



MANAGEMENT DISCUSSION & ANALYSIS REPORT 2020-21

Industry structure and developments:

ECONOMIC REVIEW

Global Economic Outlook

Global prospects remain highly uncertain one year into the pandemic. New COVID 19 virus mutations and the accumulating human toll raise concerns, even as growing vaccine coverage lifts sentiment. Economic recoveries are diverging across countries and sectors, reflecting variation in pandemic-induced disruptions and the extent of policy support. The outlook depends not just on the outcome of the battle between the virus and vaccines it also hinges on how effectively economic policies deployed under high uncertainty can limit lasting damage from this unprecedented crisis.

Global growth is projected at 6 percent in 2021, moderating to 4.4% in 2022. The projections for 2021 and 2022 are stronger than in the October 2020 WEO. The upward revision reflects additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility. High uncertainty surrounds this outlook, related to the path of the pandemic, the effectiveness of policy support to provide a bridge to vaccine-powered normalization, and the evolution of financial conditions.

Indian Economic

The United Nations has raised India's growth forecast to 7.5% for calendar year 2021, marking a 0.2% increase from its projection in January, but said the country's outlook for the year remains highly fragile.

The surging Covid-19 infections and inadequate vaccination progress in many countries threaten a broad-based recovery of the world economy, said the World Economic Situation and Prospects report. It also projected India's GDP to grow by 10.1% in 2022.

Outlook

Drum Closure

Chemicals, agro-chemicals, and food and beverage industries are the major end-use segments driving the demand for industrial drums. The Asia-Pacific (APAC) is witnessing the highest growth rate, around 6-7%.

The Global drums market is expected to grow at a CAGR of around 4.5-5% from 2017 to reach a value of \$ 11.4 billion in 2022. This is due to the high end-use demand from chemicals, pharmaceutical and, the food and beverage sector and the drum closure market is also in line with the drum industries.

Scaffolding and formwork

Since scaffolding and formwork have linkages to infrastructure industry through backward and forward linkages. The outlook for the scaffolding and formwork industry looks very massive, since India developing country and focussed on infrastructure. The upward trend is expected to be continued on account of government focus on infrastructure.

With an increase in infrastructure projects and construction projects in India, there is a huge demand for scaffolding products. Most construction contractors in India or construction companies in India take scaffolding products on rent from the best scaffolding companies in India

Textiles

India's textiles industry contributed 7% to the industry output (by value) in 2018-19. The Indian textiles and apparel industry contributed 2% to the GDP, 12% to export earnings and held 5% of the global trade in textiles and apparel in 2018-19. The share of the India's textiles and apparel exports in mercantile shipments was 11% in 2019-20.

India is among the world's largest producers of Textiles and Apparel

The domestic textiles and apparel industry contributes 2% to India's GDP, 7% of industry output in value terms and 12% of the country's export earnings

The textiles and apparel industry in India is the second-largest employer in the country providing direct employment to 45 million people and 60 million people in allied industries

The share of India's textiles and apparel exports in mercantile exports is 11% for the year 2019-20



Exports of textiles (RMG of all textiles, cotton yarn/fabs./made-ups/handloom products, man-made yarn/fabs./made-ups, handicrafts excl. handmade carpets, carpets, jute mfg. including floor coverings) stood at US\$ 26.08 billion, as of February 2021.

Despite the near-term ambiguity, we remain confident of the medium to long-term growth prospects of the Company.

BUSINESS OVERVIEW

The Company is a multi-product manufacturing company, which manufactures high precision and sophisticated products, mainly for discerning worldwide markets. The Company enjoys a significant position in business industries viz., Drum Closures, Scaffolding systems & accessories, Engineering and Designing Services, Cotton Yarn, Fabric and Garments. The product line of the Company expands beyond Drum Closures into scaffolding systems and accessories and 100% Cotton Yarn, Fabric and Garments.

The Company has diversified operations and manufacturing including, vertically Integrated Textile division of manufacturing of Yarn, Fabric, and Garments. It has facility of producing cotton yarn, mélange yarn, also having facility of knitting, dyeing and printing and garmenting.

The Cotton Yarn division uses the most modern equipment to manufacture its product assuring world-class quality to its customer. Technocraft is certified ISO 9001:2000 for its Cotton Yarn division.

