control System and their adequacy:

Your Company believes that Internal Control is a required principle of governance that freedom of management should be exercised within a framework of appropriate checks and balances. Your Company remains committed to ensuring an effective internal control environment that provides assurance on the efficiency of operations and security of assets.

The company has an Audit Committee, the details of which have been provided in the Corporate Governance Report. Internal auditor performs their duty and audit committee reviews internal auditor reports and other reports and provides suggestions for improvement /takes corrective actions. The committee also meets the Company's Statutory Auditors to ascertain, interalia, their views on the Adequacy of Internal Control Systems in the company and keeps Board of Directors informed from time to time.

E Financial Performance

Over all financial Performance of the company is on right track but needs lot of improvements and which your company will surely do this year and in the years to come.

F. Human Resource Developments:

During the fiscal 2016-2017 company has more than 250 Persons on its payroll. Apart from this company has generated indirect employment to more than 500 persons in nearby locations. Company is working on to restructure the total organization to help its growth with further recruitment in the top and middle management level at different positions.

5. SHARE CAPITAL

The paid up equity share capital as at March 31, 2017 is Rs. 14.69 Crores, divided into 1,46,97,130 equity shares of face value Rs. 10 each.

During the year under review, the Company has not issued any equity shares with differential rights or sweat equity shares or under any employee stock option.

6. DEPOSITS

During the year under review, the Company has neither invited nor accepted any fixed deposits from the public within the meaning of section 73 of the Companies Act, 2013 and the rules made there under.

7. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The particulars of the loans given, Investments made, Guarantees or Securities provided during the year have been disclosed under the Note no. 14, 15 & 33 to the financial statement.

8. PARTICULARS OF THE CONTRACTS OR ARRANGEMENTS WITH THE RELATED PARTIES

All transactions/ contracts/arrangements entered with the Related Parties during the financial year were in the Ordinary course of business and on arm's length basis and without any conflict of interest. Moreover, the company has not entered into any transaction of material nature with the promoters, directors, management, subsidiaries or any significant related party during the financial year that may have potential conflict with the interests of the company at large.

Since all the related party transactions entered into by the Company were in the ordinary course of the Business and on an arm's length basis. Thus, Form AOC-2 is not applicable to the company.

The details of the transactions/ contracts /arrangements held with the related parties have been disclosed in the Notes to the financial statements. A framed Policy on Related Party Transactions duly adopted by the Board is available on the Company's website www.kryptongroup.com.

9. MATERIAL CHANGES AND COMMITMENTS

There has been no material changes have been occurred affecting the financial position of the company in between the period from the close of the financial year of the company to which the Balance Sheet relates and the date of the report.

10. AUDITORS

Statutory Auditors & their Report

Pursuant to section 139 of the Companies Act, 2013 M/s. Jagdish Agarwal & Associates (Registration No.320253E), Chartered Accountants would complete their current term as Statutory Auditors as permitted under the Companies act, 2013 read with the relevant rules made thereof at the ensuing 27th Annual General Meeting of the Company. Accordingly, the Board has recommended appointment of M/s P. K. Luharuka & Co., Chartered Accountants as Statutory Auditors to hold the office for a period of five (5) consecutive years from the conclusion of the 27th Annual General Meeting till the conclusion of the 32th Annual General Meeting subject to the approval of Shareholders.

M/s P. K. Luharuka & Co. (Registration no. 322020E), Chartered Accountants have confirmed their eligibility under section 141 of the Companies Act, 2013 and the Rules made there under for appointment of Auditors of the Company. As required under Regulation 33(1)(d) of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, the auditors have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

The observations made by the Statutory Auditors in their report for the financial year ended 31st March 2017 read with the explanatory notes therein are self-explanatory and therefore, do not call for any further explanation or comments from the Board under Section 134(3) of the Companies Act, 2013. The Auditors' Report does not contain any qualification, reservation or adverse remark.

Secretarial Audit Report

Pursuant to section 204 of the Companies Act, 2013, the Board has appointed M/s M.R. & Associates, Practicing Company secretaries to undertake the audit of Secretarial and other related records of the company. The Secretarial Audit Report issued by M/s M.R. & Associates in Form MR-3 for the financial year ended 31st March, 2017, is also annexed herewith in Annexure-V. Your directors wish to clarify the observations made by the Auditors regarding the cases being shown as pending in the Bankshall Courts which were actually being resolved during the past years itself and for which a letter is being sent to the Registrar for removal of such cases from the pending list.

Your Directors also clarify that the listing fees of the Calcutta Stock Exchange for the financial year is not being paid as the said stock exchanges is suspended from long.

Cost Audit & Records

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014 the Company is only required to maintain its cost records in respect of the products being manufactured by the company. The Cost records are duly maintained by the company as required.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGES EARNINGS AND OUT GO:

The information as required under clause (m) sub section (3) of section 134 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rule, 2014 is annexed herewith in Annexure- I.

12. EXTRACT OF ANNUAL RETURN

The extract of Annual Return in Form MGT-9 forming part of the Directors Report is duly attached herewith in Annexure-II.

13. DETAILS OF SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNAL IMPACTING GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

There were no significant & material orders passed by the regulators or courts or tribunal which would impact the going concern status and future operations of the company.

14. LISTING AT STOCK EXCHANGES

The equity shares of the company are listed on the stock exchanges at Kolkata and Mumbai. The annual Listing fees have been paid for the financial year 2016-2017.

15. CORPORATE GOVERNANCE

A separate section on corporate governance together with a certificate from the Auditors of the company regarding full compliance with the provisions of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 with the stock exchanges forms a part of the Report under Annexure- IV.

16. MEETINGS

During the year under review, ten Board Meetings and four Audit Committee Meetings were convened and held, the dates and attendance in by each Directors are given in the Corporate Governance Report. The maximum time gaps between the Meetings were within the period as prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

The details of constitution of the Board and its Committee are given in the Corporate Governance Report.

17. DIRECTORS

Mr. Tilok Chand Bachhawat (DIN: 00580356), Non-Executive Director who is liable to retire by rotation as director in accordance with the Companies Act, 2013 and being eligible, offers himself for reappointment at the forthcoming Annual General Meeting.