

**Pidilite USA, Inc.**  
Financial Statements  
March 31, 2016 and 2015

**KNAV P.A.**  
Certified Public Accountants  
One Lakeside Commons, Suite 850,  
990 Hammond Drive NE, Atlanta, GA 30328



America Counts on CPAs

# Table of Contents

<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>3</b>
<b>FINANCIAL STATEMENTS .....</b>	<b>4</b>
Balance sheets .....	5
Statements of income .....	6
Statement of stockholder's equity .....	7
Statements of cash flow .....	8
<b>NOTES TO FINANCIAL STATEMENTS .....</b>	<b>9</b>



# Independent Auditor's Report

Board of Directors  
Pidilite USA, Inc.

We have audited the accompanying financial statements of Pidilite USA, Inc. ('the Company') which comprise the balance sheets as of March 31, 2016 and March 31, 2015 and the related statements of comprehensive income, change in stockholders' equity, and cash flows for the years then ended and the related notes to financial statements.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Company as of March 31, 2016 and March 31, 2015 and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**KNAV P.A.**

Atlanta, Georgia  
April 29, 2016

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**KNAV P.A.**

**Certified Public Accountants**

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2016-523

**Pidilite USA, Inc.**  
Financial Statements  
March 31, 2016 and 2015

## **Financial Statements**

## Balance sheet

*(All amounts in United State Dollars, unless otherwise stated)*

	As at	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	189,103	769,522
Accounts receivable, net of allowances	8,346,462	6,475,294
Inventories, including goods-in-transit	8,368,254	9,181,211
Prepaid expenses	247,171	277,200
Other current assets	931,640	392,892
Deferred tax assets	857,469	600,303
<b>Total current assets</b>	<b>18,940,099</b>	<b>17,696,422</b>
Investments <i>(Note C)</i>	795,123	772,562
Property, plant and equipment, net	978,772	935,506
Goodwill and other intangibles, net	1,940,986	2,136,033
<b>Total assets</b>	<b>22,654,980</b>	<b>21,540,523</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Line of credit	2,363,473	5,050,000
Accounts payable	3,690,886	2,603,253
Other current liabilities	1,867,289	1,809,252
<b>Total current liabilities</b>	<b>7,921,648</b>	<b>9,462,505</b>
Deferred tax liability	375,956	197,627
<b>Total liabilities</b>	<b>8,297,604</b>	<b>9,660,132</b>
<b>Stockholders' equity</b>		
Common stock	14,780,000	14,780,000
Accumulated other comprehensive income		
Accumulated deficit	(422,624)	(2,899,609)
<b>Total stockholders' equity</b>	<b>14,357,376</b>	<b>11,880,391</b>
<b>Total liabilities and stockholders' equity</b>	<b>22,654,980</b>	<b>21,540,523</b>

*(The accompanying notes are an integral part of these financial statements)*

## Statement of income

*(All amounts in United State Dollars, unless otherwise stated)*

	<b>For the year ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Revenues, net of allowances and rebates	37,881,779	33,599,258
Less: cost of revenues	24,341,611	22,370,296
<b>Gross profit</b>	<b>13,540,168</b>	<b>11,228,962</b>
<b>Operating costs and expenses</b>		
Selling, general and administrative	10,431,617	9,720,281
Depreciation and amortization	461,819	404,664
Interest expense, net of interest income	110,061	98,202
<b>Total cost and expenses</b>	<b>11,003,497</b>	<b>10,223,147</b>
<b>Operating income</b>	<b>2,536,671</b>	<b>1,005,815</b>
Other income	118,825	89,698
<b>Total income</b>	<b>2,655,496</b>	<b>1,095,513</b>
Current tax expense	257,348	44,070
Deferred tax benefit	(78,837)	(578,279)
<b>Net income</b>	<b>2,476,985</b>	<b>1,629,722</b>

*(The accompanying notes are an integral part of these financial statements)*

**Pidilite USA, Inc.**Financial Statements  
March 31, 2016 and 2015**Statement of stockholder's equity***(All amounts are stated in USD unless otherwise stated)*

