

CARE Due Diligence Services



Due Diligence Report

Name of the Entity	Prolife Industries Limited
Location	Plot No 213, Panoli Industrial Estate, Revenue Survey No 258/P, Village Sanjali, Tal Ankleshwar, Dist. Bharuch Gujarat – 394 116
Operational Status	Operational
Report Date	December 13, 2016

CARE Due Diligence Report– INDEX	
STRENGTHS AND WEAKNESSES	2
BRIEF SNAPSHOT OF ENTITY	4-5
ORGANISATION & MANAGEMENT	7
PROFILE OF THE PROMOTERS	7
MANAGEMENT & BOARD OF DIRECTORS	8-11
MANAGEMENT & OWNERSHIP STRUCTURE	12
BUSINESS PROFILE	16
BUSINESS PROFILE ANALYSIS	17
OPERATIONS OVERVIEW	18
CUSTOMER & SUPPLIER ANALYSIS	19-20
BUSINESS ACTIVITY DETAILS	21
INDUSTRY ANALYSIS	22-24
SITE VISIT REPORT	25
FINANCIAL PERFORMANCE	26-49
PROFITABILITY STATEMENT	26-27
COST STRUCTURE	28
BALANCE SHEET: ASSETS	31-33
BALANCE SHEET: LIABILITIES	34-36
SUMMARY OF RATIOS	42
PROFITABILITY ANALYSIS	43
LIQUIDITY ANALYSIS	44-46
FINANCIAL FLEXIBILITY	47
DEBT PROTECTION INDICATORS	48
BANKERS & AUDITORS DUE DILIGENCE	49
KEY FINDINGS	50

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CARE Due Diligence Report– STRENGTHS AND WEAKNESSES**Key Strengths**

- *Well-experienced promoters and management in the similar industry*
- *Diversified product portfolio*
- *Diversified geographical presence*
- *Moderate, Albeit fluctuating profit margins*
- *Moderate capital structure and debt coverage indicators*

Key weaknesses

- *Susceptibility in profit margin due to raw material price fluctuation*
- *Foreign exchange fluctuation risk.*
- *Presence in the highly competitive, regulated and fragmented industry with demand correlated to performance of end user industries.*

Note:

- *To undertake the due diligence, CARE has relied at the information provided by the management, their deputed/ instructed by the management and Draft Red Herring Prospectus.*
- *For undertaking the financial analysis, we have primarily relied on the following financial statements provided by the management:*
 - *Audited financials for the financial year ending March 31, 2012, audited by M/s Mistry & Shah and signed by Mr. Ketan Mistry dated September 03, 2012.*
 - *Audited financials for the financial year ending March 31, 2013, audited by M/s Mistry & Shah and signed by Mr. Ketan Mistry dated September 05, 2013.*
 - *Audited financials for the financial year ending March 31, 2014, audited by M/s Mistry & Shah and signed by Mr. Ketan Mistry dated August 27, 2014.*
 - *Audited financials for the financial year ending March 31, 2015, audited by M/s Mistry & Shah and signed by Mr. Ketan Mistry dated September 04, 2015.*
 - *Audited financials for the financial year ending March 31, 2016, audited by M/s Mistry & Shah and signed by Mr. Ketan Mistry dated August 29, 2016.*

DRHP consists of financials till March 31, 2016; thus, CARE has also considered financials till only March 31, 2016(H1FY17 numbers has not been provided)

- ***As a part of the due diligence exercise for NSE, CARE also***
 - ***Reviews financials submitted by the company with Ministry of Corporate Affairs.***
 - ***Undertakes Site visit and management discussion***
 - ***Due Diligence with lenders and auditors***
 - ***Due Diligence with customers and suppliers.***
- ***However, please note that***
 - ***Due diligence exercise by CARE is not an audit and also not a recommendation for entering into any transaction with the entity.***
 - ***CARE does not guarantee the accuracy, completeness or adequacy of any information on which this report is based. CARE is not responsible for any error / omissions for the results/opinions obtained for the use of this report.***

BRIEF SNAPSHOT OF ENTITY

Name	Prolife Industries Limited				
Year of Incorporation	July 27, 1994 (incorporated as Mamta Dyes and Intermediaries Private Limited)				
Constitution	Public limited company				
Nature of Business	Manufacturing				
Industry	Chemical Industry				
Products Manufactured	Manufacturing special and exclusive range of intermediates for dyes, pigments, pharmaceuticals, agrochemicals				
Registered Office	Plot No 213, Panoli Industrial Estate, Revenue Survey No 258/P, Village Sanjali, Tal Ankleshwar, Dist. Bharuch Gujarat – 394 116				
Location of Plant	Same as above				
Key Promoters name	Mr. Manindersingh Jolly , Managing Director				
Key regulatory approvals, certifications and membership	Requisite approvals from GPCB (Gujarat Pollution Control Board)				
Major Brands	None				
Name of the Auditor	Mistry & Shah, Chartered Accountant				
Major Existing Bankers	J & K Bank and ICICI Bank				
Total number of employees	39				
Total income for latest year	Rs.2249.57 Lakh				
Wilful defaulter as per CIBIL	No as on September 30, 2016				
Litigations	Cases Against	Particulars	Nature & Number of Case	Amount involved	Current status and managements response
	ACIT, Circle 5, Ahmedabad	Company has filed Appeal with ITAT, Ahmedabad on account of unexplained cash credit in the form of unsecured loans from two parties.	Civil, 1	Rs.14.96 Lakh	Awaiting for hearing date.
	PIL	The company's status is being marked as default pursuant to section 234E of the Income Tax Act, on account of late/not filing of TDS return within due time.	Taxation, 1	Rs.3.09 Lakh	N.A.
	PIL	The case was considered as a 100% Export Obligation Default Case on the grounds of non-submission of Export documents within the prescribed time	Taxation, 1	Rs. 3.16 Lakh	Awaiting for hearing date.

		limit and non-fulfillment of Export Obligation as a part of the essential conditions governing to the Advance License			
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Background

Incorporated in the year 1994, Prolife Industries Limited (PIL, Erstwhile known as Mamta Dyes and Intermediaries Private Limited in 1994 later on converted to Mamta Dyes and Intermediaries Limited, further renamed to R. R. J-Dyes and Intermediates Limited in 1997 and then to PIL in 2013) was setup by Mr. Manindersingh Jolly (Managing Director) and other family members. PIL is engaged into manufacturing of special and exclusive range of intermediates for dyes, pigments, pharmaceuticals, agrochemicals and others. The company has its registered office and plant at Tal Ankleshwar, District Bharuch in Gujarat.

The company has established its presence in domestic as well export market and are regularly catering to the needs of their customers in many countries including U.S.A, Spain, Switzerland, Germany, France, Taiwan, Japan, Germany, Brazil etc. The revenue from the export contributed around 31.17% to total operating income (TIO) and remaining came from domestic sale (68.83%) during FY16.

The product portfolio of the company consist of Dehydro Thio Para Toluidine Sulphonic Acid (DTPTSA), PYBIZS- 4-Nitrile-1-Hydroxy-8-Methoxy-3-Methyl Benzo [4,5] Imidazo [1,2A] Pyridine-7 & Sulphonic Acid & its sodium salt, Basic Red51/Red 76/Brown16/Brown17/Brown99/yellow-1/Yellow57/Orange31, 2-Chloro Methyl -3,4- Dimethoxy Pyridine, Octahydro-4B-Methyl-9 (Methylamino), Di Amino Bisphenoxy Ethane, 5-Methoxy 6- Amino Benz Imidazole Para Nitro Aniline, Epsilon Acid, 2:4 Di Nitro Aniline, Dichloro Para Nitro Aniline, Ortho Chloro Para Nitro Aniline, 6 Chloro 2:4 Di Nitro Aniline, 6 Bromo Di Nitro Aniline.

During FY16, the total operating income (TOI) of PIL stood at Rs.2249.57 Lakh (vis-à-vis Rs. 1989.16 Lakh in FY15), while net profit of the company stood at Rs.52.54 Lakh in FY16 (vis-à-vis Rs.50.06 Lakh in FY15).

ORGANISATION & MANAGEMENT: PROFILE OF THE PROMOTERS, MANAGEMENT & BOARD OF DIRECTORS

Details of key promoters

Name	Age	Designation	Educational qualification	Total years of experience	Years of association with company	Details of the past experience	Responsibilities handled
Mr. Maninder Singh Jolly	51 years	Chairman and Managing Director	Bachelor of Science (B.Sc)	22Years	Since July 27, 1994	Similar Field/Industry	Overall Management
Mrs. Anureet Kaur Jolly	49 years	Non Executive and Non Independent Director	Bachelor of Science (B.Sc), Graduate Diploma in Financial Management (PGDFM) and Post Graduate Diploma in System Management (PGDSM).	7 Years	Since October 31, 2009	Similar Field/Industry	Overall Management

Note: There are other members from key promoter’s family who form a part their group.

Promoter Group: Mr. Satnamsingh Narayansingh Jolly, Mrs. Balwant Kaur Satnamsingh Jolly, Mrs. Anureet Kaur Jolly, Mr. Harpreet Singh Jolly, Mr. Ajitsingh Jolly, Karan Jolly, Yushika Jolly, Mr. Nirmal Singh Gurudayal Singh Maunder, Mrs. Narinder Kaur Nirmal Singh Maunder, Mr. Anurag Singh, Nirmal Singh Maunder

Comments:

- The management of PIL vests in the hands of the key promoters Mr. Manindersingh Jolly (Chairman and Managing Director) and Mrs. Anureet Kaur Jolly.

Details of key management personnel

Name	Age (Years)	Designation	Educational qualification	Approx. total years of experience	Years of association with the company	Responsibilities handled
Mr. Jayvik M Soni	32	Chief Financial Officer	B.Com., C. A.	1 year	Since 2016 (2 months)	Related functions. Handling of overall Finance & Accounting Functions of the Company
Ms. Darshna N Maniyar	25	Company Secretary and Compliance Officer	B.Com., C.S.	-	Since 2016 (2 months)	Handling of overall Secretarial work & compliances of the Company.
Mr. Jagdish Kumar Dudhat	42	Production Manager	M.Sc., Post Graduated in Business Administration	4 years	Since November , 2015 (1 year)	Handling of overall Plant Production, Financial Related Works and all plant Related functions

Comments:

- The second line of management consists of mix of recently appointed and past associated key personnel with relevant education and experience in the industry.

