

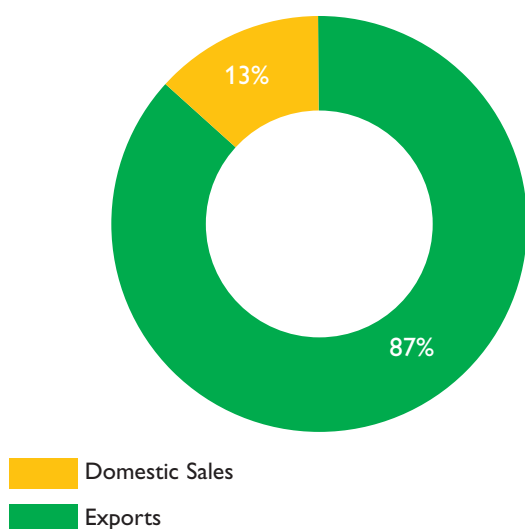
# TECHNOCRAFT INDUSTRIES LIMITED



## Company Background

Technocraft Industries was established in 1972 by a group of technologists in Mumbai, India, to manufacture sophisticated and precision products for global markets. The company is an ISO 9002 certified multi-product multinational company, with a strong presence in five different industries – drum closures, pipes and tubes, engineering services, scaffolding systems and accessories and cotton yarn. It has recently also ventured into the information technology segment. In 1979, the company was recognised as an export house by the Government of India.

Sales – Geographical Distribution (2005-06)



Source: Annual Report 2005, Technocraft

The company is headquartered in India, with offices and warehouses in the UK, Poland, Hungary, Germany and the US. The company employs approximately 1,500 people, including workmen,

technicians and technologists in various locations across the globe.

The company registered revenue of EUR 50.5 million for the financial year ending 31 March 2006, representing a decline from EUR 51.8 million in the previous year.

## Technocraft Industries in the EU

Technocraft has a long-standing relationship with companies in the EU, which has been a big export market for the company and a source of imports of high technology equipment. The company commenced its EU operations with the opening of its first unit in the UK in 1993, and is currently one of the leading tube and scaffolding suppliers to the EU market. In line with the increasing demand for its products, the company subsequently opened a second unit in Hungary and a third unit in Poland completely equipped with administrative and warehousing facilities.

### Technocraft Industries in Germany

In Germany, Technocraft established BOPP CASUAL WEAR GmbH, its wholly owned subsidiary for marketing its garments in the EU. BOPP coordinates its operations with the other subsidiaries of Technocraft in the UK, Hungary and Poland, and also provides collection and distribution services to the parent company.

The company also has a software division in Germany, which it operates under the name of CAE Systems GmbH. The main business of the

division is to carry out software development and other related activities for the EU market.

### **Technocraft Industries in Hungary**

In August 2000, Technocraft (Hungary), KFT, was incorporated to facilitate the trading of yarn and galvanised steel tubes and to sell Technocraft India products in Hungary and other neighbouring markets. It also imports other products of Indian origin and markets them in Hungary and neighbouring markets. During 2003-04, it earned revenues of EUR 3.14 million.

Further, Technocraft also acquired Danube Knitwear Ltd. This was one of the largest investments ever made by an Indian company in Hungary.

### **Technocraft Industries in Poland**

The Polish arm of the company, Technocraft Trading Spolka, Z.O.O, Poland, was launched in May 1998. It is engaged in knitting and weaving yarn, cotton and woven plastic fabrics, T-shirts, closing units for barrels, metal scaffolding, metal pipes and tubes. It also sells products made by Technocraft India in Poland and elsewhere in the EU. It posted revenues of EUR 14.69 million in the year 2003-04.

### **Technocraft Industries in the UK**

Technocraft International Limited, the UK arm of the company, routes most of its products for the EU market, including drum closures, pipe, scaffolding, 100-per cent cotton yarn, T-shirts and software. The company reported revenues of EUR 20.93 million for the year ending 2004.

### **Technocraft Industries in Other EU Countries**

Technocraft also has a software division in India, Technosoft Information Technologies, which is a leading CAD/CAM/CAE, IT and engineering service provider. This division has offices in India, the UK, Germany and the US.

## **Factors for Success**

### **Focus on Capacity Expansion**

The company plans to augment its manufacturing capacity and set up additional production locations. In the pipes division, the company has implemented self-designed and developed processes that give it higher margins.

### **Diversification**

Technocraft offers a diverse portfolio of products, spanning engineering products, steel tubes, drum closures and cotton yarn. In addition, the company has, through one of its subsidiaries, started manufacturing of garments. This multi-product portfolio de-risks the revenue model of the company.

### **Early Mover Advantage**

The company entered the Polish market as early as 1998. The recent accession of Poland into the EU and the subsequent (expected) abolition of customs duties on selling of steel tubes should place it in a position of strength in comparison with other players in the market. The company will also enjoy the advantage of the low cost of production in eastern Europe as well as its proximity to other EU markets.

## **Future Plans**

### **Expansion and Investment Plans**

Technocraft plans to invest EUR 20.94 million over the next few years for expansion purposes. Its expansion plans encompass the following:

- A complete revamp of its marketing unit in the UK: This would help it in selling larger volumes of scaffolding and tubes in Europe.
- Installation of a cotton yarn mill with a 27,640-spindle capacity to manufacture finer counts that will add to its already existing capacity of 33,264 spindles. The company plans to fund nearly 20 per cent of this requirement through an IPO in India.

- Diversification into retailing of readymade garments: The company has begun the brand building exercise for its 'Haute Chilli' brand of garments, and is also creating a direct marketing channel by opening retail outlets in western India.

### Scaffolding Products

The scaffolding products of the company are dominated by the Kwikstage type scaffolding system. The company plans to introduce the following new systems in this range:

- **Cuplok System:** This includes galvanised and painted versions and is expected to help the company enter the US, EU and Middle East markets.
- **Ring Scaffolding System:** This is a strong-selling product in the EU and US markets.
- **Other Tube Products:** These include the following value-added products:
- **Precision tubes for automotive sector:** The company plans to invest in a special forming mill and annealing furnace due to higher sales realisations than normal ERW pipes.
- **Nipples:** Pipe fittings are in high demand in various markets including the EU and Australia.

[www.technocraftgroup.com](http://www.technocraftgroup.com)