

KRYPTON INDUSTRIES LIMITED

DIRECTORS' REPORT

Dear shareholders,

Your Directors present the 29th Annual Report together with the audited accounts of your company for the year ended 31st March 2019.

1. FINANCIAL RESULTS

During the year under review, the company achieved an aggregate income of Rs.3656.56 Lakhs. The highlights of the financial results are as under:

	Amount in (Rupees in '000)	
	Current Year 2018-2019	Previous Year 2017-2018
Sales	361756.51	293611.26
Other Income	3899.25	10402.16
Gross Total Income	365655.76	304013.42
Profit before Interest, Depreciation & Tax	40015.18	34625.78
Interest	14983.51	19167.47
Depreciation	15921.42	16699.18
Profit before Exceptional Items & Extraordinary items and Tax	9110.25	(1240.87)
Exceptional Items	-	-
Profit before Tax and after Exceptional Items & Extraordinary Items	9110.25	(1240.87)
Provision for Taxation	(200.17)	(833.00)
Profit after Tax	9310.42	(407.87)
Other Comprehensive Income, net of tax	54.63	183.97
Total Comprehensive Income	9365.05	(223.90)
Balance in P&L A/c brought Forward	69160.48	69564.30
Balance Available for Appropriation	81685.42	69160.48
Proposed Dividend	0.00	0.00
Tax on Proposed Dividend	0.00	0.00
Transfer to General Reserve	0.00	0.00
Balance carried to Balance Sheet	81685.42	69160.48

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 2018-19 amounted to Rs.1076.80 lakhs compared to Rs.955.71 lakhs of in the previous year. The profit before tax amounted to Rs. 2.06 lakhs as compared to profit of Rs. 0.96 lakhs previous year.

During the year this unit has further cut down the extra costs form last year and we have managed better bottom line. Our export was stable and we are working to increase our export in European market and other Asian & African markets. We are pretty confident to improve our performance in coming years with better topline and bottom line.

Sadhurhat division

The unit is engaged in manufacturing MCP Tubeless Tires & Hospital Equipments for domestic market. The unit reported an income for the year 2018-19 amounted to Rs. 1687.23 lakhs as compared to the previous year Rs. 923.79 Lakhs and the unit reported the Profit before tax for the year 2018-19 of Rs. 60.31 lakhs compared with previous year of Rs. 36.20 lakhs.

This unit has maintained its profit margin intact as per last year. Also we have increased our topline impressively. We further believe that we can grow higher than industry average. We are very confident for coming years as there are certain bicycle companies which are showing interest in our product as we can offer our unique product with no competitors in India. All this development is in very nascent stage. We hope to see very positive outcome in coming years.

Wheel division

The total income of this unit for the year 2018-19 amounted to Rs.119.43 lakhs compared to Rs.148.88 lakhs in the previous year. The unit reported the profit before tax for the year 2018-19 amounted to Rs. (76.16) lakhs compared to Rs. (56.98) lakhs in the previous year.

Due to stagnant export demand its productivity has not been upto mark. With export as well as demand for other units will pick up we believe to use its capacity at higher level. 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 2018-19 amounted to Rs. 332.15 lakhs compared to Rs. 221.46 lakhs. The unit reported the profit before tax for the year 2018-19 amounted to Rs. 75.94 lakhs compared to the profit of Rs. 50.19 lakhs.

The unit performance is quite better from past years due to the increase in production and capacity utilization. We believe that it can be used at full capacity from current financial year onwards with better realizations.

Footwear division

The total income of the footwear division for the year 2018-19 amounted to Rs. 695.84 lakhs compared to Rs. 612.54 lakhs in the previous year. The unit reported a profit before tax of Rs. 22.02 lakhs during the year compared to loss of Rs. 27.24 lakhs in the previous year.

During the year we have returned to profits after 3-4 years of losses. This year job work has increased tremendously which helped our footwear unit to return in profits, also there was decent increase in sale of our sole business. Footwear market is been improving after the bad effects in 2016-17 due to demonetization but in 2017-18 it rebounded well with positive sentiments also trend is improving in 2018-19. Our focus has also shifted from low margin products to high margin products. Our trail run for safety shoes has already been completed and we are in process of obtaining BIS certification in 2019-20, we are very confident that it will increase out topline as well as bottom line in coming years after all necessary procedures.

Engineering division

The total income of this unit for the year 2018-19 amounted to Rs. 1126.41 lakhs compared to Rs.680.44 lakhs in the previous year.