The COVID-19 pandemic is an evolving human tragedy declared a global pandemic by the World Health Organisation with adverse impact on economy and business in conclusion part of Financial Year 2019-20, which was continue in Financial Year 2020-21. The recent spate of increase in Covid cases across India amid restrictions and partial lockdowns have thrown up new challenges and the company will plan to overcome these challenges to ensure business growth in 2021-22.

Drum Closure

Each steel drum requires one set of closure, a precision engineering product so as to ensure that the liquid inside does not spill out. The Company has designed and developed the next generation technology for manufacturing of drum closures. It also manufactures all its gaskets and clamps and offers a full range of drum closure products to its clients. With patented technology, there has been substantial reduction in manufacturing costs, improvement in quality and this has helped catapult TIL to the second largest global manufacturer of steel drum closures.

Your Company is the second largest manufacturer of steel Drum Closures and continues to enjoy a worldwide market share of about 36% (excluding China). The Company produces a wide variety of closures and related equipment ranging from fully automatic flange insertion systems to cap-sealing tools. The Company caters to all leading steel drum manufacturing companies of the world.

Revenue from Operations increased from ₹ 377 Crores to ₹ 409 Crores. Profit Before Tax and Finance Cost but after Depreciation also increased by 35% from ₹ 94 Crores to ₹ 127 Crores.

Out of the total revenue of drum division, approximately 90% of revenue was generated from Export Sales

Scaffoldings

Scaffolding is a temporary structure used to support people and material in the construction industries, real estate and any other large structures. It is usually a modular system of metal pipes or tubes, although it can be from other materials also.

The Company is a leading Indian manufacturer and distributor of scaffoldings and formwork systems. The Company has been supplying scaffoldings to global markets for over 20 years. During the Financial Year the company has increased its domestic sale, as the Company has started supplying to various infra Projects.

Despite the volatile nature of construction and allied activities, the Scaffolding & Formwork (S&F) market is thriving in India and one can expect brighter times ahead.

With the government laying special emphasis on construction and infrastructural development in the 12th Five Year Plan, opportunities abound in the Indian Scaffolding and Formwork (S&F) Industry. With the demand rising in the wake of ongoing and future projects, S&F manufacturers are keeping pace with the Construction Industry.

The Company has strategically located state-of-the-art manufacturing facilities with installed capacities of 40,000 MT and 25,000 MT in India and China, respectively. The Company is positioned as an end-to-end solution provider owing to its well-integrated manufacturing capability. The Company supplies its products to a diversified set of end markets including oil & gas, power, refineries, petrochemical, infrastructure and commercial construction.



The Company is present in the premium segment of Scaffolding business. Scaffolding segment is growing on the back of the strong demand from the international infrastructure markets and also getting good response from infra projects in India.

The Company's Scaffolding segment comprises of Scaffolding and Formwork business. Its major revenues accrue from overseas markets. The Company is also started giving its scaffolding on rental basis; The Company is finding good scope and margin in this growing business.

Formwork Business

Formwork is the term given to either temporary or permanent molds into which concrete or similar materials are poured. Traditionally, formwork was built using easy to produce timber and plywood, or moisture-resistant particleboard. Over a period of time formwork is now made more of steels which are more durable and reusable.

Looking at Indian government's focus on rapid infrastructural development across the country by constructing railways, roads, bridges, dams, airports, power plants and many more, construction is now growing at a fast pace. Contractors have started adapting newer technologies, faster systems, advanced concrete techniques and better and established management tools.

Engineered Formwork Systems are built out of prefabricated modules with a metal frame - usually of steel or aluminum - and covered on the application (concrete) side with material having the wanted surface structure (steel, aluminum, plastic, timber, etc)

The Company has entered into manufacturing of sophisticated engineered Formwork systems for building, construction and infrastructure projects in India. The Company has state-of-the-art manufacturing plant in India and is well placed to play a larger role in the construction growth in India and overseas, with a network of offices at Mumbai and overseas.

