

KRITI INDUSTRIES LTD.

About The Company:

The Company was **incorporated in 1990** in a small setup. KIIL at present possesses **18** extrusion lines for PVC pipes, **14** extrusion lines for HDPE & Drip, **20** Injection moulding machines and state of art facilities. The Company employed **530 officers and workmen** as on 31st March 2020

KIIL is having its **main objects** to manufacture, weave, prepare, process, formulate, buy, sell, resell, export, import, trading and marketing in pipes and fittings of plastic goods.

Products:

The Company is a **one-stop provider** of polymer extruded products – from 20 mm to 710 mm diameter and applications extending **from water to drip irrigation to gas to telecom**. This has enhanced our share of the primary customer's wallet (distributors).

P.V.C. extrusion, dry blend, polythene, LDPE, HDPE, PP exceed PE, injection moulding formulation of resins and plastic woven fabrics, collapable flex tubes, multi layers, plastic films, packaging recycling of waste, including plastic liners and sacks of hydensity polythene, polypropyelene, pipes sheets and wares and plastic goods and products, synthetic resins and compound, and compositions, polythene cables, plastics and fiber glass moulding PVC additives.

The Company has expanded its range of products from small diameter pipes to 710 mm diameter in all classes and ratings. It also has facilities for producing a variety of PVC/HDPE fittings. For laying optical fiber cables HDPE ducts are used now-a-days.

KIIL has been experiencing substantial growth in PVC fittings segment. KIIL manufactures pipes for Potable Water Supply, irrigation purposes, building, constructions pipes etc.

Market : Its products are sold under the “***Kasta***” ***brand***, which is well known in Central India. The major marketing areas are M.P. and adjoining districts of Maharashtra and Rajasthan, where 80% of the Plastic Division’s sales take place.

Distribution Channel: Company has appointed a ***large number of product distribution partners*** with speed, pump a large volume of products through them, focus on capturing market share through aggressive discounting and hold on to that market share

Company launched a patient customer contact programme wherein its ***sales team extended deep*** into select districts, engaged with farmers on their retrospective purchase patterns and proposed capex programme, build awareness of the Company’s brand and enhance the confidence of our prospective dealers

Micro focus: The Company has treated each district as a ***unique market***, helping map the growing needs of individual farmers. The Company is directly present through trade partners at tehsil levels (as opposed to taluka levels for most). The result is that the Company is a ***market leader*** in *Madhya Pradesh (65%) and Rajasthan (45%)*.

Major Buyers: Department of Telecommunications, Reliance Telecom, Bharti Tele net, Railways, Defence Department etc. The company has also entered in a big way into drip irrigation sector and with the growing agriculture sector, business prospects in this segment is very bright.

• **KEY GEOGRAPHIC LOCATIONS:**

The Company's geographic broad basing extended from a longstanding presence in ***Madhya Pradesh, Rajasthan, Uttar Pradesh and Haryana*** to contiguous states like ***Maharashtra and Telangana***, the most decisive expansion after 35 years of being present principally in two Indian states.

The organisation has matured to a point – scale, brand, bandwidth, distribution and Balance Sheet – where a wider geographic footprint will accelerate its competitiveness and transform it from a regional brand into a multi-zonal organisation and pan-India presence.

MANUFACTURING: The Company is present in ***Madhya Pradesh*** where 70% of the state's population depends on agriculture. The Company possesses one of the ***largest single-location*** polymer pipe manufacturing plants in India (***125,000 TPA***); the Company is among the sixth largest in its sector in India.

MANUFACTURING CAPACITY: The Company ***broad-based*** its manufacturing capacity by ***25% in 2018-19*** and kept its capacity at a constant in 2019-20.

This capacity has been structured for peak requirement during the post- monsoon season. The plant usually operates at peak utilisation during this period. New upgraded auto mixer being planned to support the increased capacity. ***Last year 1 new high capacity extruder added to produce 26 MT/day.***

SALES:

Largely present in the states of **Madhya Pradesh and Rajasthan**. Company emerged as the **undisputed market leader** for polymer pipes and fittings in Madhya Pradesh and retained this position for years. The Company's sales in **Maharashtra nearly doubled** and sales in **Telangana trebled** during the last financial year; the cumulative sales from these two states increased from 8% in 2018-19 to 15% in 2019-20, helping de-risk the Company from an excessive dependence on its traditional markets in Madhya Pradesh and Rajasthan

• HISTORY OF THE COMPANY AND TIMELINE

- The company belongs to the **Kasta Group** which is engaged in the manufacture of rigid PVC pipes and in Solvent Extraction.
- **12.3.1990** : Kriti Agro & Plastic Industries Limited was **incorporated** as a Private Limited Company
- **1.4.1990**: Two other group Companies namely Kasta Extrusions Pvt. Limited and Purti Pipes & Processors Pvt. Limited have been **merged** with the Company
- **10.6.1992**: Subsequently converted into a Public Limited Company
- The Company has two divisions namely '**PLASTIC DIVISION**' and '**SOLVENT DIVISION**'.
The Plastic Division of the Company is engaged in the production of rigid PVC pipes and had set up manufacturing facilities in **1986** at Pithampur near Indore with an installed capacity of **4320 TPA**.

