Manali Petrochemicals Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**The company maintains a dominant niche as India's sole domestic producer of Propylene Glycol (PG), serving defensive pharmaceutical and food sectors, though this is offset by extreme cyclicality in its Polyol segment.**	—
2	***Revenue contracted 13.10% to 897 Cr, driven primarily by a 60.30% crash in Polyol segment turnover due to global dumping and pricing pressures.***	—
3	**Operating Profit Margins (OPM) expanded to 7.00% from 5.00% YoY, as lower raw material costs provided a temporary cushion against the top-line decline.**	—
4	Net Profit rose 32.53% to □29 Cr, though this growth is optically inflated by lower tax outgoes and non-cash exceptional items rather than operational strength.	—
5	**Balance sheet remains under-leveraged with a low Debt-to-Equity ratio of 0.12x, providing the only remaining financial buffer for the current expansionary phase.**	—
6	***Cash Flow from Operations (CFO) collapsed to - 19 Cr from 75 Cr, failing to cover even basic operating needs due to a massive 90 Cr working capital blockage.***	—
7	Capital expenditure remains aggressive with □214.74 Cr in commitments, including a strategic pivot to Gujarat, despite a Capex/CFO ratio of -5.32x indicating high funding risk.	—
8	***Earnings quality is severely compromised by an 80.38% surge in inventory (reaching 123 days) against falling sales, alongside the accrual of an "unascertainable" 18.71 Cr insurance claim.***	—
9	***Governance risks are acute, highlighted by a 55.13% hike in KMP remuneration despite declining performance and a high 23.57% dependency on Related Party Transactions.***	—
10	***A critical operational risk persists as the lease for Plant-2 has remained expired for seven years, creating a "Going Concern" uncertainty and potential 30% capacity loss.***	—
11	The outlook remains tied to the successful imposition of Anti-Dumping Duties (ADD) on Polyols and the timely commissioning of the Gujarat plant to restore revenue CAGR.	—
12	***Investment View: Avoid; the combination of negative cash conversion, inventory-revenue decoupling, and structural legal title risks necessitates a stay-aside stance until CFO/PAT exceeds 1.0x.***	—

1. Business overview (In Bullet Points)

- **Business Segments:** Manali Petrochemicals Ltd (MPL) operates primarily in the petrochemical space, with key products including Propylene Glycol (PG), Slabstock Polyols, and Polyester Polyols.
- **Revenue Drivers:** The July 2025 commissioning of the PG expansion project is the primary volume driver for FY26. The company is also pivoting toward "System-based PU solutions" to build switching costs and move away from bulk commodity sales.
- **Cost Drivers:** The business is structurally tied to Propylene Oxide (PO) and Propylene prices, with high operational interdependence on Tamilnadu Petroproducts (TPL) for feedstock. Energy costs are transitioning to Regasified Liquefied Natural Gas (R-LNG).

- **Industry Position:** MPL is the sole domestic producer of Propylene Glycol in India, providing a defensive moat in the pharma and food sectors. However, it faces intense price competition from low-cost imports in the Slabstock Polyols segment.
- **Expansion Plans:** Significant strategic pivot toward Western India with the acquisition of 40,000 sq. meters in Saykha, Gujarat, to reduce logistics costs and diversify geographic risk.
- **Acquisitions:** Integration of UK-based Notedome and PennWhite is focused on "Green Chemistry" and reverse technology transfer of specialty R&D to the Indian market.
- **Capacity Additions:** Commissioned a 16,000-liter Polyester Polyol plant in Jan 2024, with a second train planned to reduce reliance on PO feedstock.
- **Segment Performance:** Polyol revenue crashed by 60.30% YoY due to global supply gluts and dumping, while PG showed relative resilience.
- **Geographical Presence:** Heavily reliant on the Indian market (72.56% of revenue), with the UK/EU operations contributing 27.44% and showing marginal growth of 6.06%.