MÄCH ONE

MÄCH ONE is a very lightweight Formwork system made of high quality Aluminum Extrusion with admirable strength to take on the site conditions. MÄCH ONE Aluminum forms is best suited for construction of residential units and mass housing projects. It is fast, simple, adaptable and cost effective. It produces total quality work which requires minimum maintenance and when durability is the prime consideration. The system is designed for maximum repetitions with very stringent tolerances, well designed edges to resist sight abuses. This system is most suitable for Indian condition as a tailor made aluminum formwork for cast in-situ fully concrete structure. As per industry reports, 80% of the total cost of scaffolding is attributed towards labor cost that is involved in loading and unloading and erection and dismantling of scaffolding. With MÄCH PLUS we have made this cost more efficient by making the entire system lighter without compromising on the required strength

TEMPORARY LABOUR SHELTER

Turnkey solutions for corporations Workers are your frontline fighters in the war against a possible economic crisis. Keeping your workforce safe will ensure efficient productivity. Protect your work force through Technocraft's effective solution for manufacturing units. Build low cost housing compatible with Govt. of India Guidelines: Low Cost, Modular Two Levels, Optimum Space Utilization, Large Capacity of Beds, Spacious Rooms for People, Quick Assembly Easy Dismantling and Lower Space Requirement. Temporary On-site facility for 100 workers can be erected in 7 days.

Revenue from Operations of scaffolding division decreased from ₹ 525 Crores to ₹ 448 Crores. Consequently Profit Before Tax and Finance Cost but after Depreciation decreased to ₹ 36 Crores mainly due to increase in costs of steel, aluminium, zinc and ocean freight during the period and slowdown in the construction activities because of impact of Covid 19.

Textile

The Company is having a yarn division having consolidated capacity of around 87,000 spindles.

During the nationwide lockdown due to Covid 19, the said yarn division was closed towards the end of March 2020. This division along with other divisions were re-started gradually however out of the above, 30,000 spindles had not been restarted yet. On September 16, 2020 the company has, considering the business outlook, decided not to re-start these 30,000 spindles in future also, which were already closed during lockdown. Hence the 30,000 spindles were kept closed permanently.



The Company produces variety of products ranging from NE 20 to NE 40, Carded and Combed varieties of Cotton Yarn. The Spinning mill is equipped with world-class Swiss, Japanese, German, Spanish equipment. Currently, the Company exports approx. 56% of garment products mainly in Europe, Asia, Latin American countries etc.

The Company manufactures premium quality active wear products and provides superior service. Products are custom knit, dyed, finished, cut, sewn, decorated, packaged and distributed.

Being part of a diverse group, the Company has access to the latest trends in the European markets, thus enabling it to offer high quality products and latest fashions with Indian prices in a very short lead-time.

Revenue from Operations of Fabric Division increased from ₹ 150 Crores to ₹ 158 Crores and of Yarn Division marginally reduced from ₹ 273 Crores to ₹ 264 Crores amid challenging business environment in textile sector and lower capacity utilization of Fabric Division, which the management aims to improve in future. In spite of above crisis in textile and retail sector, Loss Before Tax and Finance Cost but after Depreciation of Yarn Division reduced from ₹ 4.76 Crores to ₹ 0.57 Crores and of Fabric Division from ₹ 6.77 Crores to ₹ 5.93 Crores. EBITDA of Yarn Division increased from ₹ 9.4 Crores to ₹ 29.5 Crores and of Fabric division remained stable at ₹ 8 Crores.

Engineering & designing services through Subsidiary

Technosoft Engineering Projects Limited ('Technosoft') is a subsidiary of the Company. Technosoft is a global technology services company offering broad-based engineering, designing and IT services using a variety of client-partnership models for delivery. Technosoft's client base spans various industry verticals including heavy machinery, automotive, aerospace, manufacturing, oil & gas, high-tech, telecom, healthcare and financial services. The company's client base is widely spread globally including many clients from US, Canada, UK and Germany.

Technosoft has a strong team of over 300 engineers and designers located worldwide. Its engineers and designers are equipped with state-of-the-art hardware and software tools, including tools for 3-D modeling, Finite Element Analysis and process simulation.

Technosoft operates in North America through its subsidiaries, which provides general engineering & designing services

Revenue from Operations increased from ₹ 97 Crores to ₹ 115 Crores. Profit Before Tax and Finance Cost but after Depreciation increased substantially to ₹ 19.93 Crores as compare to ₹ 1.21 Crores of previous year. This division has done well in spite of the Covid 19 challenges and the Management is hopeful of good performance going forward in view of Work From Home for this segment and Cost Restructure supported by revival of Demand.

Out of the total revenue of this division, approximately 94% of revenue was generated from Export.

OPPORTUNITY & FUTURE PLAN

For an enterprise there is nothing more important than to find and exploit new market opportunities. The Company is focusing in exploring new products in scaffolding / formwork 'Temporary Labour Shelter' and 'Mäch One' are the some examples of it. The Company has also started new spinning unit at Amravati.