Particulars	Common stock				Accumulated deficit	Total stockholder's equity
	Authorized Shares	Value in US\$	Issued and outstanding Shares	Value in US\$		
<b>Balance as at March 31, 2014</b>	<b>27,000,000</b>	<b>27,000,000</b>	<b>14,780,000</b>	<b>14,780,000</b>	<b>(4,529,331)</b>	<b>10,250,669</b>
Net profit for the year					1,629,722	1,629,722
<b>Balance as at March 31, 2015</b>	<b>27,000,000</b>	<b>27,000,000</b>	<b>14,780,000</b>	<b>14,780,000</b>	<b>(2,899,609)</b>	<b>11,880,391</b>
Net profit for the year					2,476,985	2,476,985
<b>Balance as at March 31, 2016</b>	<b>27,000,000</b>	<b>27,000,000</b>	<b>14,780,000</b>	<b>14,780,000</b>	<b>(422,624)</b>	<b>14,357,376</b>

*(The accompanying notes are an integral part of these financial statements)*

## Statement of cash flow

*(All amounts in United States Dollars unless otherwise stated)*

	<b>For the year ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>Cash flow from operating activities</b>		
Net income	2,476,985	1,629,722
<b>Adjustments to reconcile net income to cash provided by (used in) operating activities</b>		
Depreciation and amortization	461,819	404,665
Current tax	257,348	44,070
Deferred tax	(78,837)	(578,279)
Allowance for bad debts	130,765	(42,438)
Allowance for slow moving inventory	990,442	266,428
<b>Changes in assets and liabilities</b>		
Accounts receivable	(2,001,934)	(670,943)
Inventory including goods-in-transit	(177,485)	(1,360,185)
Prepaid expenses and other current assets	(531,280)	(59,707)
Accounts payable	1,087,633	(49,453)
Other current liabilities	(199,310)	59,064
<b>Net cash provided by (used in) operating activities</b>	<b>2,416,146</b>	<b>(357,056)</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(310,038)	(383,157)
Investments	-	(750,000)
<b>Net cash used in investing activities</b>	<b>(310,038)</b>	<b>(1,133,157)</b>
<b>Cash flow from financing activities</b>		
Short term line of credit	(2,686,527)	1,050,000
<b>Net cash provided by financing activities</b>	<b>(2,686,527)</b>	<b>1,050,000</b>
Net decrease in cash and cash equivalents	(580,419)	(440,213)
Cash and cash equivalents at the beginning of the year	769,522	1,209,735
<b>Cash and cash equivalents at the end of the year</b>	<b>189,103</b>	<b>769,522</b>
<b>Supplemental cash flow information</b>		
Interest paid	113,340	134,203
Income taxes paid	418,070	79,705

*(The accompanying notes are an integral part of these financial statements)*



**Pidilite USA, Inc.**

Financial Statements

March 31, 2016 and 2015

## **Notes to financial statements**

*(All amounts in United State Dollars, unless otherwise stated)*

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

*1. Business description*

Pidilite USA, Inc (the Company”) was incorporated in Delaware on May 12, 2006. On June 12, 2006 (“the Sargent acquisition date”), the Company acquired certain assets and assumed liabilities comprising the business of Sargent Art, LLC. On June 20, 2006 (“the Cyclo acquisition date”), the Company acquired certain assets and assumed liabilities comprising the business of Cyclo Industries, LLC. On April 22, 2008 (“the Power Poxy acquisition date”), the Company acquired certain assets and assumed liabilities comprising the business of Poxy Plus, a division of BMG Group.

The Company conducts business through its divisions Sargent Art and Cyclo. Sargent Art division manufactures and trades in art materials and is located in Hazleton, Pennsylvania. The Cyclo division trades in car care products, and is located in Jupiter, Florida. The Company closed the operations of the Power Poxy division in March 2013.

Pidilite USA, Inc is a wholly owned subsidiary of Pidilite Industries Limited, a public listed company in India.

*2. Financial statements*

*a) Basis of preparation*

The accompanying financial statements are prepared under the historical cost convention on accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States of America (“US GAAP”) to reflect the financial position, results of operation, stockholders’ equity and cash flow.

All amounts are stated in US dollars, except as otherwise specified.