2. Management commentary & outlook

- Management is aggressively pivoting from a "price-taker" commodity model to a "solution-provider" specialty model through customized chemical recipes for niche applications.
- The outlook is heavily contingent on the success of a fresh Anti-Dumping Duty (ADD) application filed in January 2025 against imports from China, Thailand, and Saudi Arabia.
- The Gujarat expansion project is currently in the phase of securing fresh Environmental Clearance (EC), with a projected 24-36 month lead time before meaningful revenue contribution.
- Management highlights "promising progress" in the specialty systems business in Q4FY25, though current scale is insufficient to offset commodity segment losses.
- The integration of UK assets (PennWhite/Notedome) is intended to drive high-value applications in inks and footwear through specialized R&D.
- The demand environment remains "subdued" globally, with management citing macroeconomic volatility and geopolitical tensions as primary headwinds.
- Competitive intensity in the Polyol segment has reached historical highs, leading to a strategy of revenue preservation through trade discounts (□10.58 Cr).
- Long-term vision focuses on "Green Chemistry" and reducing the carbon footprint through the transition to R-LNG and low NOx burners.
- Management Tone: The narrative is cautiously defensive and externally focused, frequently citing global dumping and volatility to explain performance gaps. While technical execution on capacity expansion is visible, the tone regarding the 7-year unresolved lease for Plant-2 remains vaguely optimistic ("constructive engagement") without a definitive timeline. The widening gap between executive compensation (+58.70%) and shareholder returns suggests a management team prioritizing internal retention over minority shareholder alpha.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Sales	897	1,032
Sales Growth %	-13.10	-12.30
Expenses	839	985
Material Cost %	65	69
Raw material cost	652	723
Change in inventory	-73	-8
Manufacturing Cost %	14	13
Employee Cost %	8	8
Other Cost %	7	6
Operating Profit	58	47
OPM %	7	5
Other Income	21	21
Exceptional items	-3.18	-7.79
Other income normal	24.30	29.16
Interest	10	10
Depreciation	27	25
Profit before tax	42	33
Tax %	30	42
Net Profit	29	19
Exceptional items AT	-2.14	-4.52
Profit excl Excep	31.45	23.73
Profit for PE	31.45	23.73
Profit for EPS	29.31	19.21
Profit Growth %	32.53	-53.17
EPS (□)	1.70	1.12
Dividend Payout %	29	67

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	86	86
Reserves	1,008	976
Borrowings	129	103
Long term Borrowings	19	0
Short term Borrowings	26	22
Lease Liabilities	84	81
Other Borrowings	0	0
Other Liabilities	179	144
Trade Payables	99	60
Advance from Customers	3	3
Other liability items	77	80
Total Liabilities	1,403	1,308
Fixed Assets	596	559
Land	104	73
Building	59	55
Plant Machinery	272	257
Equipments	2	2
Computers	2	2
Furniture n fittings	2	2
Vehicles	1	1
Intangible Assets	285	271
Other fixed assets	0	0
Gross Block	726	663
Accumulated Depreciation	130	104
CWIP	61	17
Investments	15	29
Other Assets	731	704
Inventories	196	108
Trade receivables	117	121
Cash Equivalents	333	422
Loans n Advances	13	14
Other asset items	72	38
Total Assets	1,403	1,308

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	-19	75
Profit from operations	64	48
Receivables	4	37
Inventory	-90	0
Payables	39	-1
Loans Advances	0	0
Other WC items	-13	-4
Working capital changes	-60	32
Direct taxes	-23	-5
Cash from Investing Activity	-155	-82
Fixed assets purchased	-101	-25
Fixed assets sold	0	0
Investments purchased	-11	-28
Investments sold	25	0
Interest received	21	23
Dividends received	0	0
Acquisition of companies	-5	0
Other investing items	-84	-52
Cash from Financing Activity	0	-7
Proceeds from borrowings	23.13	15.69
Repayment of borrowings	0	0
Interest paid fin	-10.45	-9.60
Dividends paid	-12.91	-12.91
Other financing items	0	0
Net Cash Flow	-174	-14
Free Cash Flow	-120	50
CFO/OP	6	170

Key ratios

Line item	Mar 2025	Mar 2024
Debtor Days	48	43
Inventory Days	123	55
Days Payable	62	31
Cash Conversion Cycle	108	67
Working Capital Days	61	32
ROCE %	5	5