- The ***Solvent Division of the Company*** is engaged in the production of Soya bean/Rapeseed Oil, De Oiled Cake by Solvent Extraction Process.
- **18th February 1993:** The Company has set up a **300 TPD** Solvent Extraction Plant at Dewas, 35 KM from Indore. The Plant has commenced commercial Production on.
- **23rd sept.1995:**
Group Companies : The Company has two other associate concerns namely Shipra Pipes Pvt. Ltd. and Kasta pipes Pvt. Ltd. manufacturing Rigid PVC Pipes of diameters less than 110 mm, an activity reserved for the SSI segment. Shipra Pipes Pvt. Ltd. was incorporated on 30.12.1986 and Kasta Pipes Pvt. Ltd. was incorporated on 06.04.1989. By way of special resolution on **23rd sept.1995** the company has changed its name to **" KRITI INDUSTRIES LTD"**.
- **2007** - The Company has **splits** its face value from Rs10/- to Rs1/-.
- **2013** -The Company has recommended **dividend** of Re. 0.15 per share (15%) for the year.
- **2014** -The Company has recommended **dividend** of Re. 0.15 per share (15%) for the year. - Mr. Vinod Kumar Mittal has been appointed as Chief Financial Officer of the Company. - Mr. Satish Patel has been appointed as Company Secretary of the Company.
- **2016** - Kriti Industries **commences commercial production of unit II** in MP.

• **COMPANY MANAGEMENT**

Mr. Shiv Singh Mehta

(Chairman & Managing Director)

The Founder of Kriti Industries (India) Ltd., Shiv Singh Mehta is a businessperson who has been at the head of 5 different companies and presently occupies the position of Chairman & Managing Director at Kriti Industries (India) Ltd. and Chairman & Managing Director at Kriti Nutrients Ltd.



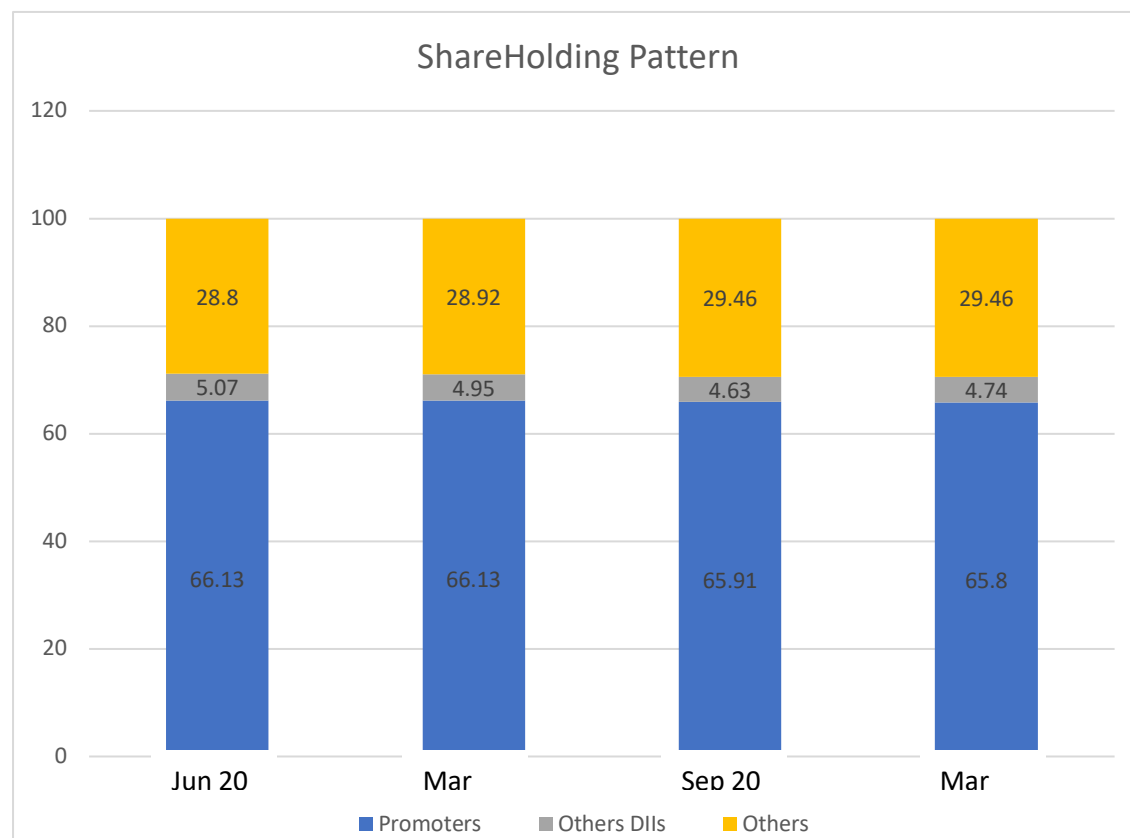
Mr. Mehta is also Chairman of Indore Management Association and on the board of 6 other companies. He previously occupied the position of President of All India Manufacturers' Organisation and President of Jain International Trade Organization.