The unit posted the profit before tax for the year 2018-19 amounted to Rs. 6.93 lakhs compared to Rs. (10.98) lakhs.

Current year was tremendous for the Rehab care unit which shows impressive growth of 70% form last year. We are very hopeful to deliver growth of 30-35% CAGR for next 5 years. As per current government policies, they are pushing hard in this segment with focus on "**Divyang**" for sustained living.

The Indian Rehab Care Equipment Market has stated accepted 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.

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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, 2019 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 under Listing agreement with Stock Exchange:-

A. Industry Structure & Developments:-

Krypton Industries Limited (KIL) had a very positive year due to positive market conditions and easing input cost and manufacturing expenses.

Company's primary focus is expansion in Indian Markets for all its product line which include PU Footwear, MCP tubeless tires and hospital/disabled support equipment business. Company is looking for Big OEM's & cycle sharing start ups 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 tenders 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 has posted positive growth for 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.

B. Outlook and opportunities

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

The company's major focus is on MCP tubeless tires in bicycle industry and rehab care business which has very promising in future. Primarily, the PU tire for Bicycle, rehab care products and tires for industrial application 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**" for rehab care products & we have also launched affordable new model of wheelchair in the Brand Name "**UDAAN**" which was accepted in highly competitive market, 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.

C. Outlook on threats, risk and concern

1. Business Risks:

Company's main product portfolio is MCP tubeless Tires & castor wheels for industrial applications. It faces major competition from rubber tires which is cheaper than our products in same industry. Also rubber prices are much stable than polyurethane. 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. Our positive side is that life & quality of our product is much more superior than rubber tires.

In rehab care / Hospital furniture business our company is facing biggest competition from cheap & low quality Chinese products. Also further increase in prices in steel & other raw material items will hurt our bottom line in future. Also passing on additional cost is very difficult in this industry.

Company is normally import Raw Materials and export finished goods during its course of business which exposes it to exchange fluctuation risks and international crude & petrochemicals prices affects the raw material prices.

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. Company is trying to leverage this risk by sourcing more from local vendors. 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, inter alia, 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 satisfactory in current market scenario, we are cautiously improving in costing point of view which will further add to our margins. Our company will surely improve our topline and bottom line this year and in the years to come.

F. Human Resource Developments:

During the fiscal 2018-2019 company has more than 250 Persons on its payroll. Apart from this company has generated indirect employment to more than 700 persons in nearby locations.

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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, 2019 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. 4,5,12 & 40** 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

M/s P. K. Luharuka & Co. (Registration no. 322020E), Auditors of the Company have been appointed at the Annual General Meeting on September 22, 2017 for a term of 5 years. The Company has received consent of the Auditors for continuation of office for the current year.

The observations made by the Statutory Auditors in their report for the financial year ended 31st March 2019 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 Meenakshi Agarwal, Practicing Company Secretary to undertake the audit of Secretarial and other related records of the company. The Secretarial Audit Report issued by Meenakshi Agarwal in Form MR-3 for the financial year ended 31st March, 2019, 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 and expected that the exchange will get de-recognised soon.

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** and also available at www.kryptongroup.com.

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 2018-2019.

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, eight 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. SECRETARIAL STANDARDS

The Company has complied with Secretarial standards issued by the Institute of Company Secretaries of India.

18. 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.

Mr. Pradeep Kumar Singh (DIN : 00386800) was appointed as an Independent Director at the 24th annual General Meeting (AGM) of the Company held on 27th August, 2014 for a period of five years. Based on the recommendations of the Nomination and Remuneration Committee and Board, his re-appointment for a second term of five years is proposed at the ensuing AGM for approval of the members by way of special resolution.

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Necessary information pursuant to SEBI (Listing obligations and Disclosure Requirements) Regulation, 2015 in respect of directors to be appointed and re-appointed at the ensuing Annual General Meeting are given in the Annexure to the Notice convening the Annual General Meeting Scheduled to be held on 26th September, 2019.

None of the Directors of the company are disqualified for being appointed as Directors as specified under section 164 of the Companies Act, 2013 and the rules made thereunder.

KEY MANAGERIAL PERSONNEL : Mr. Jay Singh Bardia (DIN : 00467932) Managing Director of the Company whose tenure expires on December 31, 2019 is reappointed as the Managing Director of the Company pursuant to Section 196, 197 & 203 read with other applicable provisions and Schedule of the Companies Act, 2013 by the Board of Directors of the Company for a period of three years w.e.f. January 01, 2020 till December 31, 2022, who will not retire by rotation, based on the recommendations of the Nomination and Remuneration Committee and subject to the approval by the Shareholders of the Company.

