

# Directors' Report

Dear Members,

The Directors of your Company have pleasure in presenting their 30<sup>th</sup> Annual Report of the business and operations of the Company along with the Audited Financial Statements for the year ended 31<sup>st</sup> March, 2020.

## 1. Financial Results:

The financial performance of your Company for the year ended 31<sup>st</sup> March, 2020 is as under:

Particulars	(₹ in Lakhs)	
	2019-20	2018-19
Revenue from operations (Net)	33,436.87	39,196.35
Other Income	2,660.74	2,474.68
Profit before Depreciation, Interest & Tax (PBDIT)	5,338.36	5,256.86
Interest and Financial expenses	29.67	43.97
Profit before Depreciation and Tax (PBDT)	5,308.69	5,212.89
Depreciation	523.09	539.79
Profit before Tax (PBT)	4,785.60	4,673.10
Provision for Tax - Current	1,062.89	1,233.13
- Deferred Tax (Net of Adjustment)	(903.79)	(8.79)
- Total tax Expenses	159.10	1,224.34
Profit after tax (PAT)	4,626.50	3,448.76
Other Comprehensive Income	(27.49)	(83.50)
Total Comprehensive Income for the period	4,599.02	3,365.26
Earnings per share (₹)		
- Basic	5.76	4.29
- Diluted	5.76	4.29

## 2. Management Discussions and Analysis Report:

Management Discussion and Analysis Report for the year under review as stipulated under Regulation 34(2) (e) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is presented as under:

### A. Acrylic Fiber Industry-Global and Indian Perspective:

Due to ongoing geo-political issues in world especially the trade tension amongst various countries, global GDP and trade were on a downslide in 2019. GDP growth rate of World, USA, China and India in year 2019 were lower as compared to year 2018. Textile

industry has been adversely affected world over due to these trade tensions and the consequential impacts. Acrylic Fiber consumption also witnessed significant erosion with China contributing the highest drop both in production and consumption. The rest of the major global Acrylic Fiber producers also suffered due to overall slowdown of global economy.

Acrylonitrile, which is the primary raw material for Acrylic Fiber is a crude oil derivative. Crude Oil prices in 2019-20 moved largely in a narrow range except for a sharp fall in Jan-20 to Mar-20 reflecting surplus availability on account of impact of Covid-19

pandemic. Despite new capacity addition of 260 KTPA and additional brown field capacity increase of 20 KTPA in Far East Asia, the price movement of ACN was rather in narrow range. Relatively stable crude oil prices also supported lower volatility in ACN prices.

Locally, in India, adverse effect of global slowdown and increased imports were clearly visible. Capacity utilization of domestic Acrylic Fiber industry was low. Large quantity imports at lower prices took place from various countries. Total imports during the year 2019-20 were the highest seen in the past decade. Such imports had an adverse impact on both sales volume and margins of your Company as well overall domestic Acrylic Fiber producing industry. Domestic Acrylic Fiber industry has represented before government of India the grave threat posed by dumping to the domestic industry and the need for suitable measures.

**B. Financial Analysis and Review Of Operations:**

• **Production & Sales Review:**

Your Company has achieved a turnover of ₹33,436.87 lakhs against a turnover of ₹ 39,196.35 lakhs in the previous year. After providing for depreciation of ₹ 523.09 lakhs (previous year ₹ 539.79 lakhs) and provision for current tax of ₹1,062.89 lakhs (previous year ₹1,233.13 lakhs), deferred tax of ₹(903.79) lakhs (previous year ₹ (8.79) lakhs), Profit after Tax (after considering Other Comprehensive Income) of the Company is ₹ 4,599.02 lakhs as against ₹ 3,365.26 lakhs in the previous year. This is about 36.67% higher than 2018-19.

**Resource Utilization:**

(a) **Fixed Assets:**

The gross fixed assets (including work in-progress) as at 31<sup>st</sup> March, 2020 were ₹8,808.95 lakhs as compared to ₹7,062.10 lakhs in the previous year.

