



MANAGEMENT'S DISCUSSION AND ANALYSIS

Jindal Poly Films Ltd (JPFL) was incorporated in 1974 and started production of polyester yarn in 1985 at Bulandshahr. The company started manufacturing polyester chips for captive use in 1993. In 1996, JPFL diversified into manufacturing of bi-axially oriented polyethylene terephthalate (BOPET) film and in 2003 into BOPP Films. The manufacturing plant at Nasik, Maharashtra is the world's largest facility at single location for the production of BOPET and BOPP films.

1. MACRO ECONOMIC OVERVIEW

The COVID-19 pandemic has disrupted lives and businesses across the world. This has resulted in significantly lower global economic growth rates.

India's GDP growth was also negatively impacted. However GDP growth in India is expected to re-bound strongly in the year 2021-22 owing to the reform measures undertaken by the Government. Global inflation is expected to increase in the developed, economies driven by sizeable economic stimulus, higher commodity prices and recovering economic activity. However inflation in some developing countries should decline.

GDP growth is expected to rebound strongly in 2021-22.

2. INDUSTRY SCENARIO

Packaging sector serves multiple Industries such as F & B, textile, pharma etc. and added value by preserving the quality and self-life of the products and improving durability of products and consumer appeal.

The Polypropylene Packaging Films Market is Segmented by Type (BOPP and CPP), Application (Food, Beverage, Industrial, and other Applications).

The Growing demand of the packaging films to increase the shelf life of the product is propelling the market growth of the packaging films (BOPP and CPP) market. Also, the easy availability of sustainable packaging solutions helps increase the applications for polypropylene packaging film, boosting the growth of the market.

The Increasing use of PET Films in Flexible packaging and food contact applications, Solar, Insulating material, Electronic and acoustic applications is driving the growth of the PET Films market across the globe.

Currently the industry is facing a considerable impact on its supply chain system and production facilities due to the lockdown. Stringent isolation rules worldwide have resulted in short supply of raw materials.

3. BUSINESS REVIEW

Jindal Poly Films Limited (JPFL)is engaged in the production and sale of packaging films. The company manufactures/produces BOPP Films, PET Films., Metalized Films, Coated Films.,CPP Films.,THERMAL Films.

BOPP and BOPET Films are extensively used for food packaging to ensure good appeal, product protection and extended shelf life.

Company's Global Non-woven Division is India's leading manufacturer of Non-woven Fabric. Global Nonwovens manufactures wide range of Spunbond (SSS) and Spunmelt (SSMMS) fabric in roll goods form.

The company has regular capex to expand capacities and therefore is expected to maintain its leadership position over the medium term. Operating efficiency in the domestic business is driven by a single-location



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manufacturing capacity in Nashik, Maharashtra, which results in economies of scale and hence low per-unit cost of production.

The Company also caters to the export markets and has a strong global customer base. The Company is also focusing on newer products, which will cater to niche markets.

4. OPERATIONAL & FINANCIAL PERFORMANCE

(Amount in Rs Lacs.)

Particulars	2020-2021		2019-20	
	Standalone	Consolidated	Standalone	Consolidated
Total Income	421031	422564	360282	361908
Profit from Operations (before Exceptional Items and Tax)	103467	104045	51467	52723
Exceptional Items +/-	-	-	-	-
Profit/(Loss) before tax	103467	104045	51467	52723
Profit/(Loss) after tax for the year	78558	79088	47876	48864

5. CHANGES IN KEY FINANCIAL RATIOS

The details of changes (change of 25% or more) in key financial ratios as compared to previous Financial Year are stated below

Sr. No.	Particulars	2020-21	2019-20	Change %	Explanation
1	Debtors Turnover	35.10	25.69	37	Due to increase and better realisation of sales.
2	Interest Coverage Ratio	25.49	10.27	148	Due to increased profit and reduction in financial charges.
3	Debt Equity Ratio	0.34	0.78	(56)	Due to reduction in debt and increased net worth
4	Operating Profit Margin (Profit before Depreciation and Tax) (%)	27.15	18.51	47	Better sales realisation and cost reduction.
5	Net Profit Margin (%)	18.66	13.29	40	Better realisation and cost reduction.

During the year under review, there has been a change more than 25% in return on net worth and net profit margin as compared to previous Financial Year on account of increase in Net Profit and Net worth.

6. KEY RISKS AND CONCERNS

The Flexible Packaging Market is highly competitive owing to the presence of multiple vendors in the market. The market appears to be moderately concentrated with the major players adopting strategies such as product innovation, mergers, and acquisitions in order to stay competitive in the market.

COVID-19 has affected the global economy by directly affecting production and demand, by creating supply chain and market disruption, and by its financial impact on firms and financial markets.

JPFL's major raw materials required are derivatives of crude oil; consequently, the finished goods prices



fluctuate with crude oil prices. Furthermore, one of the key raw materials for the metallized segment is aluminium, which has witnessed volatility in the past. Hence, ability of the manufacturer to pass on raw material price increase is critical.