Details of the board of directors

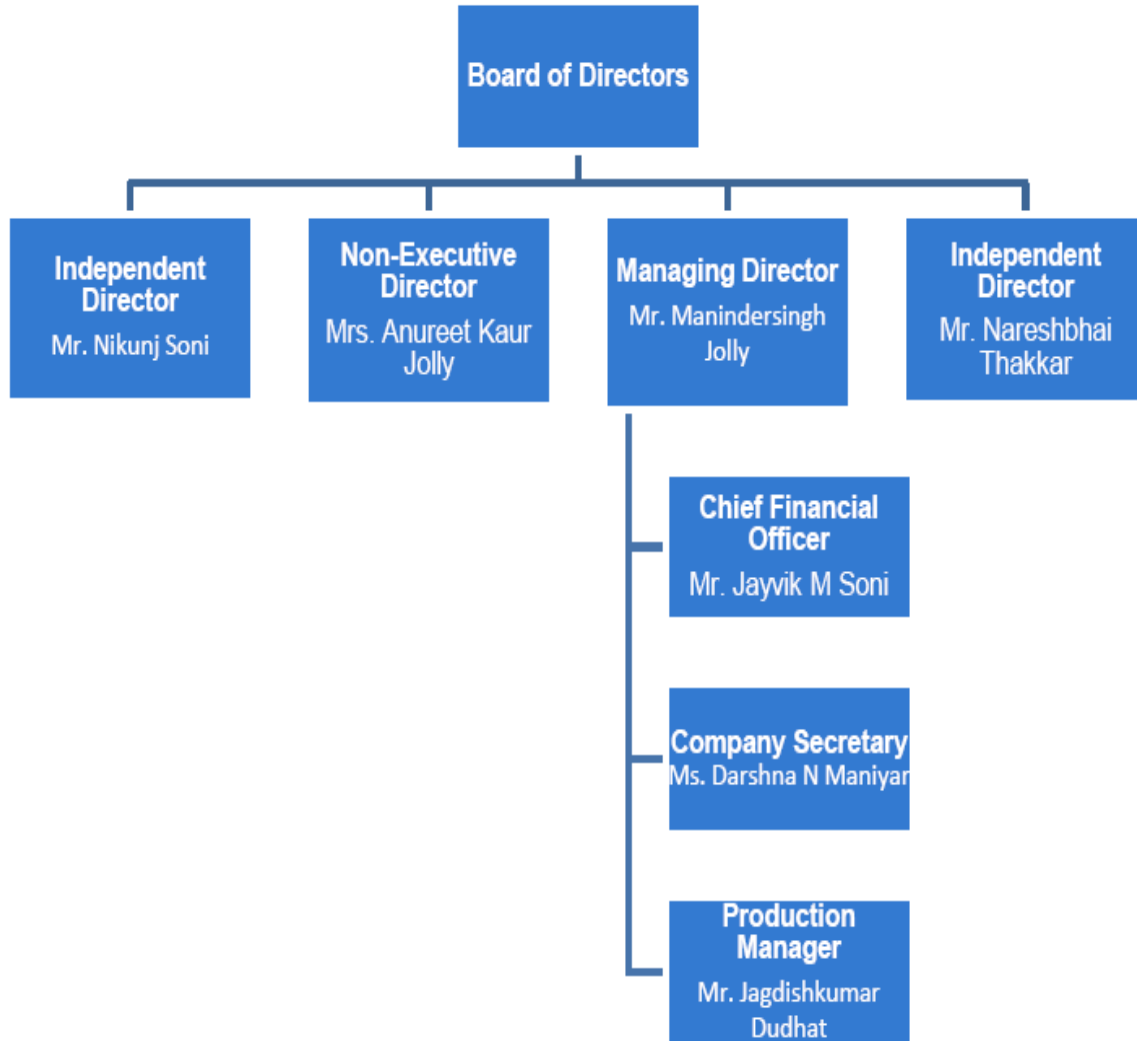
Name	Age (Years)	Category	Education qualification	Total years of experience	Date of Appointment	Details of the past experience	Other directorships/ Association Chairman
Mr. Manindersingh Jolly	51 years	Chairman and Managing Director	Bachelor of Science (B.Sc)	22 Years	Since July 27, 1994	Similar Field/Industry	1.Prolife Entertainment And Production Private Limited 2. Pro Chukan Chemical Industries Private Limited 3. Goldstar Chemicals Private Limited 4. Solvochem Intermediates Private Limited 5. Shraddha Finechem Private Limited

Name	Age (Years)	Category	Education qualification	Total years of experience	Date of Appointment	Details of the past experience	Other directorships/ Association Chairman
							6. Nem Organics Limited 7. Prolife Hair And Health Care Private Limited 8. Prolife Communication Private Limited 9. Prolife Multi Specialty Hospitals Private Limited 10. Prolife Bio-Chemical Industries Private Limited
Mrs. Anureet Kaur Jolly	49 years	Non-Executive and Non-Independent Director	Bachelor of Science (B.Sc), Graduate Diploma in Financial Management (PGDFM) and Post Graduate Diploma in System Management (PGDSM).	7 Years	Since October 31, 2009	Similar Field/Industry	1. Pro Chukan Chemical Industries Private Limited 2. Solvochem Intermediates Private Limited 3. Shraddha Finechem Private Limited 4. Nem Organics Limited 5. Prolife Hair And Health Care Private Limited 6. Prolife Communication Private Limited 7. Prolife Multi Specialty Hospitals Private Limited
Mr. Nareshbhai Thakkar	53 years	Independent Director	Bachelor of Science (B.Sc), LLB (Special)	20 Years	Since April 30, 2010	Media related work	1. Prolife Industries Limited 2. GTPL Narmada Cyberzone Private Limited 3. Narmada Solutions Private Limited 4. Bizguard Infonet Private Limited
Mr. Nikunj Soni	28 years	Independent Director	Bachelor of Commerce	6 Years	Since September 7, 2016	NA	-

NA: Not available

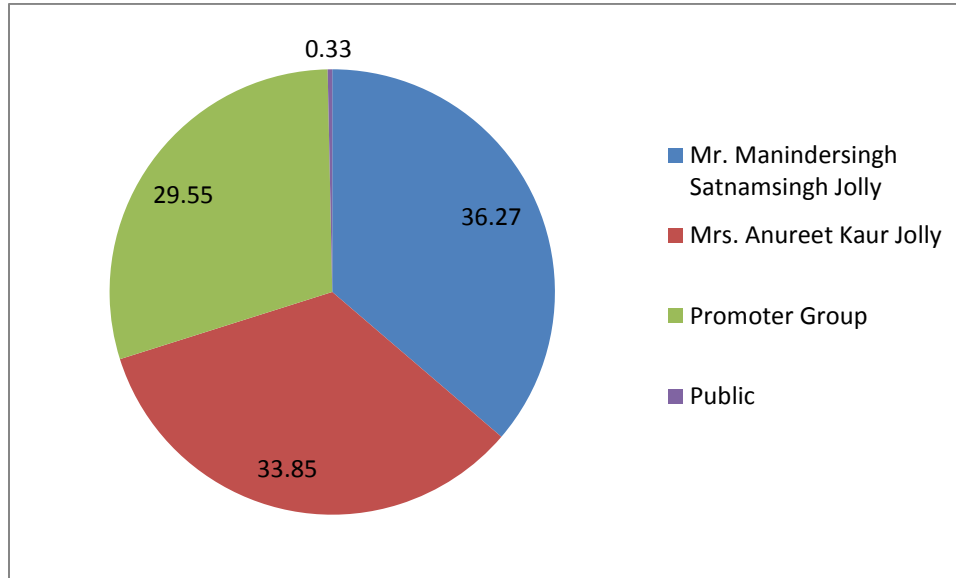
Comments:

- Mr. Manindersingh Jolly has been the director of company since incorporation and holds the position of Managing Director in the company since November 1, 2010. He is actively involved in the activities of the company including manufacturing, development of customize product and marketing of all chemical manufactured. He is also the key person behind the strategic decisions of company.
- Mrs. AnureetKaur Jolly is Non-Executive Director of the Company since October 31, 2009 and is entrusted with the responsibility of looking after the overall management and operations of the Company
- Mr. Nareshbhai Thakkar is Non Executive Independent Director since April 30, 2010. He is having more than 20 years of experience in the field of Media, local newspaper channel Narmada- Bharuch and the administrative work of media related company.
- Mr. Nikunj Soni is Non Executive Independent Director and has been appointed as independent Director since April 30, 2010.



ORGANISATION & MANAGEMENT: MANAGEMENT & OWNERSHIP STRUCTURE

Share holding pattern as on November 17, 2016



Name of share holder	No. of equity shares held	Share in business (%)
Promoters		
Mr. Manindersingh Satnamsingh Jolly	10,82,200	36.27
Mrs. Anureet Kaur Jolly	10,10,000	33.85
Promoter Group		
Mr. Karan Jolly	4,01,000	13.44
Mr. Harpreet Jolly	2,88,880	9.68
Mr. Nirmal Singh Munder	1,90,000	6.37
Prolife Bio- Chemicals Industries Private Limited	2,000	0.06
Public		
Mr. Mukesh Mehta	6000	0.20
Mr. Ashok P Jain	4000	0.13
Total	29,84,080	100.00%

- The promoters of the company collectively holds around 70% stakes in PIL and remaining 30% stake are held by promoter group and public.

Group Company details

The following entities are identified as Group Companies of our Company.

1. Prolife Bio-Chemical Industries Private Limited
2. Nem Organics Limited
3. Gold Star Chemical Private Limited
4. Shraddha Finechem Private Limited
5. Solvochem Intermediates Private Limited
6. Prolife Communication Private Limited
7. Prolife Multi Specialty Hospitals Private Limited
8. Prolife Entertainment And Production Private Limited
9. Prolife Hair and Health Care Private Limited
10. Pro Chukan Chemical Industries Private Limited
11. J.S. Chemicals
12. Shree Ram Chemicals
13. Ayaz Ice and Cold Storage
14. Solvochem Industries
15. Yushika Exports
16. Manindersingh Satnamsingh Jolly HUF

The details of Group Companies which are in similar line of business activities, as carried out by PIL, are stated below;

1. Prolife Bio-Chemical Industries Private Limited (PBCIPL)

PBCIPL is a Private Company incorporated on September 12, 1994 under the provisions of Companies Act, 1956 and has its registered office at Shop No 3, Minal Chaya, Aptsalmedia Road, Panch Pakhadi, Thane West, Maharashtra.