The current year financial statements are for the fiscal year April 1, 2015 to March 31, 2016. The previous year financial statements are for fiscal year April 1, 2014 to March 31, 2015. The amounts in the notes to the financial statements for the previous year ending March 31, 2015 are given in brackets. Certain reclassifications, regroupings and reworking have been made in the consolidated financial statements of prior periods to conform to the classifications used in the current year. These changes had no impact on previously reported net income or stockholders’ equity.

*b) Estimates and assumptions*

In preparing the financial statements in conformity with US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The

## **Pidilite USA, Inc.**

### Financial Statements

March 31, 2016 and 2015

important estimates made by the Company in preparing these financial statements include those on the useful life of property and equipment, the valuation and impairment of goodwill and other intangibles, the provision for rebates and allowances and realization of deferred taxes. Actual results could differ from those estimates.

#### *3. Cash and cash equivalents*

The Company considers all highly liquid investments and deposits with an original maturity of ninety days or less to be cash and cash equivalents. Cash and cash equivalents comprise cash on hand and balance with banks.

#### *4. Revenue recognition*

Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of the products are transferred to the customer and when the following criteria are met:

- Persuasive evidence of an arrangement exists;
- The price to the buyer is fixed and determinable;
- Delivery has occurred and/or services have been rendered; and
- Collectability of the sales price is reasonably assured.

Revenue from sale of goods is shown net of provisions for estimated sales returns, consumer and trade promotions, rebates, cash discounts, promotional reserve and other deductions. Provisions for rebates to customers are provided in the same period that the sales are recorded. The Company accounts for free products offered to customers as cost of sales, based on the guidance provided in Accounting Standard Codification ("ASC") 605-50, Vendor's Accounting for Consideration Given to a Customer.

#### *5. Shipping and handling costs*

The Company classifies shipping and handling costs as selling expenses. Amounts billed to a customer in sales transaction related to shipping and handling are credited to shipping and handling costs.

#### *6. Allowance for doubtful accounts*

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of their customers to make required payments. Management analyzes accounts receivable and the composition of the accounts receivable aging, historical bad debts, current economic trends and customer credit worthiness when evaluating the adequacy of the allowance for doubtful accounts. Bad debt expense is included in general expenses in the statement of income.

#### *7. Goodwill and intangible assets*

In accordance with ASC 350, Goodwill and Other Intangible Assets, all assets and liabilities of the acquired business including goodwill are assigned to the reporting units. The Company does not amortize goodwill but instead tests goodwill for impairment at least annually, using a two step impairment process. The fair value of the reporting unit is first compared to its carrying value. The fair value of reporting units is determined using the income approach based on measurement techniques such as discounted cash flow analysis. If the fair value of the reporting

## **Pidilite USA, Inc.**

### Financial Statements

March 31, 2016 and 2015

unit exceeds the carrying value of the net assets to that unit, goodwill is not impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the implied fair value of the reporting unit's goodwill is compared with the carrying value of the reporting unit's goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded.

Intangible assets acquired individually, with a group of other assets or in a business combination are carried at cost less accumulated amortization. The intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. The estimated useful lives of the intangible assets are as follows:

Marketing-related intangibles	15 years
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Payments made for non-compete covenants in a business combination are written off during the non-compete period, which is for 5 years.

#### *8. Inventories*

Inventories are stated at the lower of cost or market value. Cost is determined using weighted-average method for raw materials and packing materials, work in process, manufactured finished goods and the traded finished goods of art materials and adhesive segment and also to determine cost of the traded finished goods of car care products inventories. The Company provides an allowance for slow moving inventory based on a specific identification method considering the ageing of the inventory and the current market conditions.

#### *9. Income taxes*

The Company accounts for deferred taxes under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of comprehensive income in the period of change. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

#### *10. Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful life of the assets using the straight-line method. Expenditures for maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the cost of the asset and related depreciation are eliminated from the financial records. Any gain or loss on disposition is credited or charged to income.

**Pidilite USA, Inc.**  
Financial Statements  
March 31, 2016 and 2015

The estimated useful lives of assets are as follows:

Leasehold improvements	4-5 years
Machinery and equipment	7 years
Office furniture and equipment	3-5 years
Vehicles	5 years
Software licenses	5 years

**NOTE B – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of the following:

<b>Particulars</b>	<b>As at</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Petty cash	393	1,424
Checking accounts	186,451	715,195
Payroll accounts	2,259	52,903
<b>Total</b>	<b>189,103</b>	<b>769,522</b>

Cash balances on checking accounts and payroll accounts with the bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$ 250,000 (\$ 250,000) per depositor at each financial institution, and the Company's non-interest bearing cash balances may exceed federal insured limits.