7. FUTURE OUTLOOK

The packaging market is expected to witness significant growth in the future due to its increased demand in end-use industries, such as food & beverage and pharmaceutical. Growth in modern retailing, high consumer income, and acceleration in industrial activities, especially in the emerging economies, are likely to support the growth of the industrial packaging market. The spread of Corona virus side-tracked the forecasts considerably. However, the impact of the pandemic has varied, largely dependent on the end-user industry. Even with the ongoing- pandemic, the industry has continued to steadily rise though not at the same scale as pre- Covid times with the emergence of online retail and e-commerce brand.

The Company has established itself as a significant player in the BOPP, BOPET, CPP and other products. The products of the Company are well known in the market place for their good and consistent quality. Considering its successful approach towards research and development so as to innovate customer's centric products, strong marketing network and logistics strength, the outlook remains positive.

8. SUSTAINABILITY

We conduct our business following the Guiding Principles and endeavour to comply with all applicable legal and internal Environmental, Health, and Safety requirements. Our focus on operational excellence enables continual improvement of our EHS systems, products and activities. These initiatives allow us to better conserve energy and natural resources, prevent pollution and protect the health, safety of our employees and the public.

Our Zero-Incident Policy Safety of the environment, people and communities is important to us. We promise to conduct all aspects of our business to safeguard our employees, the communities we live and work in and the environment.

9. STRENGTHS, OPPORTUNITIES and THREATS

A. STRENGTHS

1. Huge investment in low cost and highly efficient modern thin film extrusion plants.
2. Stringent controls to ensure the safety of its asset base against loss and misuse.
3. Excellent industrial relations which induces the right culture for an efficient working
4. One of the largest players of poly films in India

B. OPPORTUNITIES

1. Thin BOPET films constitute nearly three fourth of the world's consumption and the company manufacturers both thick and thin BOPETs.
3. Increase in purchasing power in the developing countries has resulted in a significant rise in per capita consumption of flexible packaging materials
4. High demand for thin BOPET films and comparably good profit margin.
5. Penetration of flexible packaging in the developing economies in Asia is still low and huge opportunities exist for growth with the increase in organized retail and small serve packs

C. THREATS

1. Given the volatile trend in crude oil and demand for polymers for competing applications the pressure on input costs can fluctuate



2. Latest and modern machinery with most competent technical backup does not ensure success against fierce competitions
3. Capacity increase in many part of Asia and India, without corresponding increase in demand.

SEGMENT PERFORMANCE**A. Flexible Packaging Film**

The flexible packaging gross revenue was Rs 3465.16 Crore (2020-21) as against Rs. 3225.87 Crore (2019-20)

B. Nonwoven Fabrics

The Nonwoven Fabrics gross revenue was Rs. 609.65 Crores (2020-21) as against Rs. 303.81 Crores (2019-20)

10. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

The Company has a team of experienced and qualified personnel to support its plant and other allied operations. The project team also comprises of professionals having technical expertise and experience which is critical for successful and timely implementation of the operations.

The recruitment of well qualified personnel and retention of experienced workforce is critical for maintaining the talent pool in the Company. The Company continuously works towards ensuring that appropriate recruitment and retention plans are in place to avoid any gaps in talent pool. The Company continuously reviews its human resource policies to align them with the changing trends in the employment market and an appropriate performance appraisal system is in place to identify and reward the talent.

In order to maintain the talent pool, the Company selects technical personnel from premier institutes. They undergo detailed training after joining the Company which includes classroom lectures, on-the job training, mentor-mentee programs, etc. The training and development of the employees is a continuous process. The training and development needs of the employees are identified as part of the appraisal process and appropriate training programmes are designed.

Employees are also empowered to take full ownership and accountability of their responsibilities. Besides human resource development, Company provides various welfare measures for its employees and their families. Cordial industrial relations in factory have also helped company to build a strong team of employees at various levels having good experience and skills.

11. INTERNAL CONTROL SYSTEM

The Company has a strong internal control system comprising various levels of authorization, supervision, checks and balances and procedures through documented policy guidelines and manuals. The Internal Audit Team regularly monitors the efficacy of internal controls/ and compliances with Standard Operating Procedures and Manuals with an objective of providing to the Audit Committee and the Board of Directors, an independent, objective and reasonable assurance that all transactions are authorized, recorded and reported correctly and compliance with policies and statutes are made.

The managers exercise their control over business processes through operational systems, procedure manuals and financial limits of authority manual. These processes are reviewed and updated on regular basis to improve their efficacy and meet the business needs.

The Internal audit team develops a risk based annual audit programme which is aligned to the previous year's observations, suggestions from the operating managers and statutory auditors. The internal audit programme is approved by the Audit Committee.

The audit approach is based on random sample selection and takes into consideration the generally



accepted business practices. The internal audit reports are discussed by the Audit Committee of the Board of Directors along with the directions/ action plan. The directions are implemented by the respective departments.

The Internal Audit Team also assesses opportunities for improvement in business processes, systems and controls, gives recommendations and reviews the implementation of directions issued by the management, Board of Directors or its committees.

12. CAUTIONARY STATEMENT

The report may contain certain statements that the Company believes are, or may be considered to be “forward looking statements” that describe its objectives, plans or goals. All these forward-looking statements are subject to certain risks and uncertainties, including but not limited to Government action, economic developments, risks inherent to the Company’s growth strategy and other factors that could cause the actual results to differ materially from those contemplated by the relevant forward looking statements.