Current Nature of Activities PBCIPL is engaged in the business of manufacturing and processing of the chemicals, intermediates, pharmaceuticals, bulk and basic drugs in the form of tablets, capsules, syrup, injections, ointments, liquids and powers.

Financial Performance The summary of audited financials for the previous three years is as follows:

(Rs.in lakhs except per share data)

Particulars	March 31, 2016	March 31, 2015	March 31, 2014
Net Worth	532.63	417.03	508.91
Total Debt	2723.66	1383.07	NA
Total Income	3286.61	3072.62	2898.29
PAT	11.56	36.01	31.53

- The company is not a listed company.
- The company is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is under winding up.
- There are no defaults in meeting any Statutory/bank/institutional dues and no proceedings have been initiated for economic offences against the Company.

2. Goldstar Chemical Private Limited (GSCPL)

GSCPL is a Public Company incorporated on October 27, 1987 under the provisions of Companies Act, 1956 and has its registered office at Pushpawati Bldg., No. 1, 1st Floor, 568, Chira Bazar, Girgaon Road, Mumbai – 400 002.

Current Nature of Activities GSCPL is engaged in the business of manufacturing and processing of the synthetic organic dyestuffs, food colours, acid colours, chemical for confectionaries food and pharma-intermediates etc.

Financial Performance

The summary of audited financials for the previous three years is as follows:

(Rs. in lakhs except per share data)

Particulars	March 31, 2016	March 31, 2015	March 31, 2014
Net Worth	297.47	254.58	238.14
Total Debt	390.58	323.57	392.34
Total Income	807.03	960.17	1041.51
PAT	42.90	30.08	29.94

3. Pro Chukan Chemical Industries Private Limited (PCC IPL)

PCC IPL is a private company incorporated on January 11, 2013 under the provisions of Companies Act, 1956 and has its registered office at Plot No 2921, Phase III, GIDC Estate, Ankleshwar, Panoli, Bharuch – 394116.

Current Nature of Activities PCC IPL is engaged in the business of manufacturing and processing of chemicals, chemical compounds (organic and inorganic) in all forms of all types, dyes stuffs, intermediates, textile auxiliaries, cellophanes, colors etc.

Financial Performance

The summary of audited financials for the previous three years is as follows:

(Rs. in lakhs except per share data)

Particulars	March 31, 2016	March 31, 2015	March 31, 2014
Net Worth	297.47	254.58	238.14
Total Debt	-	-	-
Total Income	807.03	960.17	1041.51
PAT	42.90	30.08	29.94

Employee Profile

As on October 31, 2016 the entity has total strength of 42 permanent employees (including workmen) in various departments. The details of which is given below:

Sr. No.	Particulars	Employees
1.	Management and Finance	4
2.	Production/Manufacturing and Maintenance	2
3.	Administrative	5
4.	Skilled and Semi-Skilled Labour	31
Total		42

Comment:

- The major decisions are taken by the CMD Mr. Manindersingh Satnamsingh Jolly who is further supported by the second line of management. Further, the company has a strong human resource pool with qualified personnel consisting of MBAs, engineers and post graduates having relevant industry experience. However, the key decisions are taken by the management.

BUSINESS PROFILE: OPERATIONS OVERVIEW

BUSINESS PROFILE ANALYSIS

PIL is engaged in manufacturing exclusive range of intermediates for dyes, pigments, pharmaceuticals, agrochemicals and others.

OPERATIONS OVERVIEW

Nature of activity	Manufacturing
Industry segment	Chemical Industry
Products Offered	Intermediates for dyes, pigments, pharmaceuticals, agrochemicals and others
Plant locations	Plot No 213, Panoli Industrial Estate, GIDCPanoli, Tal. Ankleshwar, District Bharuch
Area of the Plant	Approx. 4700 sq. mtrs.
Ownership of Plant	Lease
Location advantage	Yes
Marketing Setup	Yes

Comments:

- PIL has manufacturing plant situated at Ankleshwar, Gujarat which has received certification from GPCB (Gujarat Pollution Control Board) to carry out the business operations. The company has very diversified product portfolio which consists of wide range of intermediaries for dyes, pigments, pharmaceuticals agro chemicals.
- Range of products offered by PIL are as follows:
 - *Dyes Intermediate*
 - DehydroThio Para Toluidine Sulfonic Acid (DTPTSA)
 - Amino Phenoxy Propane Sulfonic Acid (SPA)
 - Amino Methyl Phenoxy Sulfonic Acid (SPMT)
 - PYBIZS- 4-Nitrile-1-Hydroxy-8-Metoxy-3-Methyl Benzo [4,5] Imidazo [1,2A] Pyridine-7 & Sulphonic Acid & its sodium salt
 - *Basic Dyes*
 - Basic Red51/Red 76/Brown16/Brown17/Brown99/yellow-1/Yellow57/Orange31
 - *Organic Intermediates*
 - 2-Chloro Methyl -3,4- Dimethoxy Pyridine
 - Octahydro-4B-Methyl-9 (Methylamino)
 - Di Amino Bisphenoxy Ethane
 - 5-Methoxy 6- Amino Benz Imidazole Para Nitro Aniline,
 - Epsilon Acid,
 - 2:4 Di Nitro Aniline,
 - Dichloro Para Nitro Aniline,
 - Ortho Chloro Para Nitro Aniline,
 - 6 Chloro 2:4 Di Nitro Aniline,

Revenue analysis
(Rs. Lakh)

Particulars	FY12	FY13	FY14	FY15	FY16
Gross Sales	1220.00	1642.85	1895.34	1958.38	2220.67
<i>% y-o-y growth</i>	NM	34.66	15.37	3.33	13.39
A. Domestic Sales	766.60	1504.03	1254.66	1446.92	1528.39
<i>% y-o-y growth</i>	NM	96.19	16.58	15.32	5.63
<i>% of sales</i>	62.83	91.50	66.14	73.88	68.82
B. Export Sales	461.19	138.82	640.68	511.74	692.28
<i>% y-o-y growth</i>	NM	-69.89	361.51	-20.12	35.27
<i>% of sales</i>	37.17	8.5	33.86	26.12	31.18
Add: Other operating income	10.02	15.94	6.21	30.79	28.9
Total Operating Income	1230.02	1658.78	1901.55	1989.16	2249.57
<i>% y-o-y growth</i>	NM	34.86	14.64	4.61	13.09

Comments:

- It has very diversified produces which consists of refined naphthalene, para toluidine, hydrated lime, sulphuric acid, caustic soda flakes, caustic soda ash and others.

State -wise revenue (Domestic Sales) breakup (%)

States	FY12	FY13	FY14	FY15	FY16
	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh
Maharashtra	43.07	70.49	23.20	71.03	128.04
Gujarat	723.53	1433.54	1231.46	1375.89	1400.35
Total	766.60	1504.03	1254.66	1446.92	1528.39

Export country-wise revenue breakup (%)

Countries	FY12	FY13	FY14	FY15	FY16
	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh
Japan	15.66	0.00	13.30	140.97	42.99
United States	177.62	174.09	212.53	0.00	0.00
Germany	0.00	0.00	38.71	71.53	35.69
Spain	180.99	133.13	99.10	106.65	197.15
UK	0.00	0.00	167.49	121.84	302.83
Others	86.92	0.00	109.55	70.75	113.62
Total	461.19	138.82	640.68	511.74	692.28

Comments:

- PIL supplies its produces in domestic market mainly in Maharashtra and Gujarat and these two states contributed to around 68.82 percent of the total sales with the rest being contributed by export sales.
- PIL primarily exports to various countries such as Japan, UK, Spain, Germany and USA.

PROJECT DETAILS

PIL is planning for expansion of its existing plant at 213, G.I.D.C. Panoli, Ankleshwar Gujarat. The overall estimated project cost is Rs.406.66 Lakh, which it will be funded through IPO proceeds (not yet issued) and internal accruals from the business. The project work includes construction of plant, purchase of machinery other miscellaneous work. PIL has started the construction work at the plant and it has already deployed approx. Rs.119.86 lakh towards project (construction of the plant (Rs.65.37 lakh) and given advances against purchase of machinery (Rs.54.49 lakh)) as of October 25, 2016 which was completely funded through internal accruals. As the project starts and requires more funds, the company may go for further debt or equity financing and internal accruals going forward. As per the management, the project is likely to get operational by March 2017.

The detailed cost of project and funding pattern are as follows:

Purpose	Estimated Cost (Rs. Lakh)	Incurred as on October 25, 2016	Means of Finance	Amount (Rs. Lakh)	Incurred as on October 25, 2016
Construction of Building	129.67	65.37	IPO Proceeds	421.80	-
Plant & Machinery	276.99	54.49	Internal Accruals	119.86	119.86
Total Project Cost	406.66	119.86			
General Corporate Purpose	100.00	-			
Issue Expenses	35.00	-			
Total	541.66	-	Total	541.66	119.86

CUSTOMERS & SUPPLIERS ANALYSIS**CUSTOMER'S PROFILE****Comments**

The company supplies its produces directly to manufacturers of dyes, pigments, pharmaceuticals, agrochemicals there is no channel of approaching such manufacturers the Managing Director of the company Mr. Manindersingh Jolly uses his direct links and network for the same.

CUSTOMERS/DEALERS FEEDBACK

Name of Customer	Bhagwati Chemical Industries
Contact person	Mr. Govindbhai
Contact details	9825038280
Feedback	Satisfactory

Name of Customer	Pharmex Health Care
Contact person	Mr. Ashish Patel
Contact details	9825019356
Feedback	Satisfactory

Name of Customer	Siddharth Color Chem Limited
Contact person	Mr. Shivang Singhania
Contact details	022- 22045986
Feedback	Satisfactory

SUPPLIERS' PROFILE

PIL's primary raw materials are refine naphthalene, para toluidine, hydrated lime, sulphuric acid, caustic soda flakes, caustic soda ash and others which it procures from domestic as well overseas supplier.