The following are the Key Managerial Personnel's (KMPs) of the Company during the period under review:

<u>Name</u>	<u>Designation</u>
Mr. Shiv Singh Mehta	Chairman & Managing Director
Mr. Rakesh Kalra	Independent Director
Mr. Chadrasekharan Bhaskar	Independent Director
Mrs. Purnima Mehta	Executive Director
Mr. Manoj Fadnis	Independent Director
Mr. Saurabh Singh Mehta	Additional Director
Mr. Kamal Kanodia	Chief Financial Officer
Mr. Apeksha Baisakhiya	Company Secretary Compliance Officer

EQUITY HOLDING:

The Company has not diluted its equity since its IPO in 1993, indicating a conservative dilution approach. The Company's equity is largely held by the promoters (66.13%) ensuring that they possess a high engagement in the Company's prosperity.



Standalone	June 2020	March 2020	September 2019	March 2019
Promoters	66.13	66.13	65.91	65.8
Others DIIs	5.07	4.95	4.63	4.74
Others	28.8	28.92	29.46	29.46
Total	100	100	100	100

DIVIDEND:

Annual Date	Effective Date	Dividend Type	Dividend (%)	Remark
29-06-2020	30-07-2020	Final	15.00	Rs.0.1500 per share
16-05-2019	06-08-2019	Final	15.00	Rs.0.1500 per share
16-05-2018	23-07-2018	Final	15.00	Rs.0.1500 per share
01-08-2017	04-09-2017	Final	15.00	Rs.0.1500 per share
08-03-2016	17-03-2016	Interim	18.00	Rs.0.1800 per share
30-05-2014	17-09-2014	Final	15.00	Rs.0.1500 per share
06-05-2013	04-09-2013	Final	15.00	Rs.0.1500 per share
28-05-2012	12-09-2012	Final	15.00	Rs.0.1500 per share
23-05-2011	15-09-2011	Final	15.00	Rs.0.1500 per share
20-05-2010	17-09-2010	Final	15.00	Rs.0.1500 per share
16-06-2008	23-09-2008	Final	15.00	Rs.0.1500 per share
05-06-2007	21-09-2007	Final	12.00	AGM
27-06-2006	17-08-2006	Final	10.00	AGM
25-05-2005	15-09-2005	Final	10.00	AGM
01-07-2004	02-09-2004	Final	10.00	AGM
26-06-2002	06-09-2002	Final	5.00	AGM
18-06-2001	27-08-2001	Final	5.00	Dividend

SPLITS:

Kriti Industries (India) had last split the face value of its shares ***from Rs 10 to Rs 1 in 2007***. The share has been quoting on an ex-split basis from December 13, 2007.

BUSINESS MODEL ANALYSIS

ANALYSIS OF KEY METRICS AS A PERCENTAGE OF SALES :

Particulars	FY17	FY18	FY19	FY20
Sales YoY Growth %	-21%	17%	33%	-6%
COGS	78%	81%	81%	77%
YoY Growth %	-22%	22%	34%	-11%
Gross profit	22%	19%	19%	23%
Employee Cost	5%	4%	4%	4%
Other expense	10%	9%	10%	10%
EBITDA	8%	7%	5%	8%
EBITM(%)	7%	6%	4%	7%
PATM(%)	2%	2%	1%	4%

PROFIT & LOSS STATEMENT:

P&L Statement	FY16	FY17	FY18	FY19	FY20	FY21P	FY22E
Net Revenues	46256	36472	42764	56902	53422	69448	90283
COGS	36401	28317	34479	46356	41201	55559	72226
Gross Profit	9855	8155	8284	10546	12221	13890	18057
Total Expense	6088	5285	5360	7638	7695	62503	81254
EBITDA	3767	2870	2924	2908	4526	5556	7223
Depreciation	405	481	562	596	715	2211	2358
EBIT	3363	2389	2363	2312	3811	3345	4865
INT cost	1585	1212	1253	1477	1726	2473	2819
Other income	154	131	300	212	187	402	423
PBT	1932	1308	1410	1047	2156	1274	2469
Less: tax	763	437	487	385	232	327	635
Reported PAT	1169	871	922	662	1924	947	1835

BALANCE SHEET:

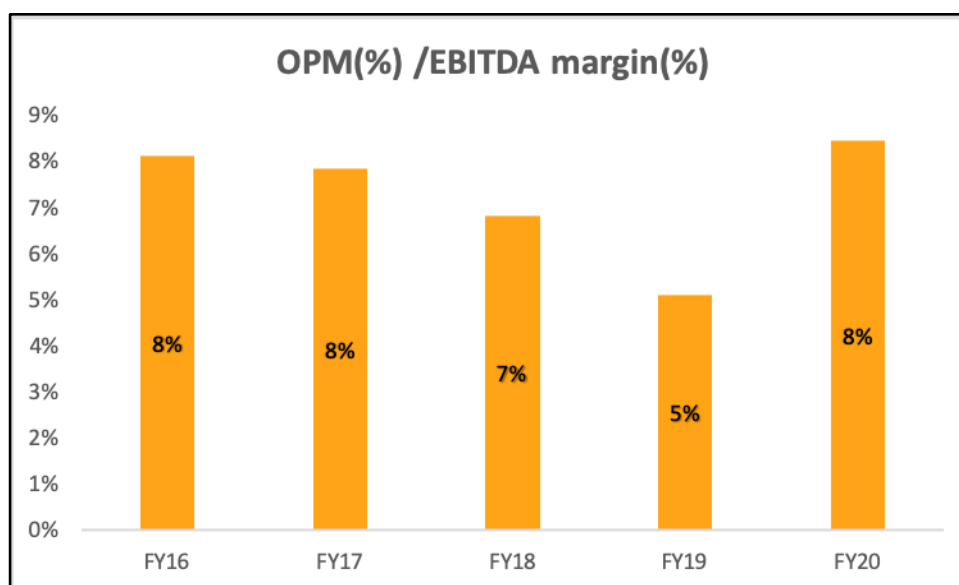
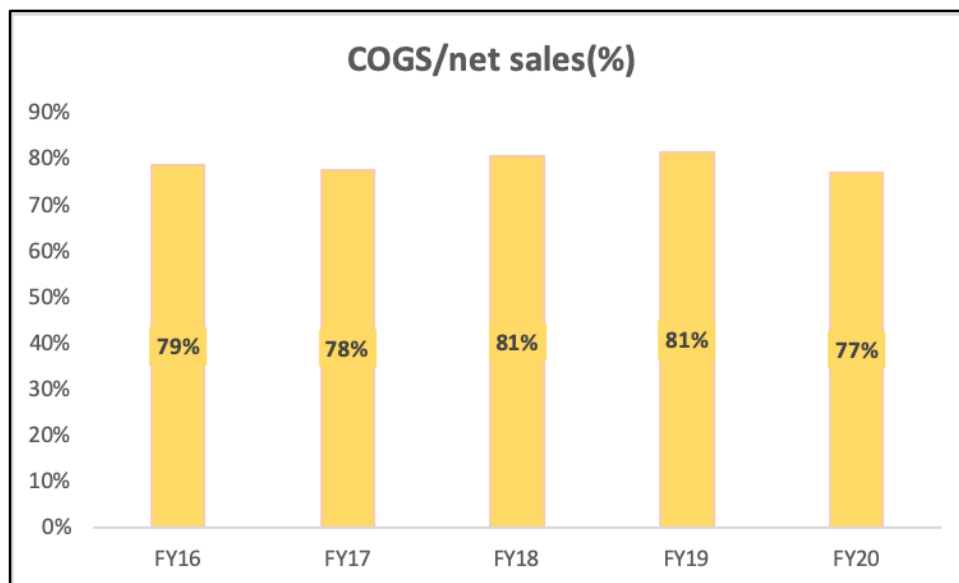
BALANCE SHEET	FY16	FY17	FY18	FY19	FY20	FY21P	FY22E
<u>ASSETS</u>	-	-	-	-	-	-	-
Net Fixed Assets	5533	7436	7915	9454	10248	12530	13361
Capital WIP	363	2	49	67	95	114	137
Investment	778	778	778	779	662	662	662
Long Term Loan & Advances	162	170	164	398	582	611	642
Other	70	105	264	40	0	564	1256
Net Current Assets	1279	310	313	1098	1319	2925	2472
- Cash & Cash Equivalents	1020	846	1088	1193	1370	1500	2530
Total Assets	9205	9648	10572	13029	14276	17406	18529
<u>LIABILITY</u>	-	-	-	-	-	-	-
Shareholders Equity	6249	7035	7957	8529	10380	11327	13161
Total Long Term Debt	1953	1491	1330	2195	1532	3793	3224
Other Non current Liability	211	209	212	1033	1390	1312	1170
deferred tax liability	792	913	1073	1272	973	973	973
Total Liability	9205	9648	10572	13029	14276	17406	18529