3.2 Financial analysis summary

- **Revenue** declined by 13.10% to □897.00 Cr, primarily driven by a severe 60.30% crash in Polyol sales to □146.07 Cr, indicating significant pricing pressure and market share loss in the petrochemical cycle.
- Despite falling **Revenue**, OPM % improved to 7.00% from 5.00% as Material Cost % dropped to 65.00% from 69.00%, yet this margin expansion is partially artificial due to a massive Inventory build-up of □73.00 Cr in the P&L Statement.
- **Net Profit** grew 32.53% to □29.00 Cr, aided by a lower Tax % of 30.00% (vs 42.00% in FY24) and a reduction in Exceptional items to -□3.18 Cr, which included a □2.79 Cr provision for diminution in value of finished goods.
- The quality of **PAT** is poor as CFO turned negative at -□19.00 Cr, resulting in a CFO / PAT ratio of -0.66, primarily because the □90.00 Cr cash outflow for Inventory in the Cash Flow Statement completely absorbed operating earnings.
- **Total Debt** increased to □129.00 Cr from □103.00 Cr, including a new □19.00 Cr Long term Borrowings facility, while Cash Equivalents dropped 47.82% to □33.00 Cr to fund Working Capital and Capex.
- **Fixed Assets** grew to □596.00 Cr, with CWIP surging from □17.00 Cr to □61.00 Cr, reflecting an aggressive expansion phase with Capital Commitments of □214.74 Cr despite contracting Revenue.
- **Working Capital** management has severely deteriorated, with the Cash Conversion Cycle ballooning from 67 to 108 days, driven by Inventory Days more than doubling to 123 days.
- **Other Assets** surged due to a new □18.71 Cr Insurance Claims Receivable related to Cyclone Michaung, which is a non-cash accrual inflating Total Assets without providing immediate liquidity.
- **Other Liabilities** are impacted by a □10.56 Cr provision for Wage Arrears (stalled since 2004) and □12.37 Cr in Disputed Customs Duty, representing long-standing legal encumbrances.
- **Other Expenses** were driven by Repairs to Plant (□17.91 Cr) and Legal and Professional fees (□13.72 Cr), reflecting aging infrastructure and ongoing litigation costs.
- The dominant financial theme of the year is a **total collapse in cash flow quality** as the company aggressively built Inventory and funded Capex from cash reserves during a severe cyclical downturn in its core Polyol segment.

3.3 Contingent liabilities & commitments

- **Disputed Income Tax Demand:** □19.97 Cr (Contested; □14.32 Cr of tax refunds adjusted against these demands).
- **TNPCB Environmental Claim:** □2.00 Cr (Liability denied by the company).
- **Capital Commitments:** □214.74 Cr (Unexecuted contracts for PG expansion and Western India plant).
- **Disputed Customs Duty:** □12.37 Cr (Fully provided for in liabilities).

