

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

Your Company's major business segments are Branded Consumer product under brand name "MAHACOL" "FORMISOL" and "EMDILITH" and Industrial products are under various brand names such as "EMDILITH" "EMDITEX" and "EMDICRYL". Since last one year your Company has further strengthened their relationship with Asian Paints and Dow Chemicals International Pvt. Ltd.

With Asian Paints, your company has entered into long term agreement of manufacturing and supplying various grades of Construction Chemicals along with the existing businesses of supplying adhesives and paint emulsions. Your Company has acquired an industrial land at Tumkur near Bengaluru, Karnataka from Government of Karnataka in which your Company will manufacture various grades of Construction Chemicals mainly for Asian Paints and also in due course your Company will manufacturing various grades of existing emulsions and adhesives.

During the year, your Company has started manufacturing and supplying Emulsions for Construction Chemicals to Dow Chemicals International Pvt. Ltd.

Your Company has negotiated and arrived at an understanding for acquiring a small plant of adhesives at Mehatpur near Nangar, Himachal Pradesh.

With these two additions your Company will be in a very strong position to offer better services to PAN India consumers

Consumer Products are mainly wood Adhesives, sticker adhesives, leather adhesives and general purpose adhesives these products are widely used by carpenters, printers, plumbers, mechanics, households, students, offices etc.

Industrial Products segment covers products such as Industrial Adhesives, synthetic emulsions resins among others, which caters to various industries like packaging, textiles, paints, leather etc.

OUTLOOK

The effects of demonetisation followed by implementation of Goods and Services Tax (GST) which in the initial stages had created disturbances in the working of country's economy, have now been evolved and adapted by various industries. This followed by a strong Government re-elected at the Centre would ensure continuity of policies and ease of doing business.

International instability due to trade war among 2-3 large economies along with liquidity crisis in the Banking and NBFC sectors for various reasons, the business sentiment is low. However, with large infrastructure spending by the Government will support the industries. With all these factors, we expect the country's GDP will remain around 6.5 - 7 %.

Our Consumer Products business is focused on providing customers with a complete range of consumer adhesives mainly wood working and packaging adhesive and rubber base adhesive. Our Adhesive Brand **MAHACOL FORMISOL** and **EMDILITH** have strong market presence and are known for its product quality

among the influencers and consumers. With a nationwide network, our brand **MAHACOL FORMISOL** and **EMDILITH** is considered as a respectable player in the adhesive market. We are working on having a PAN India presence with a strong distribution network of dealers and distributors and are expecting to double digit growth in the coming year.

STRENGTH, OPPORTUNITIES, THREATS, RISKS, CONCERNS

Your company's major strength is their long time business stakeholders and also its brand image. Since 1960's age old days of Hoechst Dyes and Chemicals and Mafatal Dyes and Chemicals in its vast range of products that find usage in different industries and hence there is no over dependence on any particular industries.

Your Company has been consistently growing in the consumers adhesive segment for the past few years.

Your Company plans to introduce more industrial grade adhesives with better returns and large volumes. Moreover, with strong technical support additional products in Textile Binders and Finishing Agents have been envisaged.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

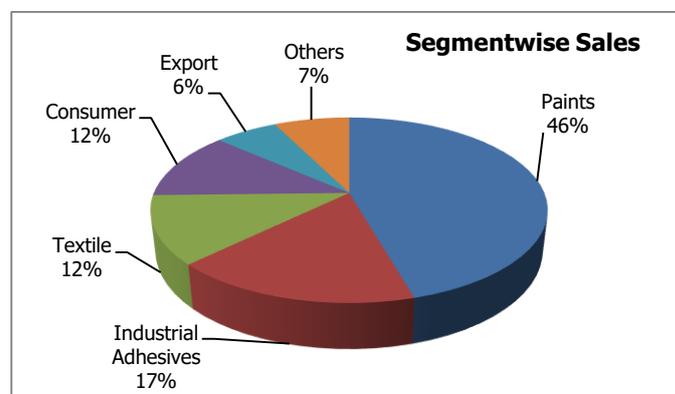
Your Company has in place the control systems based on the use of computer software that generate sufficient management information for internal control purpose. The directors closely monitor the operations of your Company personally. Having regard to the size and nature of the business, your Company has adequate internal control procedures for managerial control.

HUMAN RESOURCES/INDUSTRIAL RELATIONS

Your companies' staff turnover ratio is very low which shows high satisfaction among employees. The industrial relations are cordial from inception till date.