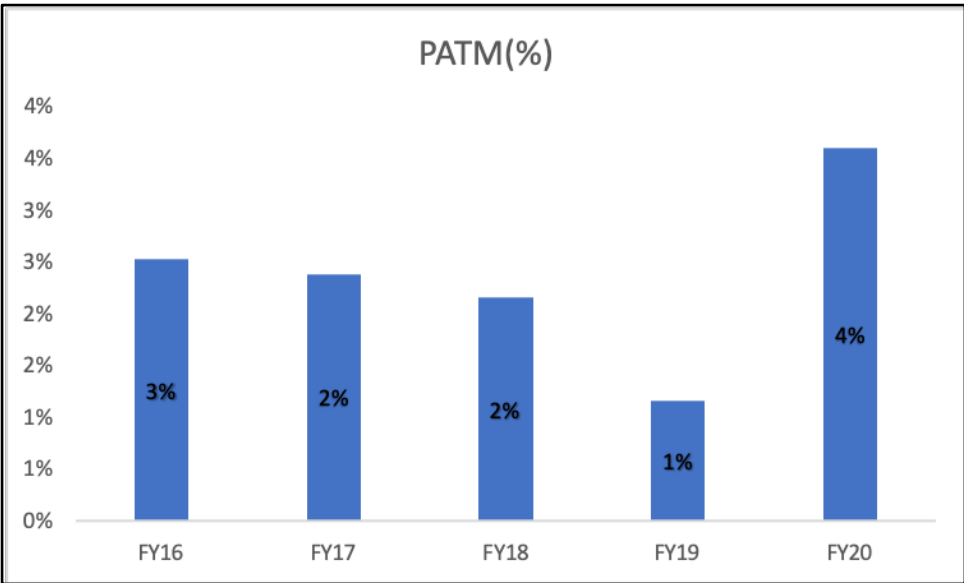
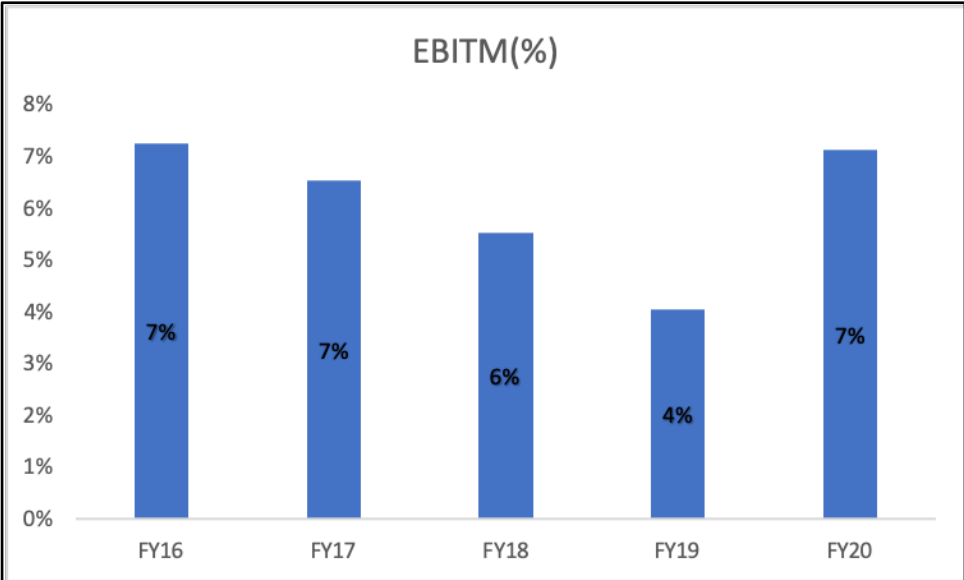
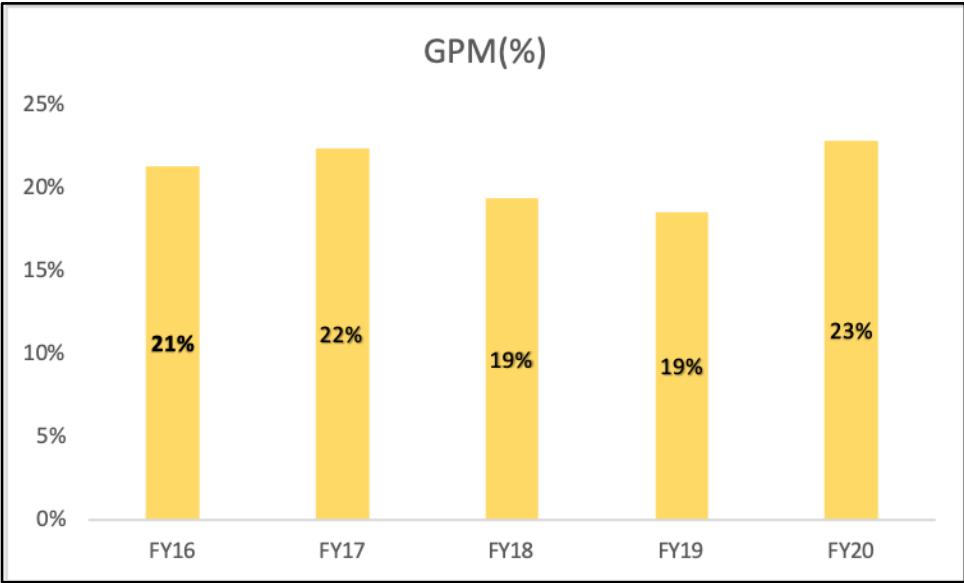
CASH FLOWS:

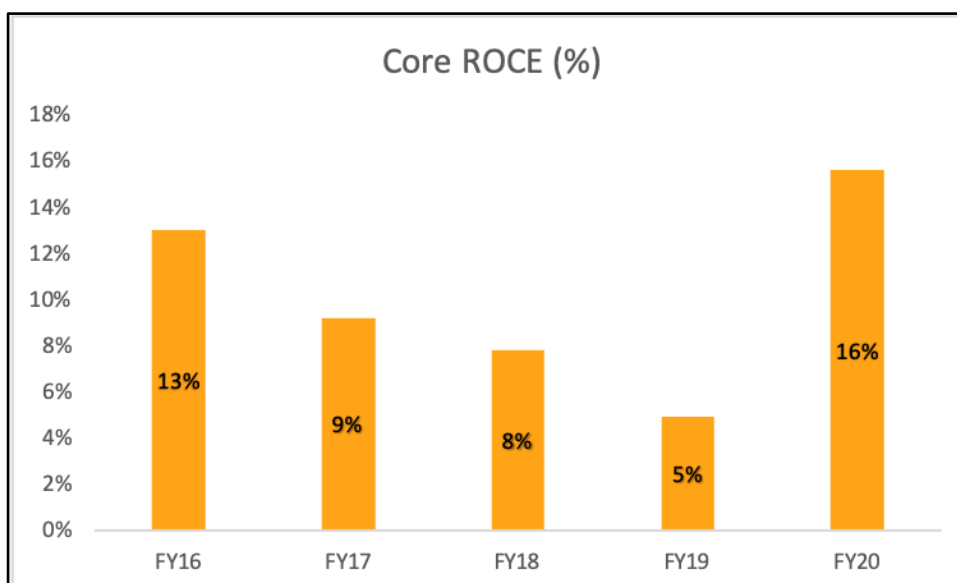
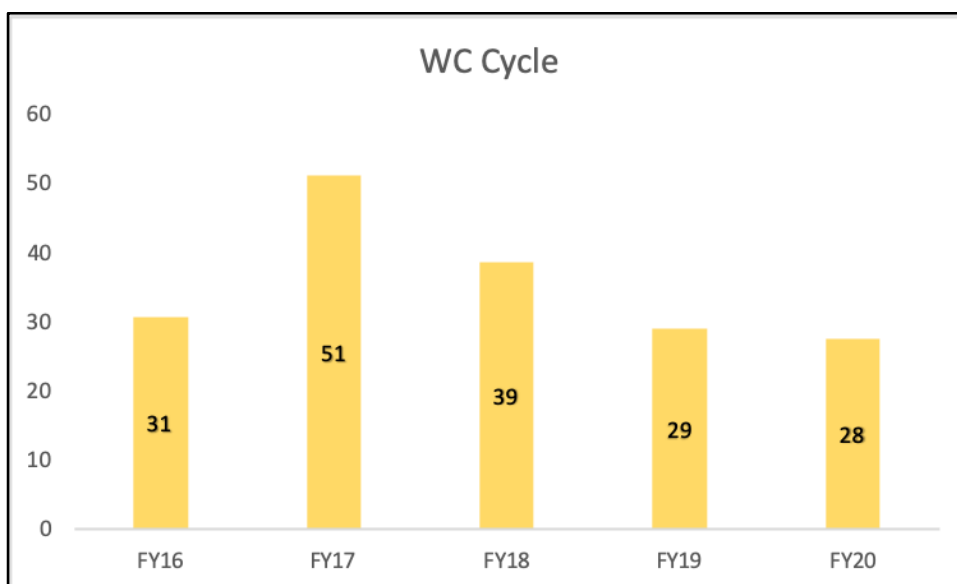
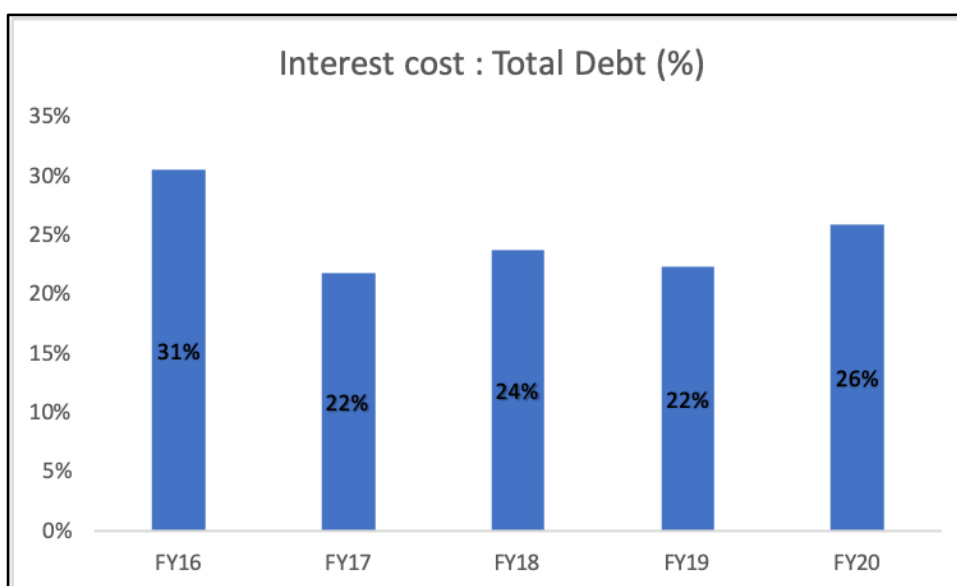
CASH FLOWS	FY16	FY17	FY18	FY19	FY20	FY21P	FY22E
PBT	1932	1308	1410	1047	2156	1274	2469
Operating Profit Before WC changes	3779	2895	3131	2995	4437	5341	6986
(consumption)/releases of WC	-2233	-71	15	-1240	-1064	-4102	-454
Cash Generated from operations	1546	2824	3146	1754	3373	1239	6533
Taxes Paid	292	247	274	225	530	327	635
Net CFO	1254	2577	2872	1529	2843	912	5898
Sales/(purchase) of Fixed Asset	-864	2104	1094	2152	1537	-1200	-1000
Financial Income	143	106	94	126	177	402	423
Sales/(purchase) of Investments	-200	218	-139	-221	-60	0	0
Interest Received	0	0	0	0	0	215	236
Net Cash Flow from Investing Activities	-922	1779	1139	2248	1420	-583	-340
Increase/(decrease)in Debt	1367	393	-296	1347	37	2261	-569
Dividend Paid	-107	0	-90	-90	-90	-90	-90
Interest Paid	1585	1212	1253	1477	1726	-2473	-2819
Others	0	-3	3	822	357	0	0
Net Cash from Financing Activities	-326	-822	1635	602	1422	-301	-3478
Net Change In Cash	7	-25	97	-117	1	28	2080
Cash at the start of the year	2	48	23	120	3	4	31
cash at the end of the year	9	23	120	3	4	31	2112