DECLARATION BY INDEPENDENT DIRECTOR: The Company has duly received the declaration from all the Independent Directors as laid under section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015. The declaration was placed and noted by the Board at its meeting held on 30th May, 2019.

19. REMUNERATION POLICY

The Board, on recommendation of the Nomination & Remuneration Committee has framed a policy for selection and appointment of Directors, Senior Management and their remuneration which includes criteria for performance evaluation of non-executive and executive directors. A detailed Policy is also available on the website of the Company, www.kryptongroup.com.

20. RISK MANAGEMENT POLICY

In accordance with the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, the Board of Directors of the Company is responsible for framing, implementing and monitoring the Risk management plans of the Company. The Company has also framed a Risk Management Policy defining the roles and responsibilities of the Committee and the same has been approved by the Board of Directors of the Company.

The Risk Management Policy is available on the website of the company, www.kryptongroup.com.

21. VIGIL MECHANISM/WHISTLE BLOWER POLICY

In accordance with the provision of the Companies Act, 2013 read with the Rules made therein and SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, every listed company shall establish a Vigil Mechanism for the directors and employees to report their genuine concerns and grievances. A framed Vigil Mechanism is available on the company's website, www.kryptongroup.com.

The Audit Committee is entrusted with the responsibility to oversee the Vigil Mechanism.

22. BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the performance evaluation of the Board as a whole, Chairman and the Non-Independent Directors was carried out by the Independent Directors. This exercise was carried out in accordance with the Remuneration Policy framed by the Company within the framework of applicable laws.

The Board carried out an annual evaluation of its own performance, as well as the evaluation of the working of its committees and individual Directors, including Chairman of the Board. The performance evaluation of all the Directors was carried out by the Nomination and Remuneration Committee. While evaluating the performance and effectiveness of the Board, various aspects of the Board's functioning such as adequacy of the composition and quality of the Board, time devoted by the Board to Company's long-term strategic issues, quality and transparency of Board discussions, execution and performance of specific duties, obligations and governance were taken into consideration.

23. DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 134(3)(c) of the Companies Act, 2013, your Directors hereby states:

- That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed with proper explanation relating to material departures if any;
- That the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are responsible and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and of the profit of your company for that period.
- That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of your company and for preventing and detecting fraud and other irregularities.; and
- That the directors have prepared the annual accounts on a going concern basis and
- That proper internal financial controls were in place and that the financial controls were adequate and were operating effectively, and
- That the systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

24. PARTICULARS OF EMPLOYEES

The disclosure required under section 197 of the Companies Act, 2013 read with the Rule 5 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith in Annexure- III.

Your Directors state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

25. ISO 9001-2008, IS 7454

Your company operates in ISO 9000 quality assurance system as per the ISO 9001-2008 standards. The Audit was duly carried out during the year 2018-19. The new standards are mainly customer oriented and they will help our Company to get much better controls to improve with best customer satisfaction standards.

The company has been granted the license by Bureau of Indian Standards (BIS) to use Standard Mark i.e. IS 7454 in respect of Rehabilitation equipment- Wheelchairs Folding and Adult size according to which we will manufacture highest quality of wheelchairs as per the specification.

26. APPRECIATION

Your Directors take this opportunity to record their appreciation for the continued and sustained support and co-operation extended to the Company by the Government of India, State Governments, Financial Institutions and Banks, Dealers and Customers, Suppliers, Transporters, Employees, Shareholders and all other Stakeholders.

Cautionary Note:

Certain statements made in the Director's Report and "Management Discussion & Analysis Report" which seek to describe the company's objectives, projections, estimates, expectation or predictions etc may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual result may differ from such expectations, projections, etc., whether express or implied. Several factors could make significant difference to the Company's operations. These include climatic conditions and economic conditions affecting demand and supply, government regulations and taxation, natural calamities, etc. which the company doesn't have any direct control.

Registered Office : Falta Special Economic Zone
Sector-1, Plot-31&32, Falta
24-Parganas (S), Pin-743504, West Bengal
CIN : L25199WB1990PLC048791

By Order of the Board
For **Krypton Industries Limited**

Jay Singh Bardia
Managing Director
(DIN : 00467932)

Date: 30.05.2019