Supplier Feedback

Name of Supplier	Aastha Impex
Product	H acid
Contact person	Mr. Darshan
Contact details	079-26430459
Feedback	Satisfactory

Name of Supplier	Niranjan Chemicals
Product	Caustic soda flakes and caustic soda ash
Contact person	Mr. Sunny Bhai
Contact details	9824718127
Feedback	Satisfactory

Name of Supplier	Modi Chemical Industries
Product	Hydrated acid and Magnesium oxide
Contact person	Mr. Sandeep Modi
Contact details	9825040021
Feedback	Satisfactory

BUSINESS ACTIVITY DETAILS

Key Raw materials	Nepthalene, para toluidine, hydrated lime, sulphuric acid, caustic soda flakes, caustic soda ash and others
Level of Raw Material Price fluctuation risk	Moderate
Quality Certifications	NA
Level of value addition	Moderate

SUPPLY SIDE ANALYSIS

Average Creditor Days	60
Raw Material Availability	Ample
Import as a % of RM Purchase	13.50

Comments:

- The raw materials are adequately available in the domestic and international market and PIL keeps enough stock of raw material to cater the immediate demand of the clients.

INDUSTRY ANALYSIS

Name of the industry	Indian Chemical Industry
Product portfolio	Manufacturing special and exclusive range of intermediates for dyes, pigments, pharmaceuticals, agrochemicals
Overall Industry risk	Moderate
Level of competition	High

INDUSTRY WRITE-UP:

Introduction

The chemical sector has witnessed growth of 13-14% in the last 5 years while petrochemicals have registered a growth of 8-9% over the same period. The major growth drivers, behind India’s chemical industry could be listed as follows:

- **Structural advantage:** With a growing market and purchasing power, the domestic industry is likely to growth at over 10-13% in the coming years. Growing disposable incomes and increasing urbanization are fuelling the end consumption demand for paints, textiles, adhesives and construction, which, in turn, leads to substantial growth opportunity for chemicals companies.
- **High domestic consumption:** The chemicals industry in India is the largest consumer of its own products, consuming 33% of its output. With promising growth trends in the chemicals industry, this internal consumption is also set to rise.
- **Diversified industry:** The Indian chemicals industry has a diversified manufacturing base that produces world-class products. There is a substantial presence of downstream industries in all segments. Further, this large and expanding domestic chemicals market also boasts of a large pool of highly-trained scientific manpower.
- **Promising export potential:** Chemicals constitute ~5.4% of India’s total exports. India already has a strong presence in the export market in the sub-segments of dyes, pharmaceuticals and agro chemicals. India exports dyes to Germany, the UK, the US, Switzerland, Spain, Turkey, Singapore and Japan.

Government Policies and FDI Investments

Government recognizes Chemical industry as a key growth element of Indian economy. In Chemical Sector, 100% FDI is permissible. Manufacture of most of chemical products is delicensed. The entrepreneurs need to submit only IEM with the DIPP provided no locational angle is involved. Only the following items are covered in the compulsory licensing list because of their hazardous nature.

- Hydrocyanic acid & its derivatives
- Phosgene & its derivatives
- Isocyanates & di-isocyanates of hydrocarbons

A number of initiatives have been proposed in the 12th 5-year plan (2012-2017) to boost the growth of Indian Chemical industry. Few highlights are:

➤ **Investment policies:**

- Target to increase the share of manufacturing in GDP to at least 25% by 2025 (from current 16%). Investments in manufacturing in the chemical sector are absolutely essential to ensure growth of the Indian chemical industry.
- Government's proposal to set up of a technology up-gradation fund of ~USD 80 Mn in the 12th plan for chemicals.
- Proposal to establish an autonomous USD 100 Mn chemical innovation fund by securing 10% of the total inclusive national innovation fund set up by the National Innovation Council to encourage commercialization efforts for innovations generating inclusive growth

➤ **Other initiatives:**

- Government readiness to provide incentives for bio-based raw materials to reduce dependence on crude oil, encourage companies to seek "Responsible Care Certification" and facilitate priority loans to those who meet environment norms
- Government's plan to expedite the consolidation of multiple legislations governing the chemical industry into one Integrated Chemical Legislation. This legislation should cover the entire life cycle of chemicals. This will act as reach like legislation for safe use of chemicals for protection of human health & environment
- Chemical industry could be granted tax and duty reductions for specific identified products such as import duty reduction on inputs like coal, furnace oil, naphtha, etc., inclusion of a wider range of inputs under CENVAT credit and encouraging companies to set up captive power plants
- Policies have been initiated to set up integrated petroleum, chemicals and petrochemicals investment regions (PCPIRs). PCPIR will be an investment region spread across 250 square kilometres for manufacturing of domestic and export related products
- Simplified procedures for FDIs as most of the chemical sector products fall under the automatic approval route for FDI/NRI investment upto 100%

Key Trends & Developments

Indian Chemical players have been focussing on sustainable development. Water, environmental impact, raw materials, safety over lifecycle and energy use is some of the issues grappling the industry. Indian chemical companies are largely investing in innovative solutions to find appropriate answers to these challenges. Some of the successful examples from the industry are as follows:

- Kanoria Chemicals & Industries Limited (KCI) launched a “waste to wealth” program at its Ankleshwar plant with the objective of recovery of recyclable water from distillery effluents. KCI went for reverse osmosis technology to achieve maximum recycle and minimum possible disposal.
- The Arulpuram common effluent treatment plant in Tirupur adopted a technology to recycle more than 98% of water and reuse of more than 90% of the salt by implementing an effluent treatment plant consisting of a pre-treatment system followed by water recovery system using reverse osmosis.
- Bristol-Myers Squibb went for integrating the pervaporation technology with constant volume distillation operation. With the integrated approach Bristol Myers achieved 56% reduction in THF (100% reduction in entrainer) and 93% reduction in wastes generated.

Future Prospects & Investment Opportunities

Indian chemical industry is expected to register a growth of 8-9% in the next decade and is expected to double its share in global chemical industry to 5-6% by 2021. Indian Chemical industry has the potential to grow significantly provided some of the key growth imperatives are taken care of. Securing Feedstock, Right Product Mix, M&A opportunities are currently the key imperatives for chemical industry in India. Few investment opportunities can be highlighted as:

- Chemical companies in India can either explore alternate feedstock or invest in setting up plants in resource rich nations to secure feedstock
- Companies need to invest in exploring the right product mix to be competitive and profitable using the available feedstock in India i.e. Naphtha and its derivatives
- Indian companies can explore possible Merger, JV opportunities for technology, capital or access to international market by taking advantage of increasing expansion of western companies in India
- Chemical companies can invest in exploring strategic energy management and strategic water management to cut down their energy costs and contain water availability concerns
- Companies can invest in upcoming PCPIRs in India and overcome challenges related to infrastructure, power and water availability.
- There are good opportunities in segments such as Speciality Chemicals, Speciality Polymers, for catering to huge emerging domestic demand as also as a manufacturing hub.

SITE VISIT REPORT - Manufacturing facility

Location of Plant	Plot No 213, Panoli Industrial Estate, Revenue Survey No 258/P, Village Sanjali, Tal Ankleshwar, Dist. Bharuch Gujarat – 394 116
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Sites visited	Plot No 213, Panoli Industrial Estate, Revenue Survey No 258/P, Village Sanjali, Tal Ankleshwar, Dist. Bharuch Gujarat – 394 116
Presence in a cluster	Yes
Area of the unit	Approx. 4700.00 sq. mtrs.
No. of employees at site	42
Ownership of premises	Leased
Other facilities	Boundary wall, Sign boards, fire extinguisher, Stock yard, Security guard and generator

Adequacy of Warehousing Facilities

Availability of land for future expansion	Adequate
Site layout	Structured
Adequacy of insurance coverage	Fully insured
Source of power	State Electricity board
Adequacy of power	Good
Presence of labour union	No
Industrial relations	Good
Level of work safety	Adequate
Adequacy of storage facilities	Adequate
Environmental clearance	Standard approvals obtained from GPCB
Operational status of plants	Operational

Plant Photographs


FINANCIAL PERFORMANCE - PROFITABILITY STATEMENT
Rs. In Lakh

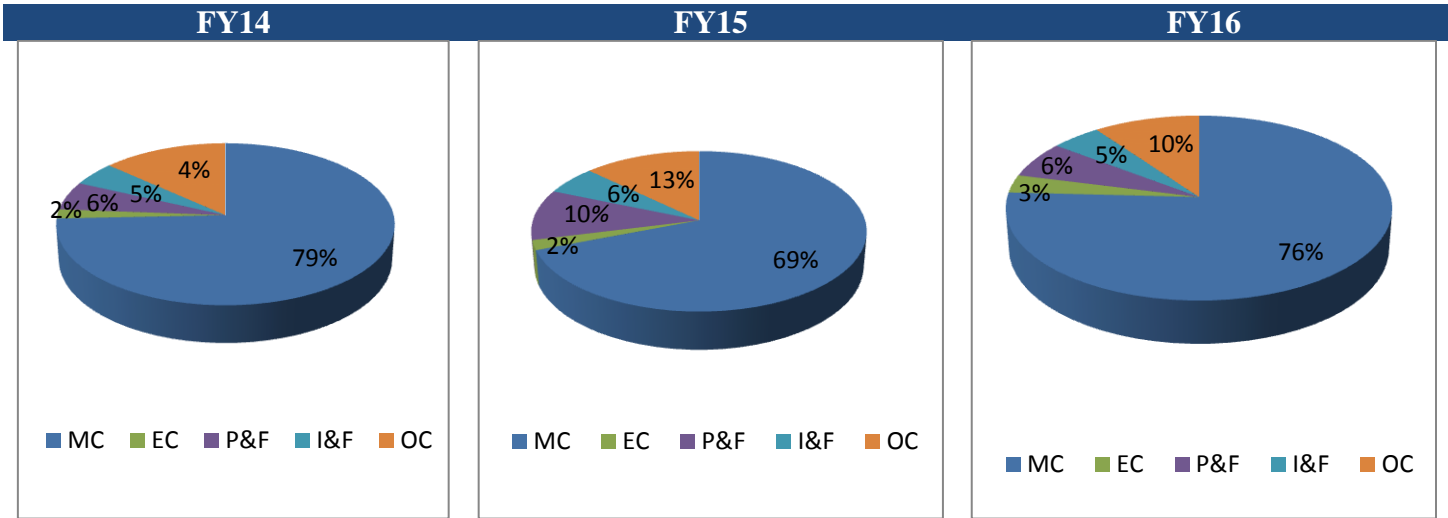
Period Ends on: March 31,	2012	2013	2014	2015	2016
Result Type:	Actual	Actual	Actual	Actual	Actual
Number of months in current financial year	12	12	12	12	12
Net Sales	1220.00	1642.85	1895.34	1958.38	2220.67
Other Income(related to operations)	10.02	15.94	6.21	30.79	28.90
Total Operating Income	1230.02	1658.78	1901.55	1989.16	2249.57
Material Costs	974.21	1320.11	1430.37	1364.53	1590.59
Costs of traded goods sold	0.00	0.00	-18.00	0.00	0.00
Accretion : Decretion to Finished Goods Stock	-3.49	3.46	-28.26	-26.60	119.17
Consumable Stores	2.02	0.67	1.90	3.12	4.92
Power and Fuel	63.74	87.85	109.03	201.75	133.55
Employee Costs	20.90	29.85	35.27	39.12	65.73
Other Manufacturing Expenses	38.41	38.23	69.14	75.22	25.46
Other Expenses	14.82	41.76	49.67	68.27	45.31
Selling Expenses	33.52	20.57	89.05	45.38	63.57
Cost of Sales	1144.12	1542.50	1738.18	1770.79	2048.30
PBILDT	85.90	116.28	163.37	218.37	201.27
Depreciation	28.54	26.11	28.98	39.70	42.17
PBIT	57.36	90.17	134.40	178.67	159.10
Interest and Finance Charges	28.50	47.95	92.27	114.27	98.75
Operating Profit Before Tax (OPBT)	28.86	42.22	42.13	64.40	60.35
Operating Profit After Tax (OPAT)	19.50	27.20	25.63	54.22	38.97
Non-Operating Income / (Expense)	0.00	0.00	0.00	0.00	33.61
Profit Before Tax (PBT)	28.86	42.22	42.13	64.40	93.96
Cash Adjustments	0.00	-3.55	3.78	-4.95	-6.54
Adjusted Profit Before Tax (APBT)	28.86	38.67	45.90	59.45	81.37
Tax	12.52	15.34	20.08	25.65	33.13
Provision for Deferred Tax	-3.16	-1.58	-2.11	-16.25	-4.30
ADJUSTED PROFIT AFTER TAX (APAT)	19.50	24.91	27.93	50.06	52.54
Gross Cash Accruals	44.88	49.45	54.79	73.50	90.41