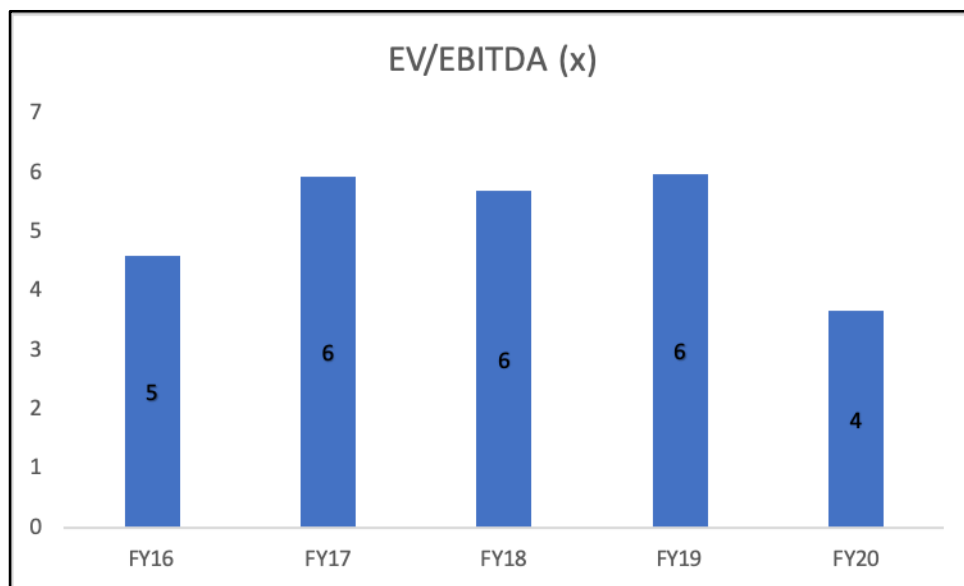
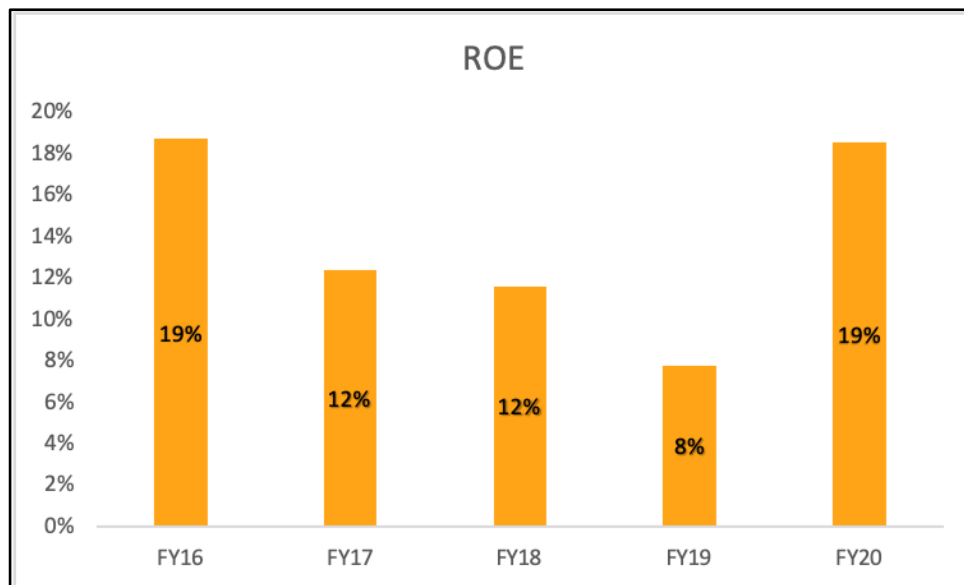
**Values highlighted in grey cells are derived from projections based on financial model prepared for Kriti Industries Ltd.*

