

## **Kingfa Science & Technology (India) Ltd.**

### **Excerpts from Annual Report 2017-18**

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#### **On Performance**

40% increase in volumes year on year and almost doubling volumes in 2 years is consistent with our efforts to build capacity ahead of the growth curve so that we have the capacity to fully capture the growth opportunity that presents itself. With the current name plate capacity of over 100000 MTPA and new addition in our existing facility we are well prepared to deliver another year of exceptional growth opportunity that's unfolding. Raw material prices remained stable for better part of the year, however the rise in oil prices started cascading down to our RM towards the end of the year. We are taking support of our principals in creating multiple and alternate options to have a greater control on key RM prices. With the volumes significantly increasing and the number of grade/Color combinations going up Inventory management both at RM and FG remains a big challenge and focus. We are establishing a robust Supply chain team and process to manage the entire order to delivery process.

#### **On Market Demand**

Styling, Fuel economy, environment friendly, safety, Comfort, Convenience and feeling of luxury are some of the key demands from the automotive industry along with demands of quality systems, supply chain robustness and cost. Any material option which addresses these significantly is always on OEM's radar. We have on a continuous basis increased multiple material options that addresses these key needs to varying extent. All the OEM's have shown significant interest in taking advantage of our material offering in the design and manufacture of their passenger cars. This is also evident from the new designs and styling seen in recent passenger cars. Our focus on larger OEM's continued and we have made significant progress with respect to approvals and new specifications. We should see these efforts reflecting in sizeable business as we go along in the immediate future and coming years. Sustained engagement with the OEM's is of prime importance and we have

increased our scope of engagement with all OEM's across all levels with Technology Shows, Focused Interactions across various departments at OEM's. This has helped us in evolving a number of leads and opportunities which is the corner stone for future business and volume growth. It is always important to have multiple options for growth and managing risks associated with any one industry. With the growth in economy and also available disposable income industries like white goods, Small appliances water treatment and handling, mass transportation are seeing newer market segments and growth. The industry is looking for newer material options to cater to these needs. We are now seeing traditional items like ceiling fans given new designs and multiple performance options. The safety standards of the equipment are being revised upwards and your company's material options offer solutions to meet the new norms. Water treatment, Washing machines, Air Conditioners, Power Storage equipments all have shown significant growth and are on high growth curve and we continue to continuously engaged with them.

### **On Company's focus**

The Company's key focus and objective continues to be growth much above the market trend by aggressively pursuing all opportunities while continuously investing in people, technology and capacity ahead of the demand curve. We are supremely confident that this objective would put us in the right place to fully capitalize and upswing in manufacturing growth in India. Our plan to set up a Global Scale Manufacturing and Contemporary Design and Development Center at Pune is going as per plan. This facility would enable us to develop material and formulations for future applications that would evolve. New capacities for manufacturing are being set up across the countries. The MAKE IN INDIA initiative and other regulations are seeing some manufacturers coming back to India. We see continued growth opportunity with new players and also existing players expanding capacity in Automotive, Small Appliances, Television, Water Treatment and White goods. We are engaged with the leaders in these industry significantly and are the primary choice for material solutions. Our product innovations with modifications to the base PP has helped us satisfy the performance and cost objectives of our customers. Multiple options of material solutions and ability to deliver the same effectively has helped us stay ahead of the market.

## **On Results**

Sales revenue of the company grew by 28% over the previous year, whilst the volumes grew by 35%. As the key prices of RM like PP trended lower during the year some of the selling prices had to be reduced in line with the pricing agreements in place. Engineering Plastic compounds clocked a sale of approx. 3062 MT and constitutes approx. 8% of the company turnover.

## **Short term Outlook**

a) Only if the trend in increasing offtake of vehicles is sustained will the volume of tonnage increases materialise. Such increased volumes and management of supply chain and logistics should help in bettering margins during the current year subject of course to the price behaviour of Polypropylene and other crude oil based inputs.

b) New commercial vehicles call for increased usage of PP compounds on interior parts and your Company is already working with major companies in this segment to benefit from this approach.

c) Control of receivables and inventory and improved process efficiency, should also contribute to the reduction of working capital requirement leading to a reduction in interest costs.

d) Company's strategy is to broadbase its product offerings into other segments of manufacturing, viz, Electrical, Powertools, Appliances through aggressive marketing and also offer products higher in the value chain ( viz. Engineering Plastics). The overall outlook looks promising with the hope of stable Government at the Centre.

## **Forex Earning/ Spending**

Foreign Exchange Earnings - 23.49 Foreign Exchange Outgo - 20,757.95 The Company is taking continuous steps to develop export markets as appropriate to the nature of its products. The details of the above are given in the Notes forming part of Financial Statements

## **On their Positioning**

The efforts made by the Company towards Technology Absorption and Benefits derived Being a material solution provider our focus remains in monitoring the evolving actual and perceived needs of the customers/end user and developing cost effective material formulations that help customers design and manufacture products that are successful in the market place. The requirement from customers are for material solutions that addresses the strength, gloss, scratch resistance, avoidance of post molding operations, ease of assembly, environment friendly (energy consumption). The demand from the customer is a material solution that addresses these needs optimally. Manufacturing methods like multiple controls and feeding options, blending and mixing techniques have enable us to modify the material properties and performance of our material solutions. Our customers have shown real appreciation for the same and are providing newer opportunities and challenges.

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