Comments:
Revenue analysis
Rs. In Lakh

Parameters	FY12	FY13	FY14	FY15	FY16
Net Sales	1220	1642.85	1895.34	1958.38	2220.67
<i>% y-o-y growth</i>	NM	34.66%	15.37%	3.33%	13.39%
Other Income (related to operations)	10.02	15.94	6.21	30.79	28.9
<i>% y-o-y growth</i>	NM	59.08%	-61.04%	395.81%	-6.14%
Total Operating Income	1230.02	1658.78	1901.55	1989.16	2249.57
<i>% y-o-y growth</i>	NM	34.86%	14.64%	4.61%	13.09%

- PIL's total operating income (TOI) consists of sales for dyes, pigments, pharmaceuticals, agrochemicals and also other income derived from export incentives, exchange gain and interest on fixed deposit.
- TOI had witnessed multifold increase from FY12 to FY16 due to new product additions and also due to increase in the volume of products sold.
- Net sales grew by 13.39% to Rs.2220.67 Lakh in FY16 from Rs.1958.38 Lakh in FY15 with increase in client base and orders. Sales had witnessed multifold increase from FY12 to FY16 due to new product additions and also due to increase in the volume of products sold.
- Other income includes during FY16 includes export incentives, interest on fixed deposits and PCL account, discount received and exchange gain.

FINANCIAL PERFORMANCE - COST STRUCTURE



MC = Material cost; CGS = Cost of goods sold; EC = Employee cost; P&F = Power and fuel; I&F = Interest and finance charges; OC = other cost (including depreciation);

Comments:

Material costs constituted the highest pie in the cost structure during FY14 to FY16. While employee costs increased from Rs.39.12 Lakh in FY15 to Rs.65.73 Lakh in FY16, the power and fuel costs decreased from Rs.201.75 Lakh in FY15 to Rs.133.55 Lakh in FY16. Fixed capital charges (depreciation and finance costs) covered 8.24 portions of the total costs for FY16.

Material cost analysis

Parameters	FY12	FY13	FY14	FY15	FY16
Material cost (Rs. lakh)	974.21	1320.11	1430.37	1364.53	1590.59
% y-o-y growth	NM	35.51%	8.35%	-4.60%	16.57%
As % of TOI	79.20%	79.58%	75.22%	68.60%	70.71%
As % to cost of sales	85.15%	85.58%	82.29%	77.06%	77.65%

- PIL being engaged into manufacturing of intermediates for dyes, pigments, pharmaceuticals, agrochemicals and others.
- Material costs as a % of TOI decreased from 75.22% in FY14 to 70.71% in FY16 but it has increased comparatively during FY16, being at 68.60% of TOI during FY15,

impacting the margins on account of increasing price competition and volatile nature raw material prices.

Power & fuel cost

Parameters	FY12	FY13	FY14	FY15	FY16
Power & fuel cost (Rs. lakh)	63.74	87.85	109.03	201.75	133.55
<i>% y-o-y growth</i>	NM	37.83%	24.10%	85.04%	-33.80%
As % of TOI	5.18%	5.30%	5.73%	10.14%	5.94%
As % to cost of sales	5.57%	5.70%	6.27%	11.39%	6.52%

- Being engaged into manufacturing, power and fuel (P&F) costs are one of the significant contributor to cost of sales and remained in the range of 5.18 % to 5.94 % of TOI during the FY12-FY16.

Employee cost

Parameters	FY12	FY13	FY14	FY15	FY16
Employee cost (Rs. lakh)	20.90	29.85	35.27	39.12	65.73
<i>% y-o-y growth</i>	NM	42.86%	18.17%	10.90%	68.03%
As % to total operating income	1.70%	1.80%	1.85%	1.97%	2.92%
As % to cost of sales	1.83%	1.94%	2.03%	2.21%	3.21%

- PIL employs qualified personnel for managing administrative, marketing, logistics and accounts and finance.

Other operating cost items

Parameters	FY12	FY13	FY14	FY15	FY16
Selling Expenses (Rs. lakh)	33.52	20.57	89.05	45.38	63.57
<i>% y-o-y</i>	NM	-38.63%	332.89%	-49.04%	40.08%
% of TOI	2.73%	1.24%	4.68%	2.28%	2.83%
% of cost of sales	2.17%	1.33%	5.12%	2.56%	3.10%
Other Manufacturing Expenses (Rs. lakh)	38.41	38.23	69.14	75.22	25.46
<i>% y-o-y</i>	NM	-0.47%	80.87%	8.80%	-66.15%
% of TOI	2.32%	2.30%	3.64%	3.78%	1.13%
% of cost of sales	2.49%	2.48%	3.98%	4.25%	1.24%
Other operating Expenses (Rs. lakh)	14.82	41.76	49.67	68.27	45.31
<i>% y-o-y</i>	NM	181.73%	18.95%	37.44%	-33.63%
% of TOI	0.89%	2.52%	2.61%	3.43%	2.01%
% of cost of sales	0.96%	2.71%	2.86%	3.86%	2.21%

- Selling expenses have remained in the range of 1.24 % to 4.68 % of TOI during FY12 to FY16 comprising primarily of commission paid to selling agents, advertisement and selling expenses.
- Other manufacturing expenses remained in the range of 1.13 % to 3.78 % of TOI during FY12 to FY16 and mainly includes repairs and maintenance of plant and machinery, insurance expense, laboratory expense.
- Other operating expenses (includes mainly payment of custom duty, audit fees, VAT (value added tax) expense, service tax) decreased as a percent of TOI from 3.43 % in FY15 to 2.01 % in FY16.

Depreciation

Parameters	FY12	FY13	FY14	FY15	FY16
Depreciation (Rs. lakh)	28.54	26.11	28.98	39.70	42.17
% y-o-y growth	NM	-8.52%	10.97%	37.00%	6.21%
As % of total operating income	1.72%	1.37%	1.52%	2.00%	1.87%

- Depreciation expense increased from Rs.28.54 Lakh in FY12 to Rs.42.17 Lakh in FY16 mainly due to additions to plant and machinery, factory building, office equipment, furniture and fixtures.
- Up to March 31st 2014, depreciation on fixed assets is provided on Written down value method (WDV) at the rate and manner prescribed in scheduled XIV of the companies Act 1956 over their useful life. With effect from April 1st 2014 depreciation is provided based on useful life of assets as prescribed in Scheduled II of companies Act 2013 except no charging of 100% depreciation on assets costing below Rs.5000. The carrying amount as on April 1st 2014 is depreciated over the balance useful life of assets.

Interest and finance charges

Parameters	FY12	FY13	FY14	FY15	FY16
Interest and Finance Charges (Rs. lakh)	28.50	47.95	92.27	114.27	98.75
% y-o-y growth	NM	68.26%	92.43%	23.85%	-13.58%
As % of TOI	2.32%	2.89%	4.85%	5.74%	4.39%

- The total interest and finance charges have increased from Rs.92.27 Lakh in FY14 to Rs.98.75 Lakh in FY16.

FINANCIAL PERFORMANCE - BALANCE SHEET:ASSETS

(Rs. In Lakh)

Period Ends on: March 31,	2012	2013	2014	2015	2016
Result Type:	Actual	Actual	Actual	Actual	Actual
Gross Block	346.43	380.39	416.58	487.08	405.14
Accumulated Depreciation	-118.63	-144.75	-173.72	-214.55	-84.39
Net Block	227.79	235.64	242.86	272.53	320.74
NET FIXED ASSETS	227.79	235.64	242.86	286.00	377.32
Other Investments	65.46	66.92	100.65	111.73	107.14
TOTAL INVESTMENTS :net of provision	65.46	253.48	287.20	298.29	293.70
Raw and Packing Materials	233.00	479.18	387.93	371.74	189.09
Finished Goods	0.00	0.00	227.25	253.85	134.68
TOTAL INVENTORIES	233.00	479.18	615.18	625.59	323.78
Receivables : More than 6 months	33.16	66.00	8.12	0.00	23.74
Receivables : Less than 6 months	147.98	159.57	267.45	336.37	363.35
TOTAL RECEIVABLES	181.14	225.57	275.57	336.37	387.09
Current Loans; Advances; current assets related to operations	32.29	46.23	0.07	77.01	61.90
Cash and Bank Balances	19.56	18.46	14.23	36.14	21.84
TOTAL OTHER CURRENT ASSETS	51.86	64.68	14.29	114.58	83.74
TOTAL CURRENT ASSETS related to operations	465.99	769.43	905.05	1075.11	794.60
TOTAL ASSETS	1005.68	1410.55	1620.18	1769.32	1604.67

Comments:

- PIL's fixed assets primarily comprise of plant & machineries, buildings, land Furniture and fixtures, vehicle office equipment, computer and processing equipment, laboratory equipment, electrical installations and equipment, hydraulic work and pipelines..
- Further, it has constantly increased its fixed asset in FY14 and FY15 by constantly upgrading the machinery used for production.