**NOTE C – INVESTMENT**

On September 29, 2014 the Company invested in convertible promissory notes of Optmed Inc. for an amount of \$ 750,000. The conversion of the promissory notes is subject to various covenants. The conversion feature also includes an option to convert at the sole discretion of the Company upon certain future event. Management has considered and valued this investment as a 'debt instrument' and believes that the valuation of the option can be done only after the occurrence of the specific future event. Interest of \$ 22,562 (\$ 22,562) has been accrued on the promissory notes based on the terms of the notes.

**NOTE D – ACCOUNTS RECEIVABLE**

The accounts receivable as at March 31, 2016 are stated net of rebates, allowances for sales return and allowance for doubtful accounts. Accounts receivables as at March 31, 2016 of \$ 8,346,462 (\$ 6,475,294) represent dues from customers of the Company, representing amounts receivable on product sales. The Company maintains an allowance for doubtful accounts and returns on all accounts receivables, based on present and prospective financial condition of the customer and ageing of accounts receivables after considering historical experience and the current economic environment.

**Pidilite USA, Inc.**  
Financial Statements  
March 31, 2016 and 2015

The movement in allowance for doubtful accounts during the year was as follows: -

<b>Particulars</b>	<b>As at</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Balance at the beginning of the year	578,643	670,845
Add: Provision for the year (net of reversal)	130,765	(42,438)
Less: Bad debts of related party w/off	(190,868)	-
Less : Bad debts written off	(5,349)	(49,765)
<b>Balance at the end of the year</b>	<b>513,191</b>	<b>578,642</b>

At the end of fiscal year 2013 a major customer of the Sargent Art division filed for Chapter 11 bankruptcy protection. The Company filed its priority claim of \$ 37,608 and non-priority claim of \$ 448,348 with the Bankruptcy Court. Based on the Reorganization Plan (“Plan”) approved by the Court, the Company received the full amount of its priority claim. With regard to the non-priority claim the Plan provided different options to the Company.

The Company accepted the option to provide the customer agreed upon customary trade terms (same terms as were given pre-petition) till September 30, 2014. The Company may receive 45% of the allowed non-priority claim plus interest at 10% per annum accrued quarterly and payable after approximately six and half years. The Company estimates the realization after six and half years under this option would be approximately \$ 372,121. The Company has adequately provided for the account receivable from the customer

**NOTE E – INVENTORIES**

Major classes of inventory are as follows:

<b>Particulars</b>	<b>As at</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Raw materials and packing materials	1,629,100	1,759,557
Work in process	152,451	171,172
Manufactured finished goods	1,355,053	1,162,469
Goods in transit	1,204,348	280,562
Traded finished goods:		
- Art materials	2,258,549	2,935,664
- Car care products	2,548,089	3,004,291
Less: Allowance for slow moving inventory	(779,336)	(132,504)
<b>Total</b>	<b>8,368,254</b>	<b>9,181,211</b>

**NOTE F – PROPERTY, PLANT AND EQUIPMENT, NET**

Property, plant and equipment comprise the following:

<b>Particulars</b>	<b>As at</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Leasehold improvement	297,135	278,677
Machinery and equipment	2,686,590	2,407,365
Office furniture and equipment	719,721	707,365
Vehicles	23,465	23,465

**Pidilite USA, Inc.**

## Financial Statements

March 31, 2016 and 2015

Software licenses	325,987	325,987
Less: Accumulated depreciation	(3,074,126)	(2,807,353)
<b>Property, plant and equipment, net</b>	<b>978,772</b>	<b>935,506</b>

Depreciation for the year ended March 31 2016 was \$ 266,773 (\$ 210,151) which included depreciation on leasehold improvements of \$ 31,160 (\$ 20,033)

**NOTE G – GOODWILL AND OTHER INTANGIBLES, NET**

During the period ended March 31, 2009 the Company completed the Power Poxy business acquisition. The business acquisition of Power Poxy resulted in goodwill of \$ 537,210.