The Government of India has set an ambitious target of increasing the contribution of manufacturing output to 25 percent of Gross Domestic Product (GDP) by 2025.

The Government of India has taken several initiatives to promote a healthy environment for the growth of manufacturing sector in the country. Likewise Ministry of Heavy industries and Public Enterprises, in partnership with industry associations, has announced creation of a start-up center and a technology fund for the capital goods sector to provide technical, business and financial resources and services to start-ups in the field of manufacturing and services.

Focus of the company is to consolidate and grow its position in each of its core businesses which is Drum Closures, Scaffolding, Engineering & designing Services and Textiles. The Company sees the Drum Closure division growing at same or higher rate next year and this is certainly one of its core focus areas.

The Company is working strongly and increasing the sales and profitability in China which is one of the main growing markets for Drum Closures division. Drum Closure division is growing in China.

Government initiatives such as RERA, Affordable housing, Smart Cities etc. are expected to bring a transformational shift and boost growth of Indian real estate industry, which will create tremendous growth in scaffolding. Awareness towards safety will also generate more demand and growth for scaffolding business.



RISK & THREAT

COVID-19- The disruption caused due to the COVID-19 pandemic which was started in FY 2020-21 shall also continue in the financial year 2021-22.

Global Slowdown - More than 70 % of TIIL's revenue comes from global markets. Any slowdown in economic activities in global markets in general and U.S. market in particular may affect TIIL's performance.

Foreign exchange - Being an export oriented company, the Company's competitiveness, revenue growth & margins may be affected in case Indian Rupee appreciates significantly against major global currencies in long run. In the short run, volatility in foreign exchange markets may affect the Company's profitability as it does not hedge its export receivables fully.

Commodity prices - Increase in commodity prices like steel & cotton may affect the Company's performance in case it unable to pass the rise in commodity prices to its customers.

Capital allocation – The Company's certain businesses generate significant cash flows and The Company's cash & cash equivalents/ Bank balance and current investments were stood at ₹ 5,118.21 Lakhs and ₹ 17,663.23 Lakhs respectively as on March 31, 2021. TIIL's management has plans to invest this amount into various businesses and keep looking for inorganic growth opportunities. Inorganic growth opportunities pursued in future may or may not generate economic returns as desired due to various factors. However, management has narrowed down focus to "engineering" area (considering management's background & expertise) while pursuing inorganic growth opportunities and evaluating certain opportunities in specialized drum closures/scaffolding segment and engineering services segment.

Market Share- any rise in competitive landscape in domestic or international markets can lead to reduction in market share and can affect profitability.

Financing: The Company's growth strategy is dependent on the internal cash generation level and ability to draw external capital for growth projects.

Considering the industry volatility, Technocraft continued its journey of developing new markets and products and enhancing value added services to its customer.

The Company aims to address risks, opportunity and threat posed by the business environment by developing appropriate risk mitigation measure.

The Management has also put in place effective measures to monitor the Risk Management System and appropriate steps are taken to strengthen the existing business practices and policies to the overcome the challenges.

Risk Management System is a way to try alternative solution as to determine what works and what doesn't and testing and refining assumptions.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Internal Control System plays an integral role in the Company's Success. It helps the management to monitor the effectiveness of the controls in an ever-changing environment. Internal control and risk management are critical in the process of setting and achieving operational, strategic, compliance and reporting objectives.

The Company's internal control policies are in line with its size and nature of operations and they provide assurance that all assets are safeguarded, transactions are authorised, recorded and reported properly following all applicable statutes and General Accepted Accounting Principles.

The Company has an Audit Committee, where all the members including the Chairman are independent directors, in order to maintain objectivity. Internal Auditor of the Company conducts audit in various functional areas. Audit planning and executions are oriented towards assessing the state of internal controls, making them stronger and addressing the risks in the functional areas of the Company. Internal Auditor, reports to the Audit Committee its findings and observations. Audit Committee meets at regular intervals to review audit issues and follow up on implementation of corrective actions.



Besides the above, the Company has also met the Internal Financial Control requirements as per Companies Act, 2013 where policies and procedures have been adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information. Audit Committee also seeks views of the statutory auditors on the adequacy of internal control systems in the Company. In compliance with Section 143(3)(i) of the Act, the Statutory Auditors have issued an unmodified report on the Internal Financial Controls over Financial Reporting which forms a part of the Independent Auditors' Report also forming part of this Annual Report.