KEY OPERATING PARAMETERS:









**The source of all the Balance Sheet , Profit and Loss Statement and Cash Flow data – Annual Reports of the company. All the above mentioned charts are computed from the same data.*

FUTURE PROSPECTS OF THE COMPANY:

- The Company seeks to enhance plant utilisation through the economic slowdown by expanding markets and applications.
- The Company will market a large volume in Maharashtra at non-discounted realisations; it will enter different sectors (gas and building products) with the objective of servicing multiple growth drivers that make it possible to sell our products through the year.
- Company intends to seizing the opportunity of replacement of steel pipes with polymer equivalents is growing and extending to the 1200 mm diameter segment. The penetration of pipes is only 45% of the total market, indicating a vast multi-year head room.
- The Company intends to widen its portfolio to building pipes, addressing the large real estate sector. Besides, the country's water table is high following an extended 2019 monsoon, which augurs well for the offtake of polymer pipes.
- The Company is optimistic that measured approach should translate into Company growing to 1200 crore revenues by 2023 derived through a deeper presence in the States of existing presence and the addition of Karnataka.
- *Sectoral mix:* The Company is broad- basing its personality beyond water transportation applications towards fluid transportation. The Company intends to manufacture extruded products for application in the rapidly growing gas sector. The Company will manufacture pipes of a larger diameter for this application.

Key moving parts which deliver risks

1. **Sluggish Market:** *During the last financial year, the extended monsoon delayed this capex, affecting the offtake of companies engaged in marketing polymer pipes and fittings for agricultural applications. The impact of this sluggishness lasted nearly five months and affected the entire sector.*
2. **Competitive intensity:** *Volumes in the pipe market, which has recently witnessed a surge of new brands, could get affected as the new players tend to under-price their products to gain traction.*
3. **Crude price volatility:** *PVC prices are sensitive to crude price movements. Given that PVC products account for large chunk of revenues, volatility in crude prices could affect consolidated revenues and earnings.*
4. **Product Risk:** *The Company mainly focuses in manufacturing of polymer pipes, primarily Poly Vinyl Chloride (PVC) and Poly Ethylene (PE), suitable for potable water supply, irrigation, building construction and infrastructure. It's is on inability to manufacture different products could hurt offtake.*
5. **Currency volatility:** *The Company does not have any exposure hedged through commodity derivatives. During the year 2019-20, the company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against imports.*

- **VIEWS ABOUT THE COMPANY:**

- 1. Company Management:**

- *The Company has not diluted its equity since its IPO in 1993, indicating a conservative dilution approach. The Company's equity is largely held by the promoters (66.13%) ensuring that they possess a high engagement in the Company's prosperity.*
- *The Company believes in any-market competitiveness derived from a conservative Balance Sheet. The Company invested in building its business through accruals, paying down long-term debt and moderating its receivables.*

- 2. Quality-Branding:** *The Company has continued to enhance recall for its "Kasta" brand by emphasising quality consistency, closer engagements with trade partners and letting product efficacy speak for itself. This translated into a high proportion of sales being generated from cash and carry.*

- 3. Valuing Consumer Base:** *The company does not just market its products wide; but it also market products deep within its existing footprint, this Micro-Focused approach has made Kriti Industries a market leader in Madhya Pradesh (65%) and Rajasthan (45%).*

4. **Strengthened Operating Cash Flows:** *The Company is largely a retail-focused company, accounting for 76% of revenues in 2019-20. institutional sales generate volumes marked by long receivables; the rest of the business is largely cash and carry, strengthening the Company's cash flow.*
5. **Credit rating:** *The Company's business fundamentals resulted in a superior credit rating – from BBB to BBB+ (CARE), which helps company moderate the cost of funds.*
6. **Consistent Margins:** *Company has maintained its key operating margins, there have been narrow variations and company has been consistent over years.*
7. **Dividend Pay-outs:** *The Company has generated profits and paid dividends in every single year of the last decade, indicating business sustainability.*
8. **Efficient Decision Making based on Data Analysis:** *The Company has made profuse amount of investment in data analytics*
9. **Boost Due to Government Initiatives:**
 - *The Indian government announced a **major initiative to grow the national gas grid network** within a time-bound programme, which is expected to translate into an unprecedented demand for polymer gas pipes*
 - ***Project Udaan** or Project Flight is expected to graduate the Company into multiple States with a corresponding distribution network.*

- **Investment POV:**

- 65% of the company's shares are held by its promoters.
- The second large chunk is held by the **Direct Institutional Investors, Mutual Fund houses;** Company's ability to pay-out dividends and maintaining its profit margins at a consistent rate, makes the company benefit investment choice as a part of diversifying the portfolio
- For **Retail Investors**, investing in the company may not be the best fit, given overall Retail holding is approximately 5%, the company relies on conservative philosophy and traditional management strategies obscuring the rapid growth as company belongs to a sector where both organized as well as the unorganized sector are highly competitive.