

ANNEXURE 'IV' TO THE BOARD'S REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

Today, we are the leading manufacturers of Phthalocyanine Blue Crude and its downstream products in India and contribute upto 15% of the entire Copper Phthalocyanine market of India. The company has a global presence in 15 countries.

The production capacity of Kesar Petroproducts in Copper Phthalocyanine Blue Crude is 1500 metric tons per month, in Alpha Blue is 200 metric tons per month and in Pigment Green 7 is 50 metric tons per month. We also plan to expand their operations in the Beta Blue market with a production capacity of 250 metric tons per month. This rapidly growth production capacity makes us one of the most progressive players in the industry.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Chemicals are an integral part of our modern day life. There is hardly any industry where chemical substances are not used. Pigments are an integral ingredient of the chemical industry. Pigments are colouring agents that can be classified into phthaloand azzo pigments. Phthalocyanine pigments are one of the largest categories of pigments manufactured in India. Your Company is engaged in the manufacture of Phthalocyanine Blue Crude and its downstream products in India.

OPPORTUNITIES, THREATS, RISK & CONCERNS

The global pigments industry produces hundreds of colourants for a wide spectrum of industries and consumers. The major markets are printing inks, paints and coatings, plastics, paper, ceramics, textiles, glass, food and cosmetics.

With more and more people are moving to urban areas there has been a hefty growth in the paints and coating industry. The Asia Pacific region is expected to grow as demand and production of pigment are shifting from the US, Europe and Japan to the emerging markets of Asia, especially China and India.

A steady increase in the large pigments markets such as paint and coating will catalyse volumes. With the printing ink industry also performing well, it will open up newer opportunities for the Company.

Raw material availability and their costs are always a concern. The key raw materials used in the manufacture of the pigments are derivatives of crude oil. Hence, prices of raw material vary with fluctuation in the international crude oil prices. The Company has an in built system of monitoring the inventory and logistics. Further production process of the Company is vertically integrated, where CPC Blue Crude is the primary raw material for the production of Pigment Blue. This helps the Company to manage the raw material cost. The future of pigment production is completely dependent on the ability to treat the waste water. The Company has been investing continuously in meeting its obligations towards protecting the environment. Towards this step, the company aims at providing a seamless integration of quality and schedule by ensuring timely deliveries, state-of-the-art manufacturing products, new age technology, constant innovation and economic viability.

The Audit Committee monitors the implementation of the risk mitigation plans.

OUTLOOK

Indian economy is expected for slow revival with continued inflationary prices, rising raw material cost, depreciating rupee. The global economy shows signs of revival but with no significant upturn. Developed economics like North America and Europe which are major consumers of pigment are gradually recovering and accordingly demand for printing inks, paints and coating is expected to pick up, which will benefit the Company. The Company will continue its efforts to increase the utilization of its installed capacities, which will be crucial to achieve an improvement in the operational results.

Priority will be on the quality of the products. The disciplined focus will be cost reductions, operating efficiencies and diligent cash deployment in value creating opportunities. The Company is also taking efforts to increase the product line whereby company will be in a position to increase the margin on sales.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper and adequate system of internal controls commensurate with its size and business operation to ensure timely and accurate financial reporting in accordance with applicable accounting standards, safeguarding of assets against unauthorized use or disposition and compliance with all applicable regulatory laws and company policies. Internal control systems are reviewed by Audit Committee on a regular basis for its effectiveness and the necessary changes suggested are incorporated into the system. Internal Audit Reports are reviewed by the Audit Committee of the Board.

FINANCIAL PERFORMANCE

The financial performance of the company has been discussed and disclosed in the Director's Report.

HUMAN RESOURCES DEVELOPMENT

The Industrial relations climate of your Company continues to remain harmonious with focus on productivity, quality and safety. During the year under review, there were, no significant labour issues outstanding or remaining unresolved during the year. The Board records their appreciation of the commitment and support of the employees and looks forward to their continued support. As on 31st March 2019, the Company had 197 permanent employees.

CAUTIONARY STATEMENT

Some of the statements in this "Management Discussion and Analysis", describing the Company's objectives, projections, estimates, expectations and predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Although the expectations are based on reasonable assumptions, the actual results could materially differ from those expressed or implied, since the Company's operations are influenced by many external and internal factors beyond the control of the Company. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.