SEGMENT WISE FINANCIAL PERFORMANCE

The summarized segment-wise performance of the Company on consolidated basis for the Financial Year 2020-21 is as follows:

(₹ In Lakhs)

Particulars	Year Ended	
	31st March, 2021	31st March, 2020
Income from operations		
Continuing Operations		
a. Drum Closures Division	40,912.35	37,768.92
b. Scaffoldings Division	44,840.98	52,552.51
c. Yarn Division	26,358.15	27,318.38
d. Fabric Division	15,815.60	14,997.92
e. Engineering & Design	11,476.58	9,717.68
f. Others	-	222.87
Total	1,39,403.66	1,42,578.28
Less : Inter Segment Revenue	9,949.29	7,396.46
Total Income from Continuing operations	1,29,454.37	1,35,181.82
Discontinued Operations		
Power Division	-	5,134.66
Less Inter Segment Revenue	-	4,406.37
Total Income from Discontinued Operations		728.29
Total Income from Continuing & Discontinued Operations	1,29,454.37	1,35,910.11
Profit/(Loss) after Depreciation but Before Finance Cost & Tax & Exceptional Items		
a. Drum Closures Division	12,717.41	9,385.59
b. Scaffoldings Division	3,600.85	10,185.79
c. Yarn Division	(57.45)	(475.82)
d. Fabric Division	(592.77)	(677.00)
e. Engineering & Design	1,992.51	121.34
f. Others	(0.85)	12.83
Total	17,659.70	18,552.73
Less :		
i. Finance Cost	2,880.52	3,743.99
ii. Other un-allocable expenditure net off un-allocable income	(2,901.58)	(800.75)
iii Share of Loss in Associate	0.02	0.04
Total Profit Before Tax from Continuing Operations & Exceptional Items	17,680.74	15,609.45
Exceptional Items	1,062.64	-
Total Profit Before Tax from Continuing Operations but after Exceptional Items	18,743.38	15,609.45



HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company believes that a good Human Resource Policies are very effective for supporting and building the desired organisation culture and to maintain the same our company takes actions on the day-to-day activities of the organization.

The Company continues to focus on creating strong and long term relationship with all employees as employee retention and development are among the highest priorities of the Company.

The Company is working on enhancing its competencies to take care of current and future business. Human Resource and Industrial Relations departments have developed systems and policies on recruitment, performance management, learning and development, and employee engagement.

The workers union of the Company has maintained healthy and cordial industrial relations, and has been an equal partner in implementing Company's policies and achieving stretched operational targets, year on year.

PERFORMANCE SNAPSHOT

The standalone financial highlights for FY 2020-21 are as follows:

(₹ In Lakhs)

Particulars	FY 2020-21	FY 2019-20	Variance
Revenue from operations	99,519.44	1,18,148.13	-15.77
Profit before Tax- Continued Operation	14,626.11	12625.13	15.85
Net Profit / (Loss) for the period from Continuing & Discontinued Operations	9,928.71	10,269.14	-3.32

Key Financial Ratios

Ratios	FY 2020-21	FY 2019-20	Change%
Debtors Turnover	2.57	2.77	-7.31
Inventory Turnover	3.42	4.08	-16.28
Interest Coverage Ratio	9.53	6.60	48.98
Current Ratio	2.45	1.88	30.27
Debt Equity Ratio	0.55	0.83	-33.65
Operating Profit Margin %	22.09	16.61	33.80
Net Profit Margin %	10.77	8.37	32.59
Return on Net Worth %	11.76	11.69	0.56

Notes:

Changes in Interest Coverage Ratio, Current Ratio and Debt Equity Ratio are on account of reduction in debt/ loan, which was re-paid during the FY from the cash generated from the operating activities.

Operating Profit Margin and Net profit margin are increased mainly on account of increase in net profit due to reduction in cost raw material and lower interest on debt.

CAUTIONARY STATEMENT

Statements made in Management Discussion and Analysis Report describing the Company's objectives, estimates, expectations or predictions are "Forward looking Statement" within the meaning of applicable laws and regulations. They are based on certain assumptions and expectations of future events. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operation include global and Indian demand- supply condition, raw material availability, trained manpower, changes in Government regulations, tax regimes, economic development within India and the countries within which the Company conducts business and other incidental factors.