Inventories

Parameters: As on March 31,	2012	2013	2014	2015	2016
Raw and Packing Materials (Rs. lakh)	233.00	479.18	387.93	371.74	189.09
Average Raw Material Inventory Period (days)	0.00	97.11	109.12	100.21	63.47
Finished Goods (Rs. lakh)	0.00	0.00	227.25	253.85	134.68
Average Finished Goods Inventory Period (days)	0.00	0.00	24.80	50.19	35.24
Total inventories (Rs. lakh)	233.00	479.18	615.18	625.59	323.78

<i>Average Inventory Period (days)</i>	0.00	84.23	119.45	129.44	86.10
Total inventory as % of total assets	0.23	0.34	0.38	0.35	0.20

- Total inventory primarily comprises of finished goods inventory (42% of total inventory as on March 31, 2016), raw material inventory (58.40% of total inventory as on March 31, 2016) and stores and spares.
- PIL maintains sufficient stock of raw material (Naphthalene, para toluidine, hydrated lime, sulphuric acid, caustic soda flakes, caustic soda ash and others) to meet regular demand from distributors and wholesalers.

Sundry debtors

Parameters: As on March 31,	2012	2013	2014	2015	2016
Total Receivables (Rs. lakh)	181.14	225.57	275.57	336.37	387.09
<i>Average Collection Period (days)</i>	0	44	47	55	58
<i>As % of net sales</i>	14.85%	13.73%	14.54%	17.18%	17.43%
As % of total assets	18.01%	15.99%	17.01%	19.01%	24.12%

- PIL's total receivables outstanding as on March 31, 2016 consist primarily of dues receivable from distributors/wholesalers that are offered a credit period of 45-60 days and further as per management PIL has not recorded bad debts in the past. The average collection period has significantly increased during FY15 & FY16 due to liberal credit period offered to distributors and wholesalers.

Ageing analysis of debtors

Particulars	(Rs. Lakh)		
	Less than 6 months	More than 6 months	Total
Debtors as on March 31, 2016	374.81	12.27	387.08
Debtors as on March 31, 2015	336.36	-	336.36
Debtors as on March 31, 2014	266.03	9.54	275.57
Debtors as on March 31, 2013	204.57	21	225.57
Debtors as on March 31, 2012	173.87	7.26	181.13

- For the past 5 balance sheet dates ending March 31, 2016 most of the debtor receivables are due for less than 6 months. Further as per management, debtors outstanding for more than 6 months as on March 31, 2016 are fully recovered as of September 30, 2016.

Other current assets

(Rs. Lakh)

Parameters: As on March 31,	2012	2013	2014	2015	2016
Other current assets	51.86	64.68	14.29	114.58	83.74
As % of total assets	5.16	4.59	0.88	6.48	5.22
Cash & bank balances	19.56	18.46	14.23	36.14	21.84
<i>Cash on hand</i>	1.27	4.12	5.05	7.78	5.05
<i>Balances with banks in current accounts</i>	18.29	14.34	16.79	28.36	16.79

- Other operating current assets as on March 31, 2016 comprise of receivables, cash and bank balances, inventory and loans and advances.

FINANCIAL PERFORMANCE - BALANCE SHEET: LIABILITIES
Rs. In Lakh

Period Ends on: March 31	2012	2013	2014	2015	2016
Result Type:	Actual	Actual	Actual	Actual	Actual
Total Paid Up Equity Share Capital	99.20	149.20	149.20	149.20	149.20
NET RESERVES	75.00	92.98	115.67	161.01	209.82
TANGIBLE NET WORTH	174.21	242.18	264.87	310.22	359.03
Other Long Term Loans	381.67	816.03	934.90	875.84	682.15
Loans and advances from promoters related parties	0	0.25	0	0	0
TOTAL LONG TERM DEBT	381.67	816.28	934.90	875.84	682.15
Less: Current portion of long term debt	0.00	0.00	0.00	0.00	0.00
NET LONG TERM DEBT	381.67	814.13	932.53	873.94	682.15
Working capital Bank Borrowings	86.06	123.08	24.69	134.45	179.25
TOTAL SHORT TERM DEBT	86.06	125.23	27.06	136.35	179.25
Creditors for goods	326.82	189.46	293.72	335.38	322.42
Other Current Liabilities: related to ops.	-0.02	11.04	21.01	13.57	12.10
TOTAL CURRENT LIABILITIES	25.55	23.97	43.86	27.61	28.31
Provision for Taxes	0.64	-	-	-	-
Other Provisions ; regular	4.04	4.25	3.64	3.83	12.87
Provision for dividend					
TOTAL SHORT TERM PROVISIONS	11.40	4.25	3.64	4.43	13.52
TOTAL CURRENT LIABILITIES AND PROVISIONS; RELATED TO OPERATIONS	338.20	204.75	318.36	353.38	348.04
TOTAL OUTSIDE LIABILITIES	467.73	939.36	981.59	1032.29	896.29
TOTAL LIABILITIES	1005.68	1410.55	1620.18	1769.32	1604.67

Comments:

Equity share capital

- PIL has an authorized share capital of 300.00 lakh equity shares with nominal value of Rs.100/- each. It has an issued, subscribed and paid up capital of 149.204 lakh shares of Rs. 100/- each full paid up as on March 31, 2016.

Long-term borrowings

- The total long term debt outstanding as on March 31, 2016 refers to unsecured loans (worth Rs.684.149 Lakh) from body corporates. The repayment period of such loans is of 3 years from the date of acceptance.

Short term borrowings

- Short term debt consists of bank overdraft limit of Rs.126.10 Lakhs against total sanctioned limit on PCL account of Rs.53.15 Lakh outstanding as on March 31, 2016availed to meet the working capital requirements since considerable funds are being blocked in receivables and inventory.

Trade payable

	(Rs. Lakh)				
Parameters: As on March 31,	2012	2013	2014	2015	2016
Trade payable (Rs. lakh)	326.82	189.45	293.72	335.38	322.42
<i>Average Creditors Period (days)</i>	0	60	50.0359	63.9474	57.8059
As % of total liabilities	32.50%	13.43%	18.13%	18.96%	20.09%

- PIL's trade payables outstanding as on March 31, 2016 include creditors for goods. The average creditor period stood at 58 days in FY16 (compared to 64 days in FY15) as PIL receives credit period of 90-120 days from its suppliers.

Short term provision
(Rs. Lakh)

Parameters: As on March 31,	2012	2013	2014	2015	2016
Total short term provisions	11.40	4.25	3.64	4.43	13.52
Provision for income tax	0.64	0.00	0.00	0.00	0.00
Other Provision	4.04	4.25	3.64	3.83	12.87
As % of total liabilities	1.13%	0.30%	0.22%	0.25%	0.84%

- Other provision includes provision for FY16 includes salary, provident fund and gratuity payable.

Details of the related party transactions

Nature of Transaction/ Name of related Party		During the period ended	During the year ended March 31,				
		June 30, 2016	2016	2015	2014	2013	2012
Remuneration and allowance	Nature of relationship						
Maninder Singh Jolly	Director	1.25	5	3.60	3.60	3.60	0
Arvind Radadia	Director	0	0	0	0	1.20	0
Purchase							
Goldstar Chemicals Private Limited	Company in which director is interested	22.68	147.39	152.51	280.54	215.06	63.86
Solvochem Intermediaries Private Limited	Company in which director is interested	0	0	0	0	0	10.05
Nem Organics Limited	Company in which director is interested	0	222.88	0	0	282.79	101.82
Prolife Bio Chemical Industries Private Limited	Company in which director is interested	0	176.59	72.04	39.60	125.50	58.42
Solvochem Industries	Partnership Firm in which director is interested	0	0	0	0	0	24.47
JS Chemicals	Partnership Firm in which director is interested	0	0	1267.07	0	1.58	3.16
Shraddha Fine Chem Private Limited	Company in which director is interested	0	51.38	0	0	0	0
Interest Expenses							
Maninder Singh Jolly	Director	0	.84	0	0	0	0
Sales							
Goldstar Chemicals Private Limited	Company in which director is interested	272.30	335.28	471.28	376.007	181.03	188.69
J S Chemicals	Partnership Firm in which director is interested	14.28	67.76	5.75	0	11.85	12.31
Solvochem Intermediates Private Limited	Company in which director is interested	0	0	0	0	0	24.24
Nem Organics Limited	Company in which director is interested	0	0	110.81	0	174.30	47.50

Prolife Bio Chemical Industries Private Limited	Company in which director is interested	0	628.89	486.14	309.16	528.18	434.84
Solvochem Industries	Partnership Firm in which director is interested	0	0	0	0	0	0
Shraddha Fine Chem Private Limited	Company in which director is interested	39.95	5.90	18.37	0	0	0
Yushika Exports	Partnership Firm in which director is interested	0	0	0	167.14	94.19	0
Reimbursement							
J S Chemicals	Partnership Firm in which director is interested	0	37.92	25.81	0	17.004	8.46
Prolife Bio Chemical Industries Private Limited	Company in which director is interested	5.89	8.95	35.07	32.62	25.33	16.35
Loan Taken By the Company							
Maninder Singh Jolly	Director	0	10	0	0	0	0
Loan Repaid by the Company							
Maninder Singh Jolly	Director	0	0	0	0	0	4.03
Balance Outstanding At the end of year							
Maninder Singh Jolly	Director						
Outstanding Remuneration		9.53	8.27	3.6	3.85	0.25	0.25
Outstanding Loan		10.76	10.76	0	0	0	0