During the period ended March 31, 2007 the Company completed the Sargent Art LLC and the Cyclo Industries LLC business acquisitions. The business acquisitions of Sargent Art LLC and Cyclo Industries LLC resulted in goodwill of \$ 70,359 and \$ 779,944, respectively. The goodwill on acquisition of Cyclo Industries LLC increased by \$ 77,532 to \$ 857,476 due to certain post acquisition adjustments in the purchase consideration. Other intangibles, which were acquired in the business combinations, included:

<b>Particulars</b>	<b>Power Poxy</b>	<b>Sargent Art</b>	<b>Cyclo</b>
Trademarks	\$ 139,095	\$ 770,281	\$ 2,199,216
Non-compete	-	\$ 50,000	\$ 10,000

The Company amortizes the non-compete covenants over the term of the non-compete, which is five years. The Company recorded amortization expense of \$ NIL (\$ NIL) with regard to the non-compete. The accumulated amortization as of March 31, 2014 with regard to non-compete was \$ 60,000 (\$ 60,000).

The Company has estimated the useful life of the trademarks to be 15 years. The Company capitalizes the registration and renewal costs incurred on the trademarks and the estimated useful life of such costs have been estimated at 5 years by the Company. The Company recorded amortization expense of \$ 194,514 (\$ 195,188) with regard to the trademarks. The Company has written off the unamortized trademark costs of the Power Poxy division.

<b>Particulars</b>	<b>Goodwill</b>	<b>Trademarks</b>	<b>Non-compete</b>	<b>Total</b>
<b>As at March 31, 2016</b>				
Goodwill and other intangibles, gross	927,834	2,969,497	60,000	3,957,331
Less: Accumulated amortization		(1,956,345)	(60,000)	(2,016,345)
<b>Goodwill and other intangibles, net</b>	<b>927,834</b>	<b>1,013,152</b>	<b>-</b>	<b>1,940,986</b>
<b>As at March 31, 2015</b>				
Goodwill and other intangibles, gross	927,834	2,969,497	60,000	3,957,331
Less: Accumulated amortization		(1,761,298)	(60,000)	(1,821,298)
<b>Goodwill and other intangibles, net</b>	<b>927,834</b>	<b>1,208,199</b>	<b>-</b>	<b>2,136,033</b>

The gross amount of trademarks includes registration and renewal costs of \$ 51,787.

**NOTE H – LINE OF CREDIT**

The Company has a working capital facility line of credit with Citibank (Royal Bank of Scotland) with a maximum permissible limit of \$ 6,000,000 (\$ 6,000,000). As at March 31, 2016 the Company has made withdrawals to the tune of \$ 2,363,473 (\$ 5,050,000). Interest on the line of credit is payable at LIBOR plus 2.25% per annum, calculated at monthly intervals. The weighted average rate of interest for the year ended March 31, 2016 was 3.0% per annum (3.0% per annum). As of March 31, 2016 the applicable rate of interest on the outstanding line of credit was 2.50% per annum (3.0% per annum).

The line of credit to the extent of \$ 2,000,000 is guaranteed by Pidilite Industries Limited.

The line of credit to the extent of \$ 4,000,000 is secured against all receivables, inventory and other assets. Total interest expense on the line of credit for the year ended March 31, 2016 is \$ 131,784 (\$ 134,203). Interest is payable on a quarterly basis and the line of credit is repayable on demand.

**NOTE I – OTHER CURRENT LIABILITIES**

Major components of other current liabilities are as follows:

<b>Particulars</b>	<b>As at</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Accrued expenses	730,252	676,991
Accrued salaries	74,972	153,041
Advance from customers	122,910	111,437
Payable (receivable) to \ from associate companies	(388,000)	183,875
Bonus payable	1,123,126	546,501
Accrued vacation pay	54,385	51,066
Accrued interest	19,245	31,613
Accrued legal expenses	38,975	37,525
Provision for taxes	91,424	17,203
<b>Total</b>	<b>1,867,289</b>	<b>1,809,252</b>

**NOTE J – SHIPPING AND HANDLING COST**

The amount of shipping and handling costs for the year ended March 31, 2016 were \$ 2,614,557 (\$ 2,303,485).