- **Wage Revision Dispute:** □10.56 Cr provision maintained for a dispute pending in the Madras High Court since 2001/2004.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; □90 Cr inventory build absorbs CFO conversion.	—	CFO/OP ratio collapsed from 170% to 6% due to working capital blockage.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — inventory build-up signals potential overproduction or slow-moving stock risks.	—	Note 7 & 32; inventory growth is completely decoupled from the revenue decline.
3	Revenue timing	Neutral — revenue recognition aligns with delivery; customer advances remain negligible and stable.	—	Note 2.4; revenue recognized upon transfer of significant risks and rewards.
4	Revenue from related parties %	Revenue ↑↓ — circularity risk; significant dependency on Tamilnadu Petroproducts for sales and purchases.	—	Note 45; TPL also accounts for 13.09% of total material purchases.
5	Inventory vs revenue growth	Profit ↓ — massive inventory build-up risks future write-downs and NRV losses.	—	Note 40; □2.79 Cr provision already made for finished goods diminution.
6	Inventory valuation method change	Neutral — consistent valuation method applied; NRV tests triggered by market price volatility.	—	Note 2.15; inventory valued at lower of cost or net realizable value.
7	Exceptional items in operating profit	Profit ↑ — excluding □3.18 Cr non-recurring loss reveals higher underlying core operating performance.	—	Note 40; includes provisions for diminution in value of finished goods.
8	Depreciation rate vs useful life policy	Profit ↑ — wide useful life ranges allow management discretion in timing expense recognition.	—	Note 2.13; depreciation based on varying useful lives across different plant components.
9	Provision reversals boosting PAT	Neutral — no significant provision reversals; conservative approach to customs and wage disputes.	—	Note 26 & 27; □12.37 Cr customs duty provision remains on books.
10	Tax rate consistency	Profit ↑ — lower effective tax rate and deferred tax timing differences boost PAT.	—	Note 2.12; company opted for lower tax rate under Section 115BAA.
11	CWIP age and stalling projects	Profit ↓ — rising CWIP and □63 Cr cost overruns signal project execution risks.	—	CWIP ageing shows □52.46 Cr added; "New plant" project facing expenditure overruns.
12	Deferred tax asset recognition adequacy	Profit ↓ — DTL indicates book depreciation is lower than tax-deductible depreciation timing.	—	Note 50; primarily relates to PPE timing differences and temporary cash benefits.
13	RPT quantum and trend	Profit ↓ — high KMP compensation relative to PBT during a period of revenue decline.	—	Note 45; remuneration remains significant despite 13% drop in total sales.
14	Dividend paid vs FCF adequacy	Neutral — dividends paid from cash reserves despite negative FCF and inventory-led cash burn.	—	Cash balances dropped 48% YoY to fund working capital and capex.
15	Auditor Emphasis of Matter (Lease)	Profit ↓ — Legal title for Plant-2 land is not firm, risking 30-40% of production capacity.	—	Note 56; 7-year delay in renewal creates a structural "Going Concern" tail risk.
16	Insurance Claim Recognition	Revenue ↑ — Recognition of uncertain insurance receivable boosts other assets without cash.	—	Note 57; recovery is "unascertainable," posing risk of future P&L write-downs.
17	Project Cost Overruns	Profit ↓ — Proposed extra spend on new plant risks ROCE dilution.	—	Worker 3 Analysis; indicates potential project management inefficiencies.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit Opinion Type:** Unqualified. * **KAM - Business Combination (Penn White):** Auditor focused on the finalization of Purchase Price Allocation (PPA) and valuation of □285.00 Cr intangible assets following the UK acquisition. * **KAM - Litigation and Provisions:** Significant judgment required for long-standing wage revision disputes (since 2001) and environmental claims. A □10.56 Cr provision is maintained for wage arrears. * ***Emphasis of Matter - Leasehold Land***: The auditor explicitly flags that the lease for Plant-II land expired in June 2017. The company continues operations without a formal renewal for 7+ years, posing a structural risk to the continuity of a primary manufacturing unit. * ***Emphasis of Matter - Cyclone Michaung Claim***: Auditor highlights an □18.71 Cr insurance receivable recognized for flood damages. The final recovery is "unascertainable," creating a risk of future P&L write-downs. * **Auditor Fees:** Total fees to Statutory Auditors (Brahmayya & Co.) remained stable.

B. Related Party Transactions | Party | Relationship | Nature | Amount (Cr) | Concern | | :--- | :--- | :--- | :--- | :--- | | Tamilnadu Petroproducts Ltd (TPL) | Associate/Common Control | Purchase of Goods | 117.47 Cr | ***High Operational Dependency*** | | Tamilnadu Petroproducts Ltd (TPL) | Associate/Common Control | Sale of Goods | 60.53 Cr | ***Circular Trade Risk*** | | Wilson International Trading | Common Control | Purchase of Goods | 33.49 Cr | ***New Supply Concentration*** | | SIDD Life Sciences Pvt Ltd | Promoter Group | Dividend Paid | 4.94 Cr | Neutral | | Tamilnadu Petroproducts Ltd (TPL) | Associate/Common Control | Trade Payable | 13.50 Cr | ***Liquidity Linkage*** |

- **RPT Risk:** Total Trade RPT of □211.49 Cr represents **23.57% of Revenue**, exceeding the 15% high-risk threshold.
- **Dependency:** Sourcing from TPL and Wilson International accounts for a significant portion of raw material costs, making margins sensitive to intra-group pricing.

C. Shareholding * **Promoters:** 44.87% (Unchanged YoY) * **FIIs:** 2.21% * **DIIs:** 0.05% * **Public:** 52.87% * **Pledged Shares:** 0.00%

D. Board Composition + KMP Compensation * **Independent Directors:** 50% (6 out of 12). * **Women Directors:** 25% (3 out of 12). * **KMP Compensation:** MD & CEO remuneration rose **55.13%** (□1.21 Cr), significantly outstripping the 23.40% growth in Operating Profit. * **Family Relations:** Ms. Devaki Muthiah Chardon (Director) is the daughter of Mr. Ashwin C Muthiah (Chairman) and spouse of Mr. Hugo Chardon (Director). * **EBITDA Absorption:** The aggregate KMP pool consumes **25.38%** of Operating Profit, which is exceptionally high for this scale.