FINANCIAL HIGHLIGHTS AT A GLANCE

SEGMENTWISE SALES



Consumer Products

Branded consumer products contributed to 12% of the total volume sales of the company and had an increase in volume from 5106 MT in the financial year 2017-18 to 6061 MT in the year ended 31st March 2019 registering a growth of 18.70%. Consumer

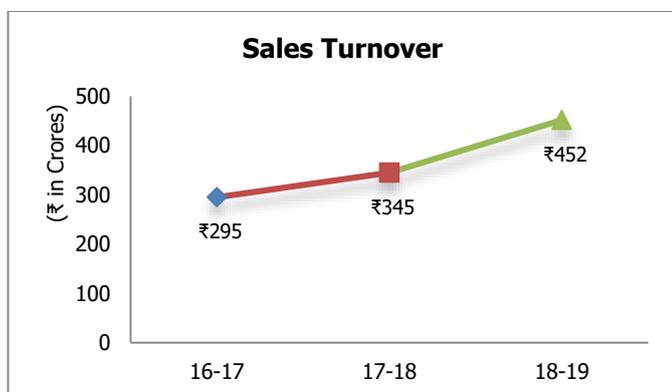
Products includes Wood Adhesives, Lamination Sticker Adhesives, Packaging Adhesives, Art and Craft.

Industrial Products

Industrial Products contributed to 75% of the total sales volume of the Company. Industrial Products includes Industrial Adhesives, Paint Emulsions and Textile Emulsions. Though there has been decline of 7.40% in Industrial Adhesives and 5.07% in Textile Emulsions in the sales volumes, there has been massive increase of 50.90% in sales of Paint Emulsions from 15384 MT in the financial year 2017-18 to 23215 MT in the year ended 31st March 2019.

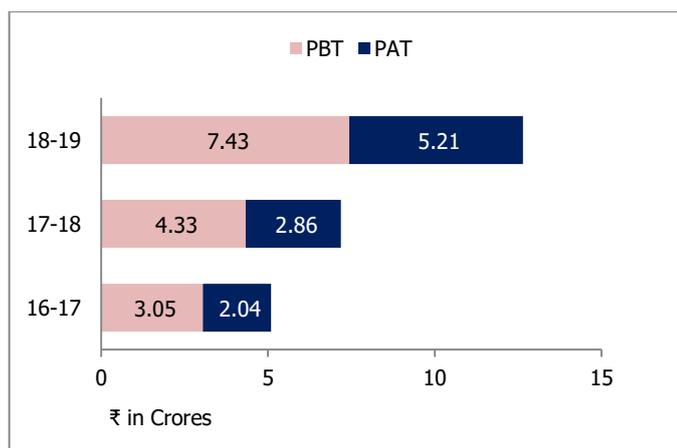
Your Company also saw the growth of 61.52% in export sales from 1936 MT in the financial year 2017-18 to 3127 MT in the year ended 31st March 2019.

SALES TURNOVER



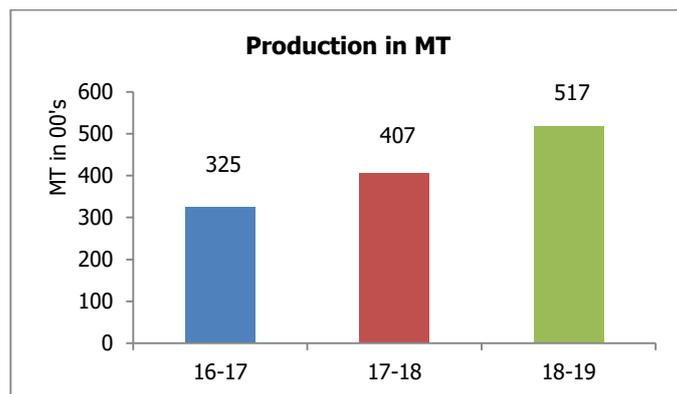
During the year your Company saw growth of 34.58% in the Net Sales Turnover from ₹ 345 Crores in the financial year 2017-18 to ₹ 451.68 Crores in the year ended 31st March 2019.

PROFITS



This year has been good with the increase of 71.59% in **Profit Before Tax (PBT)** from ₹ 4.33 Crores in the financial year to ₹ 7.43 Crores in the year ended 31st March 2019. **Profit After Tax (PAT)** also increased by 82.17% from ₹ 2.86 Crores in the financial year 2017-18 to ₹ 5.21 Crores in the year ended 31st March 2019.

PRODUCTION



During the year the volume wise production has increased by 26.95% from 40700 MT in the financial year 2017-18 to 51668 MT in the year ended 31st March, 2019. However, in terms of value, the manufacturing sales has increased from ₹ 24,180 Lakhs to ₹ 33,691 Lakhs registering year on year growth of 39.33%. These figures does not include Discount Allowed as per IND AS.

TRADING

Trading segment registered the growth of 22.19% from ₹ 9,381 Lakhs in the financial year 2017-18 to ₹ 11,463 Lakhs in the year ended 31st March, 2019.

FOREIGN EXCHANGE FLUCTUATIONS

Your Company's business is predominantly import centric. In spite of volatility in the foreign exchange markets during the year under report, your Company had a foreign currency gain of ₹ 39 Lakhs as compared to ₹ 161 Lakhs in the previous year.

DISCLAIMER

Statements in the Management Discussion and Analysis Report describing your Company's objectives, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to your Company's operations include economic conditions affecting demand/supply, price conditions in the domestic and overseas markets in which your Company operates, changes in government regulations, tax laws and other statutes.