Arvind Radadia	Director	0	0	0	0	0	0
Goldstar Chemicals Private Limited	Company in which director is interested						
Trade Receivable		197.68	37.89	0	0	0	0
Trade Payables		0	0	0	0	63.79	29.76
Solvochem Intermedieries Private Limited	Company in which director is interested						
Trade Receivable		0	0	0	0	0	0
Trade Payables		41.49	41.49	41.49	41.49	41.49	34.95
Nem Organics Limited	Company in which director is interested						
Trade Receivable		0	0	0	0	0	354.288
Trade Payables		33.26	33.27	33.26	33.26	33.26	0
Solvochem Industries	Partnership Firm in which director is interested						
Trade Receivable		0	0	0	0	0	0
Trade Payables		0	0	0	0	0	6.54
JS Chemicals	Partnership Firm in which director is interested						

Trade Recievable		11.90	0	0	0	0	0
Trade Payables		0	0	0	0	0	0
Prolife Bio Chemical Industries Private Limited	Company in which director is interested						
Trade Recievable		110.70	107.78	60.91	31.88	136.05	93.70
Trade Payables		0	0	0	0	0	0
Yushika Exports	Partnership Firm in which director is interested						
Trade Recievable		0	0	0	0	0	14
Trade Payables		0	0	0	0	0	0
Shraddha Fine Chem Private Limited	Company in which director is interested						
Trade Recievable		24.84	0	13.37	0	0	0
Trade Payables		0	9.09	0	0	0	0
Ayaz Ice & Cold Storage	Partnership Firm in which director is interested						
Loan Given		0.91	0.91	0.91	0.91	0	0
Loan given by the Company							

Nem Organics Limited	Company in which director is interested	0.096	0	0	0	0	130.98
Ayaz Ice & Cold Storage	Partnership Firm in which director is interested	0	0	0	0.91	0	0

Dividend Policy

PIL does not have a formal dividend policy.

The dividends declared by our Company during the last five financial years are set out in the following table:

Particular	2015-16	2014-15	2013-14	2012-13	2011-12
Number of equity shares	14,92,040	14,92,040	14,92,040	14,92,040	9,92,040
Rate of dividend (%)	2.50	2.40	3.00	4.01	4.00
Dividend per Equity Share**	0.25	0.24	0.30	0.40	0.40
Dividend amount (in Rs.)	3,73,010	3,58,072	4,47,612	5,98,616	3,96,816

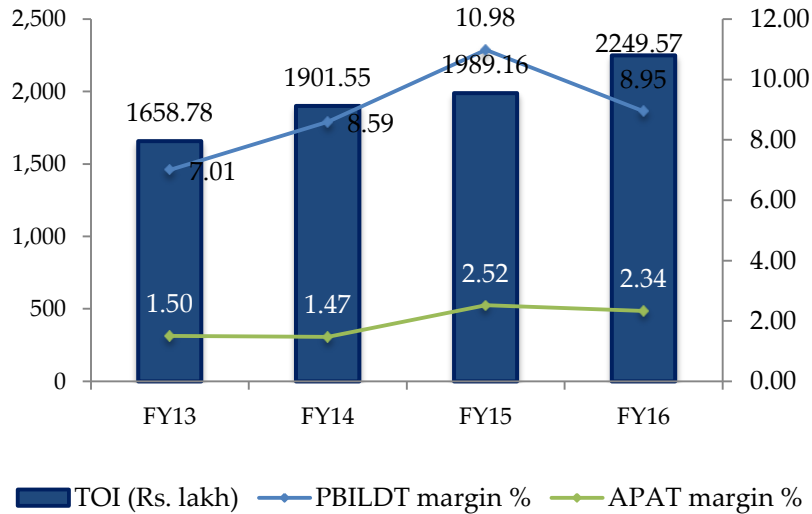
** On the paid up value per share. The Face value of Equity Shares is Rs.10 per equity share

FINANCIAL PERFORMANCE - SUMMARY OF RATIOS

Period Ends on: March 31,	2012	2013	2014	2015	2016
Result Type:	Actual	Actual	Actual	Actual	Actual
KEY FINANCIAL RATIOS					
Growth Ratios					
Growth in Net sales	-	34.66	15.37	3.33	13.39
Growth in Total Operating Income	-	34.86	14.64	4.60	13.09
Growth in PBILDT	-	35.37	40.50	33.66	-7.83
Growth in APAT	-	27.75	12.10	79.25	4.96
Profitability Ratios					
Gross Margin	20.43	19.43	26.97	31.68	23.01
PBILDT Margin	6.98	7.01	8.59	10.98	8.95
PBIT Margin	4.66	5.44	7.07	8.98	7.07
OPBT Margin	2.35	2.55	2.22	3.23	2.68
OPAT Margin	1.59	1.64	1.35	2.73	1.73
APAT Margin	1.59	1.50	1.47	2.52	2.34
Operating ROCE	-	11.60	14.06	18.11	16.87
ROCE (Total)	-	9.63	10.96	13.89	14.65
RONW	-	11.97	11.01	17.41	15.70
Average Cost of Borrowings	-	6.82	9.72	11.60	10.55
Turnover Ratios					
Operating Capital Turnover Ratio	-	2.13	1.99	2.02	2.39
Fixed Assets Turnover Ratio	-	4.56	4.77	4.40	5.04
Working Capital Turnover Ratio	-	4.79	3.30	3.04	3.85
Average Raw Material Inventory Period	-	97	109	100	63
Average Finished Goods Inventory Period	-	-	25	50	35
Average Inventory Period (days)	-	84	119	129	86
Average Collection Period (days)	-	44	47	55	58
Average Creditors Period (days)	-	60	50	64	58
Working Capital Cycle (days)	-	68	117	121	86
Solvency Ratios					
Debt Equity Ratio	2.1909	3.37	3.53	2.82	1.90
Overall Gearing Ratio (Including Acceptances / Creditors on LC)	2.68	3.88	3.62	3.26	2.40
Overall Gearing Ratio (Excluding Acceptances / Creditors on LC)	2.68	3.88	3.62	3.26	2.40
Adjusted Debt Equity Ratio	-7.51	-13.00	59.49	7.08	3.96
Adjusted Overall Gearing	-9.21	-14.97	61.06	8.17	4.99
Term Debt (including CPLTD) / Gross Cash Accruals	8.50	16.51	17.06	11.92	7.55
Total Debt / Gross Cash Accruals	10.42	19.00	17.51	13.74	9.53
Interest Coverage (PBILDT / Interest)	3.01	2.43	1.77	1.91	2.04
PBIT / Interest	2.01	1.88	1.46	1.56	1.61
Adjusted Interest Coverage	3.01	2.43	1.77	1.91	2.04
Current Ratio	1.10	2.33	2.39	1.93	1.51
Quick Ratio	0.55	0.88	17.51	13.74	9.53

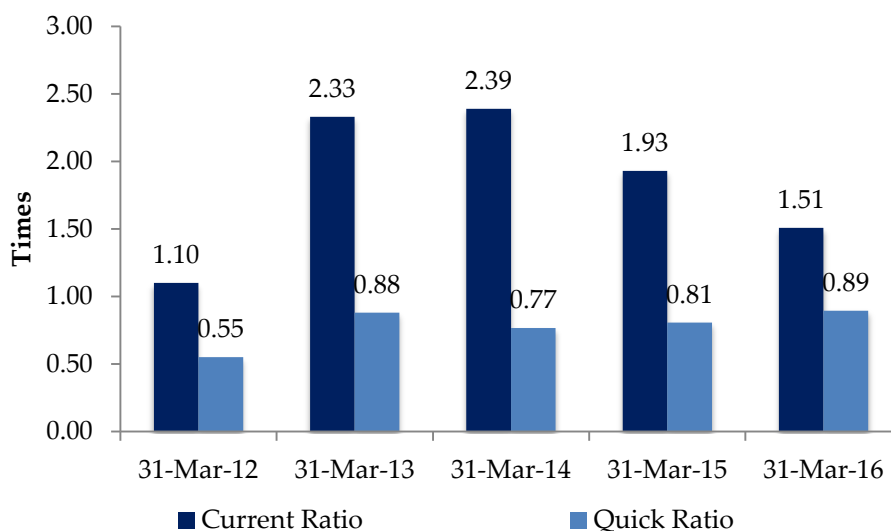
FINANCIAL PERFORMANCE – PROFITABILITY Analysis

Profitability Analysis



Comments:

- PIL is engaged into manufacturing of intermediates for dyes, pigments, pharmaceuticals, agrochemicals. TOI grew significantly from Rs.1658.78 Lakh in FY13 to Rs.2249.57 Lakh in FY16 due to increase in the volume of sales and also due to addition of new client base.
- The PBILDT margins have witnessed a steady rise in the past three years (from 7.01% in FY13 to 10.98% in FY15) on account of improving operational efficiency and better realization, however the same has also decreased during FY16 to 8.95%.
- Despite a steady improvement in operating margins, PAT margins has not showed much increase being at 2.34% during FY16.

FINANCIAL PERFORMANCE - LIQUIDITY ANALYSIS
Liquidity Analysis

Liquidity Ratio

Particulars	March 31, 2014	March 31, 2015	March 31, 2016
Working Capital Turnover Ratio	1.99	2.02	2.39
Average Raw Material Inventory Period	109.12	100.21	63.47
Average Finished Goods Inventory Period	24.80	50.19	35.24
Average Inventory Period (days)	119	129	86
Average Collection Period (days)	47	55	58
Average Creditors Period (days)	50	64	58
Working Capital Cycle (days)	117	121	86

Comments:

- PIL's liquidity position is marked by comfortable current ratio and moderate quick ratio and low level of utilization of its working capital limits. While the current ratio was at 1.51 times, its quick ratio remained low at 0.89 times as on March 31, 2016 due to high level of dues payable in the form of salary, gratuity and provident fund.
- The operations of PIL are less working capital intensive in nature (with average utilization of around 12% of cash credit facility of Rs.85.00 Lakh availed from J & K Bank during the twelve months ending November 2016.)
- The company manufactures a diversified product portfolio and maintains necessary inventory of raw material and finished goods to cater to demands of its customers. PIL

offers its customers ~60 days of credit. It procures raw material from domestic as well as overseas suppliers and it gets ~60 days credit from them. While cash flow from operating activities was positive, the unencumbered cash & bank balance was around Rs.21.84 lakh as on March 31, 2016.

- PIL is planning to raise Rs.421.80 Lakh through listing on NSE emerge platform. It plans to utilize proceeds of the issue (about 70.00 %) for expansion of its existing plant at 213, G.I.D.C. Panoli, Ankleshwar Gujarat while remaining will be utilized to meet expenses of issue (about 8%) and general corporate expenses (about 22%).