F. Capital Allocation & Capex | Action | FY current (Cr) | FY prior (Cr) | Signal | | :--- | :--- | :--- | :--- | | Dividends | 12.91 Cr | 12.91 Cr | — | | Capex | 101.00 Cr | 25.00 Cr | — | | Net Debt Change | 26.00 Cr | 15.69 Cr | — |

- **CAPEX Analytical Notes:**
  - **CFO Coverage of Capex**: **0.00x**. Negative CFO (-□19 Cr) failed to cover the □101 Cr capex, resulting in a □120 Cr funding gap bridged by liquidating cash equivalents.
  - **Nature of Capex**: Primarily growth-oriented; **□214.74 Cr capital commitment** for the new PG expansion and Western India plant.
  - **Deployment Efficiency**: **Revenue** fell 13.10% despite □101 Cr in new fixed assets, indicating a significant gestation lag or poor timing.
  - **Key Takeaways**: Management is betting the balance sheet on a specialty chemical recovery that has yet to materialize in the top line.

H. Risks * ***Lease Expiry***: Plant-2 lease expired June 2017. **Impact:** Potential shutdown of 30-40% capacity if renewal is denied. (Severity: High) * ***Inventory Obsolescence***: Inventory rose 80.38% while Sales fell 13.10%. **Impact:** □2.79 Cr write-down already taken; further NRV hits likely. (Severity: High) * ***Import Dumping***: Influx of

low-cost Polyols from China/Thailand. **Impact:** OPM suppressed at 7% vs historical 30%+. (Severity: High) * ***Insurance Recovery***: ₹18.71 Cr claim for Cyclone Michaung. **Impact:** Non-cash asset; 100% recovery is "unascertainable." (Severity: Medium) * ***Project Overrun***: ₹63.40 Cr proposed extra spend on new plant. **Impact:** Risk of ROCE dilution. (Severity: Medium)

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	→	Polyol revenue -60%; sole PG producer moat	Strong niche position in PG offset by commodity cyclicality in Polyols.
Financial health	2	↓	CFO -₹19 Cr; Cash -₹89 Cr	Negative cash flow and rising debt to fund working capital stress.
Earnings quality	1	↓	Inventory +80% vs Sales -13%; CFO < PAT	Aggressive inventory build and non-cash insurance accruals mask cash burn.
Management & governance	2	↓	7-year lease expiry; KMP pay +55%	Structural risk from expired lease and poor pay-performance alignment.
Capital allocation & earnings visibility	2	↓	Capex/CFO -5.32x; Revenue -13%	Aggressive capex during a downturn with no immediate revenue conversion.

Business positives (for this company this year) * **Sole Domestic Producer:** Maintains a dominant position in the Indian Propylene Glycol market, serving defensive pharma/food sectors. * **Strategic Geographic Pivot:** Acquisition of land in Gujarat (Saykha) to move closer to the Western India chemical belt and reduce logistics costs. * **Margin Expansion: OPM %** improved to 7.00% from 5.00% due to lower raw material costs, despite the top-line decline. * **Debt-to-Equity:** Remains low at **0.12x**, providing some headroom for the current expansion phase.

Business negatives / concerns (for this company this year) * **Cash Flow Collapse: CFO** turned negative at -₹19.00 Cr (vs ₹75 Cr PY) due to a massive ₹90.00 Cr inventory blockage. * **Inventory-Revenue Decoupling: Inventories** surged 80.38% to ₹196.00 Cr while Revenue fell 13.10%, signaling severe overproduction or obsolescence risk. * **Governance Overhang:** The lease for Plant-2 has remained expired for **7 years** (since 2017), creating a significant "Going Concern" risk highlighted by auditors. * **Compensation Divergence:** MD & CEO remuneration increased by **55.13%** in a year where Revenue declined by 13%. * **High RPT Dependency:** Related party transactions account for **23.57%** of revenue, indicating high circularity and ecosystem risk.