**NOTE K – ADVERTISING AND SALES PROMOTION COST**

During the year ended March 31, 2016, the Company incurred \$ 1,736,699 (\$ 1,786,433) on advertising and sales promotions.

**NOTE L – OTHER INCOME**

Other income comprises of:

<b>Particulars</b>	<b>For the year ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Royalty income	61,750	41,462
Rebate from customers	36,237	48,236
Other	20,838	-
<b>Total</b>	<b>118,825</b>	<b>89,698</b>

**NOTE M – INCOME TAXES**

The provision for income tax (expense) benefit is as follows:

<b>Particulars</b>	<b>For the year ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
State		
Current	78,531	33,540
Deferred	(118,773)	(46,160)
Federal		
Current	178,817	10,532
Deferred	39,936	(532,121)
<b>Total</b>	<b>178,511</b>	<b>(534,209)</b>

The following is the summary of items giving rise to deferred tax assets and liabilities:

	<b>For the year ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>Current deferred tax asset</b>		
Accounts receivable	186,483	213,509
Inventory	340,189	407,079
Inventory reserve	283,194	48,892
Accrued bonus	46,876	48,522
Accrued vacation	-	18,843
Accrued allocation / corporate guarantee fees	727	4,428
<b>Current deferred tax asset</b>	<b>857,469</b>	<b>741,271</b>
<b>Less:</b> Valuation allowance	-	(140,970)
<b>Current deferred tax asset, net</b>	<b>857,469</b>	<b>600,303</b>
<b>Non-current deferred tax asset</b>		
Net operating losses	127,633	865,426
Alternate minimum tax credit	-	22,196
Intangibles other than goodwill	16,225	19,029
<b>Non-current deferred tax asset</b>	<b>143,858</b>	<b>906,651</b>
<b>Less:</b> Valuation allowance	-	(623,578)
<b>Non-current deferred tax asset</b>	<b>143,858</b>	<b>283,073</b>
<b>Non-current deferred tax liability</b>		
Property, plant and equipment	(302,711)	(283,073)



**Pidilite USA, Inc.**

Financial Statements

March 31, 2016 and 2015

Goodwill	(217,103)	(197,627)
<b>Non-current deferred tax liability</b>	<b>(519,814)</b>	<b>(480,700)</b>
<b>Non-current deferred tax liability, net</b>	<b>(375,956)</b>	<b>(197,627)</b>

In assessing the realization of deferred tax assets, the likelihood of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized must be considered. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary difference become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment.

The Company has provided a valuation allowance of \$ NIL and \$ 764,545 as at March 31, 2016 and March 31, 2015, respectively, against the net deferred tax assets. The change in valuation allowance is \$ 764,545 between the balance sheet dates.

The Company has net operating loss carry forwards of approximately \$ NIL (\$ 3,414,598) as of March 31, 2016 available to reduce future federal income taxes. If not used, the carry forwards will begin to expire in 2028. The state net operating losses and their availability for future utilization vary from state to state.

The Company recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Company's financial position, results of operation or cash flows.

The tax years of 2012 through 2014 remain subject to examination by the taxing authorities.

**NOTE N – RELATED PARTY TRANSACTIONS**

- A. The following are the related parties with whom transactions have taken place during the year with the Company having closing balances:
- Pidilite Industries Limited – Parent Company
  - PT Pidilite Indonesia – Associate Company
  - Pidilite South Africa – Associate Company
  - Pidilite International Pte Limited – Associate Company
  - Pulvitec do Brasil Industria e Comercio de Colas e Adesivos Ltda – Associate Company