(b) **Current Assets:**

The current assets as on 31<sup>st</sup> March, 2020 were ₹30,589.85 lakhs as against ₹33,138.03 lakhs in the previous year. Inventory level was at ₹6,047.02 lakhs as against ₹7,637.15 lakhs in the previous year.

**Financial Conditions & Liquidity:**

Liquidity & Capital Resources:

Particulars	(₹ in Lakhs)	
	2019-20	2018-19
Cash & cash equivalents:		
Beginning of the year	176.70	409.29
End of the year	6,279.64	176.70
Net cash provided/ (used) by:		
Operating Activities	416.74	2,550.60
Investing Activities	8,047.29	(778.77)
Financial Activities	(2,361.09)	(2,004.42)

**C. Capacity Enhancement Programme**

Your Company has been periodically enhancing production capacity by internal efforts since last about a decade. Company now has the necessary approvals to produce 22,000 MT pa. Company took steps during the year 2019-20 to implement the first phase of capacity enhancement programme. This phase of the capacity enhancement has been completed in March 2020 and the capacity now stands enhanced to 21,000 MT pa. Company is now working on second phase of capacity enhancement to 22,000 MT pa likely to be achieved in next financial year. Increase in production is expected to enhance market share of the company, effect savings in operational costs and shore-up profitability.

**D. Business Outlook**

Effect of Covid19 pandemic on world economy and businesses is far and wide. Company had to shut its operations in March 2020 in compliance with the lockdown advised by the union government and the operations were resumed in May 2020. Global GDP and Trade are being forecast to witness large drop in CY2020 and a part of CY2021 also. Atleast economic growth for the financial year 2020-21 seems to be bleak.

Demand for products of your Company is likely to be lower in FY21 compared to FY20. However, there are factors that may restrict this drop in demand. The finished products made from acrylic fiber of the company are used mainly during the winter season

and are thus seasonable products in nature. In case Covid-19 spread comes under check before onset of winter, it is likely to restrict the drop in Acrylic Fiber demand. Raw material of Acrylic Fiber is a crude oil derivative. Relative lower crude oil prices may lead to cheaper raw material prices which may support consumption. At the same time it is important to note that the crude oil prices and those of its derivatives are likely to remain volatile. Both normal monsoon, as is being forecast currently which will boost agriculture income and the government's thrust on increasing rural incomes are good for demand of Acrylic Fiber.

Global Acrylic Fiber demand is likely to be hit more than Indian demand and a large surplus is likely to emerge. Acrylic Fiber capacities in major producing countries outside India have been running at lower operating rates in the last few months. Many of these, especially those dependent upon exports are expected to continue to be hit most leading to heightened threat of dumping. This development may lead to an adverse impact on margins of your Company.

#### **E. Major Risk and Area of Concern**

The adverse impact of Covid-19 pandemic on demand of products of your company is likely to be substantial. The environment of uncertainty prevailing in our country and globally on how long this pandemic will continue in the world including India add to the present concern. Few factors such as relatively stable inflation rate at lower level, normal monsoon forecast and government policy on supporting rural incomes may help restricting the demand drop. Relatively lower crude oil price and impact of the same on entire petro-chain may keep ACN prices at lower level though volatility in crude oil prices and petro derivatives chain may be higher. To sum up, FY 2020-21 is likely to be full of uncertainty & challenges. Dumping of Acrylic Fiber by various countries is likely to add to the woes of domestic acrylic fiber industry.

#### **F. Internal Control Systems and their Adequacy:**

The Company reviews its Systems and Processes periodically to assess their robustness and sufficiency in view of business requirements, best industrial practices, corporate governance, statutory compliances, controls and audit purpose. This is supplemented by a bi-annual Internal Audit to identify areas that might need further review and attention of Senior Management. Recommendations of Internal and Statutory Auditors are viewed as an opportunity to look at our system from an independent view. Senior Management of your Company is committed to make the operations process driven and transparent and strengthen informed decision making so as to minimize chances of deviations and taken timely corrective action.