Average monthly fund-based (Cash Credit) working capital utilization level (availed from J&K Bank)

Month	Sanctioned Limit (Rs. Lakh)	Average monthly utilization (Rs. Lakh)	Average monthly utilization (%)	Maximum monthly utilization (Rs. Lakh)	Maximum monthly utilization (%)
December 2015	85.00	85.00	10.00	8.5	10.00
January 2016	85.00	85.00	18.00	58.25	68.53
February 2016	85.00	85.00	0.00	0.00	0.00
March 2016*	150.00	150.00	30.00	50.44	33.63
April 2016	150.00	150.00	0.00	0.00	0.00
May 2016	150.00	150.00	0.00	0.00	0.00
June 2016	150.00	150.00	0.00	0.00	0.00
July 2016	150.00	150.00	0.00	0.00	0.00
August 2016	150.00	150.00	0.00	0.00	0.00
September 2016	150.00	150.00	0.00	0.00	0.00
October 2016	150.00	150.00	0.00	0.00	0.00
November 2016	150.00	150.00	0.00	0.00	0.00

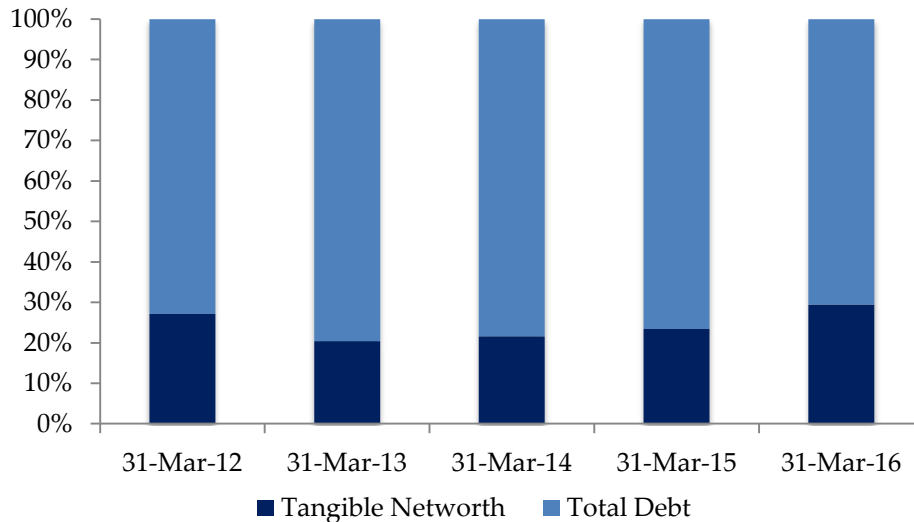
*from March 29, 2016

Average monthly fund-based (Packing Credit Limit) working capital utilization level (availed from J&K Bank)

Month	Sanctioned Limit (Rs. Lakh)	Average monthly utilization (Rs. Lakh)	Average monthly utilization (%)	Maximum monthly utilization (Rs. Lakh)	Maximum monthly utilization (%)
December 2015	100.00	100.00	44.39	44.39	44.39
January 2016	100.00	100.00	55.00	55.00	55.00
February 2016	100.00	100.00	0.00	0.00	0.00
March 2016*	100.00	100.00	53.15	53.15	53.15
April 2016	100.00	100.00	0.00	0.00	0.00
May 2016	100.00	100.00	0.00	0.00	0.00
June 2016	100.00	100.00	0.00	0.00	0.00
July 2016	100.00	100.00	0.00	0.00	0.00
August 2016	100.00	100.00	0.00	0.00	0.00
September 2016	100.00	100.00	0.00	0.00	0.00
October 2016	100.00	100.00	0.00	0.00	0.00
November 2016	100.00	100.00	0.00	0.00	0.00

FINANCIAL PERFORMANCE - FINANCIAL FLEXIBILITY

Capital Structure



Capital Structure Ratio

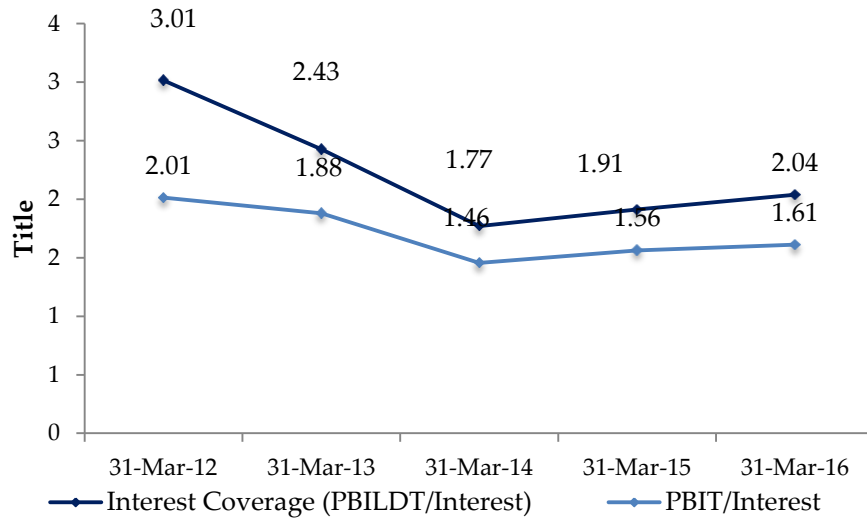
Particulars	Mar 31, 2014	Mar 31, 2015	Mar 31, 2016
Debt Equity Ratio	3.53	2.82	1.90
Overall Gearing Ratio (Including Acceptances / Creditors on LC)	3.62	3.26	2.40
Overall Gearing Ratio (Excluding Acceptances / Creditors on LC)	3.62	3.26	2.40
Adjusted Debt Equity Ratio	59.49	7.08	3.96
Adjusted Overall Gearing	61.06	8.17	4.99
Average Cost of Borrowings	9.72	11.60	10.55
Total Outside Liabilities to Networth	5.02	4.67	3.40

Comments:

The long term debt level seems to be moderate marked by debt equity ratio of 1.90 times and overall gearing was moderately high at 2.40 times as on March 31, 2016. Overall gearing has marginally improved y-o-y in FY16 on account of accretion of profits to reserves and also on account of decrease in the total debt in FY16. With moderately high gearing level and average creditor period of 60 days, total outside liabilities as compared to total net worth remained moderately high at 3.40 times as on March 31, 2016. The long term debt refers to unsecured loans availed from outside parties at an average interest rate of around 12.00 %.

FINANCIAL PERFORMANCE - DEBT PROTECTION INDICATORS

Debt Coverage



Comments:

With low dependence on working capital bank borrowings, the debt coverage indicators of PIL stood moderate marked by total debt to GCA of 9.52 times as on March 31, 2016 (as against 13.74 times as on March 31, 2015) and interest coverage of 2.04 times in FY16 (as against 1.91 times in FY15).

BANKERS & AUDITORS DUE DILIGENCE

Stake holder		Feedback
Bankers & Lenders- J & K Bank	Mr. Anandpal Singh	Satisfactory
	Branch Manager	
	079-26569474	
	December 13, 2016	
Auditor M/s Mistry & Shah Chartered Accountant	Mr. Ketan Mistry	Satisfactory
	Partner	
	9033011174	

Remarks

- The banker has confirmed that there are no delays in servicing of debt obligations during last 12 months ended November 30, 2016.

Key Findings

Key Findings	Company Comment	CARE Comment
High reliance on promoter family in key decision making. (Majority of the critical decisions in the company are being taken by promoter family)	As per management, PIL has hired qualified personnel to manage accounts and finance, production and marketing functions of the company.	<i>PIL has only shared details of a few of the second line management personnel. Mr. Maninder Singh Jolly has been involved in management of company since long time and is currently the CEO of PIL. Going forward, the ability of the company to separate management and ownership functions remains to be seen.</i>
Low reliance on WC Bank borrowings	The management has stated that it has availed working capital limits in order to fund the contingent requirement of their working capital which may arise in the due course of business, however the utilization of the same is very low, as the working capital requirement of the company is funded majorly by internal accruals (with its receivables collection period being 60 days) and interest bearing unsecured loans which the firm has availed from outside parties.	<i>The company has the ability to efficiently manage its working capital requirement through its internal accruals and interest bearing unsecured loans which the firm has availed from outside parties thereby the working capital limits remain unutilized. However, despite increasing the limits the reliance on working capital borrowings is still low because immediate requirement has not arrived as of now.</i>
Key regulatory approvals and certifications	The management has confirmed that company has approvals from GPCB (Gujarat Pollution Control Board) and does not require any other approvals/certifications for manufacturing its existing range of produces.	<i>CARE observed that the industry in which the company operates is subject to numerous approvals and certifications pertaining to safety as well quality of the product range manufactured, there is a possibility that the government in future may formulate certain additional regulations for the companies manufacturing such products as that of PIL. There is also a possibility that the company may be required to possess additional approvals and certifications in the event of diversifying its existing product portfolio in absence of the same the smooth flow of operations of the company could be affected, further there have been instances in the past where the change in the product mix of the company was rejected by GPCB.</i>

Credit Analysis & Research Ltd.

Head Office Mumbai

Mr. D.R. Dogra
Managing Director
Mobile: +91-98204 16002
E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi
Dy. Managing Director
Mobile: +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Ms. MeenalSikchi
Vice President - Bank Loan & Instrument Rating
Mobile: +91-9819009839
E-mail: meenal.sikchi@careratings.com

Mr. AnkurSachdeva
Vice President - Bank Loan & Financial Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD

Mr. MehulPandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

JAIPUR

Mr. Harsh Raj Sankhla
304, PashupatiAkshatHeights, Plot No. D-91,
Madho Singh Road, NearCollectorateCircle,
Bani Park, Jaipur - 302 016.
Cell: +91 - 94139 69100
Tel: +91-141-402 0213 / 14
E-mail: harshraj.sankhla@careratings.com

BENGALURU

Mr. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

KOLKATA

Ms. PritiAgarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. SajanGoyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

PUNE

Mr. Rahul Patni
9th Floor, PrideKumarSenate,
Plot No. 970, Bhamburda, SenapatiBapat Road,
ShivajiNagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail: rahul.patni@careratings.com

HYDERABAD

Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, HimayatNagar,
Hyderabad - 500 029.
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

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