Overall scorecard summary Manali Petrochemicals is currently in a precarious state, characterized by a severe deterioration in earnings quality and cash flow generation. While the company maintains a strong niche in Propylene Glycol, its financial strength is being eroded by a massive inventory build-up and aggressive capex funded by depleting cash reserves. Governance is a primary concern due to the long-unresolved Plant-2 lease and excessive KMP compensation during a cyclical trough. The business is on a deteriorating trajectory until it can demonstrate successful revenue conversion from its new capacities and resolve its legal title issues.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Total: 7/10 — Governance Rating: 2

Part c: investor verdict

Thesis: A commodity-to-specialty pivot story currently trapped in a severe cyclical downturn with significant governance and cash-flow red flags.

Overall stance: Avoid

Rationale: The combination of negative CFO, massive inventory build-up, and the 7-year unresolved lease for a primary plant creates an unacceptable risk-reward profile. Re-evaluate when: CFO/PAT > 1.0x AND Plant-2 lease renewal is formally signed. BULL CASE: Successful ADD imposition on Polyols + Gujarat plant commissioning leads to 20%+ revenue CAGR and margin recovery to 15%+. BEAR CASE: Denial of Plant-2 lease renewal leads to 30% capacity loss + further inventory write-downs of □20 Cr+. Key monitorable: Inventory Days: 123 days → watch for reduction below 70 days.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Margin Trajectory	OPM at 5% (collapsed from 32%).	OPM at 7% (slight recovery).	The marginal OPM improvement is low-quality as it occurred alongside a 13% revenue decline and a massive inventory build-up.
Working Capital Efficiency	Inventory turnover at 7.55; inventory stable.	Inventory days doubled to 123; inventory surged 80%.	The decoupling of inventory growth (+80%) from revenue (-13%) signals severe overproduction or a failure to move obsolete stock.
Cash Flow Quality	CFO at □75 Cr (3.95x PAT).	CFO at -□19 Cr (Negative).	Cash flow has completely collapsed as operating earnings were entirely absorbed by a □90 Cr inventory blockage.
Capital Allocation	Inorganic focus (□242 Cr Penn Globe acquisition).	Organic focus (□101 Cr capex for Gujarat/PG expansion).	Management is now aggressively betting the balance sheet on internal capacity expansion funded by depleting cash reserves during a downturn.
KMP Compensation	Rose 42% while PAT fell 62%.	Rose 55% while Revenue fell 13%.	The pay-performance divergence has accelerated, confirming a systemic lack of variable-pay governance and alignment with minority shareholders.
Liquidity Sourcing	Effectively debt-free; cash at □422 Cr.	Debt increased to □129 Cr; cash fell to □333 Cr.	The shift from a fortress cash position to utilizing debt for working capital highlights the "trapped" nature of current liquidity.
Taxation Impact	Effective tax rate at 42% due to disputes.	Effective tax rate normalized to 30%.	While the tax rate normalized, the underlying earnings quality deteriorated due to non-cash insurance accruals and inventory gains.

7.2 Persistent patterns

- **Unresolved Leasehold Risk**: The land lease for Plant-2 has remained expired since June 2017, representing a multi-year "going concern" threat to 30-40% of production capacity that management has failed to formalize.
- **High Related Party Dependency**: Transactions with Tamilnadu Petroproducts (TPL) consistently account for 23-30% of revenue/purchases, maintaining high levels of circular trade and feedstock risk.
- **Import Vulnerability**: The company remains a **perpetual price-taker**, with margins dictated by global dumping from China and Saudi Arabia despite its status as a sole domestic producer.
- **Litigation Overhang**: Persistent environmental (NGT), tax, and multi-decade wage disputes (since 2001) continue to freeze capital and create a gap between reported and distributable profits.
- **Aggressive Depreciation Policy**: The consistent use of technical estimates to extend the useful life of machinery (up to 33-50 years) remains a tool to **understate depreciation and support paper profits**.
- **Sole Domestic Producer Moat**: The company maintains its **strategic dominance in the Indian Propylene Glycol (PG) market**, which serves as the only defensive floor for the business.
- **Dividend Payout Priority**: Management continues to prioritize dividend outflows even when **Free Cash Flow turns deeply negative (-□120 Cr)**, signaling a preference for optics over liquidity preservation.