#### **G. Internal Financial Control:**

The Company has in place requisite and adequate controls for financial matters to ensure all compliances - internal as well as statutory. The systems related to these matters are regularly reviewed and updated to keep them in sync with changing times. During the year, no reportable material weakness in the design or operation was observed.

#### **H. Material Developments in Human Resources/ Industrial Relations:**

The development of human resource through systematic training, building of congenial work environment, installing culture of ownership and promotion of innovative thinking and approach have always received utmost attention and focus in your Company. Your company has been continuously endeavoring on strengthening culture of team work and commitment to excellence. The industrial relations remained cordial during the year. The Company employed on an average 303 persons during the year.

**I. Summary of Key Financial Ratios:**

Particulars	2019-20	2018-19	% change
Debtors Turnover Ratio (Days)	10	15	-28.60
Inventory Turnover (Days)	66	71	-7.18
Interest Coverage Ratio (Times)	175	91.70	90.33
Current Ratio (Times)	3.57	3.46	3.17
Debt Equity Ratio (Times)	0.00	0.00	0
EBIDTA Margin (%)	15.97	13.41	19.04
Net Profit Margin (%)	13.84	8.80	57.26
Return on Net Worth (%)	13.02	10.34	25.93

**Debtors Turnover ratio** decreased due to decrease in trade receivable, on account of lower sales of finished goods during lockdown.

**Interest Coverage ratio** increased due to lower financial charges in financial year 2019-20.

**Net Profit Margin** and **Return on Net Worth** of the Company are higher due to reduction in Income tax rate from 34.94% to 25.17% thereby leading to increase in profits.

**3. Dividend:**

The Board of Directors of your Company has not recommended any dividend for the financial year 2019-20.

**4. Consolidated Financial Statement:**

As your Company does not have any subsidiary, associate or joint venture company, therefore, the provisions of Companies Act, 2013 & Indian Accounting Standards (Ind AS) 110, 111, 112 in relation to consolidation of accounts do not apply.

**5. Subsidiaries, Joint Ventures and Associate Companies:**

The Company does not have any subsidiary/ material subsidiary, associate or joint venture company.

**6. Directors:**

**Liable to retire by rotation:** In accordance with the provisions of the Articles of Association of the Company,

Mr. S. P. Oswal, Director of the Company, retires by rotation at the conclusion of the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommended his appointment for the consideration of the members of the Company at the ensuing Annual General Meeting.

**Continuation of Non-Executive Directors:** Pursuant to the provisions of Regulation 17(1A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended vide SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, Special Resolution has been proposed to be passed by the Members in the ensuing Annual General Meeting for continuation of directorship of Mr. Surinder Kumar Bansal, Non-executive Director who is going to attain the age of 75 years on 15<sup>th</sup> May, 2021 and of Mr. S.P. Oswal, Non-executive Director who is aged about 78 years proposed to be re-appointed in this AGM as a director liable to retire by rotation.

**Independent Directors:** Mrs. Apinder Sodhi, was appointed as an Independent Director of the Company by the members in their 28<sup>th</sup> Annual General Meeting held on 27<sup>th</sup> September, 2018 for a term of consecutive three years starting from 1<sup>st</sup> November, 2017. Since her term of appointment is expiring on 31<sup>st</sup> October, 2020, the Board of Directors in its meeting held on 19<sup>th</sup> June, 2020 recommended her re-appointment for the consideration of the members of the Company at the ensuing Annual General Meeting for a term of three (3) consecutive years w.e.f 1<sup>st</sup> November, 2020.

**Declaration by Independent Directors:**

The Independent Directors have submitted their disclosures to the Board that they fulfil all the requirements