**Pidilite USA, Inc.**  
Financial Statements  
March 31, 2016 and 2015

B. Summary of transactions with related parties are as follows:

Particulars	Pidilite	PT	Pulvitec do Brasil	Pidilite	Total
	Industries	Pidilite	Industria e	International	
	Limited	Indonesia	Comercio de	Pte Ltd	
	US\$	US\$	Colas e Adesivos	US\$	US\$
			Ltda		
<b><u>For the year ended March 31, 2016</u></b>					
Sales	8,099	-	-	-	8,099
Purchases	1,175,791	-	-	-	1,175,791
Royalty expense	-	-	-	330,378	330,378
Legal fees paid	-	-	-	65,468	65,468
Service fees	399,843	-	-	-	399,843
Expense reimbursement	298,488	-	-	-	298,488
Allocation fees	30,282	-	-	-	30,282
<b><u>As at March 31, 2016</u></b>					
Accounts receivable	-	-	-	-	-
Other receivables	452,791	-	-	-	452,791
Accounts payable	-	-	-	88,368	88,368
Other payable	465,396	-	-	-	465,396
<b><u>For the year ended March 31, 2015</u></b>					
Sales	73,851	-	-	-	73,851
Purchases	943,777	-	-	-	943,777
Royalty expense	-	-	-	303,946	303,946
Legal fees paid	-	-	-	30,164	30,164
Service fees	165,098	-	-	-	165,098
Expense reimbursement	277,594	-	336,870	-	614,463
Allocation fees	16,868	-	-	-	16,868
<b><u>As at March 31, 2015</u></b>					
Accounts receivable	36,868	-	705,868	-	742,736
Other receivables	35,877	-	-	-	35,877
Accounts payable	142,993	-	-	151,592	294,585
Other payable	520,136	-	-	-	520,136

The Company has outstanding balance of line of credit from Citibank, at March 31, 2016, amounting to \$ 2,000,000 (\$ 5,050,000). The line of credit is guaranteed by Pidilite Industries Limited.

**NOTE O - COMMITMENTS AND CONTINGENCIES**

a) Operating leases

The Company leases office space, manufacturing and warehousing facilities and office equipment under cancelable and non-cancelable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental payments under such leases were \$ 558,868 (\$ 595,125) for the year ended March 31, 2016.

Details of contractual payments under non-cancelable leases are given below:

<b>Year</b>	<b>Rental commitments for office premises</b>	<b>Rental commitments for manufacturing and warehousing facilities</b>
2016-17	190,084	214,412
2017-18	98,416	16,500
Thereafter	81,798	-
<b>Total</b>	<b>370,298</b>	<b>230,912</b>

b) Employment contracts

The Company has employment agreements with key executive officers. These agreements provide for base salaries, bonus, perquisites and fringe benefits as approved by the Board of Directors. The Company accrues for incentives payable to the key executive officers.

c) Litigations and claims

During the year 2013-14 filed a case was filed against the Company for infringement of a patent relating to metallic markers. The Company has settled outside the court with the party on the subject. Based on the agreement the Company agreed to pay royalty from 2006 of \$ 60,000 to settle all past claims till June 6, 2013 and a royalty going forward at the rate of \$ 0.015 per marker till October 12, 2019.

**NOTE P – RETIREMENT PLANS**

The Company contributes to two 401(k) plans for salaried and eligible hourly personnel. The contribution for the year ended March 31, 2016 is \$ 95,404 (\$ 95,772).

**NOTE Q – CONCENTRATION RISK**

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect future operating results and cause actual results to vary materially from expectations include but are not limited to government regulations, competition, reliance on certain customers and credit risk.

The Company has concentration in respect of region in which it operates, which is the USA.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. To reduce its credit risk, the Company performs ongoing credit evaluations of customers. No single customer accounted for 10% or more of the accounts receivable as at March 31, 2016 and revenues for the year ended March 31, 2016.

**Pidilite USA, Inc.**

Financial Statements

March 31, 2016 and 2015

**NOTE R - STOCKHOLDERS' EQUITY**

The authorized share capital of the Company is 27,000,000 (27,000,000) common shares of a par value of \$ 1 each. The Company has issued 14,780,000 (14,780,000) common shares of \$ 1 each. Each share carries an equal voting right and is entitled to an equal share in the assets of the Company at liquidation.

**NOTE S – SUBSEQUENT EVENTS**

These financial statements considered subsequent events through April 28, 2016, the date the financial statements were available to be issued. On April 01, 2016, the company have signed a lease agreement for 6 years in order to open a R&D facility for the group based in USA. The commitments for the R&D facility has been included in Note N.

**NOTE T – RECLASSIFICATION**

Previous year's figures have been restated, regrouped, reworked or reclassified wherever required.

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