EXECUTIVE SUMMARY

INDUSTRY PROFILE:

India’s chemical industry, one of the oldest domestic industries in India, has been contributing significantly to both the industrial and economic growth of the country since independence was achieved in 1947. From cosmetics and toiletries to plastics and pesticides, India’s chemical industry currently produces nearly 70,000 commercial products. The industry covers a large spectrum of categories including inorganic and organic chemicals, drugs and pharmaceuticals, plastics and petrochemicals, dyes and pigments, fine and specialty chemicals, pesticides and agrochemicals and fertilizers.

COMPANY PROFILE

while working consulting engineer they found understood that closing Situation of HOCPL is not proper from finance of ‘Bank +Owner +Workers’ & all points of view = capital was blocked & no returns since more than one years. Lot of time effort money is required to start any industry & readymade unit was is Close condition, no benefit to ‘Bank+Owners+Workers’ & all so we started to initiate some well Financed people to think about HOCPL in the form of owner or partner or to run unit on hire. We had given reference of Mr. RaijadHAV to more than 10 people but they didn’t know why the People were in the senses of pulling back. They were confusion about finance, chemical filed Production & marketing, effluents, payback because of lack of confidence & experience.

1) A launch of industry : Haripriya Organic chemical Pvt. Ltd
2) Establishment : April 2004
3) Address : Haripriya Organic Chemical Pvt. Ltd
   Laxmi industrial plot no 5,6
   Phase sector B. Hatkanangle Dist-Kolhapur
4) Products : yara-yara and esters
5) Phone No : 0230-2402258
NEED FOR THE STUDY

Long term loans are the best alternatives available in the financial market to cater worried personal demands of the borrowers. Due to flexible repayment period & low interest rate, these loans are consecutively in demand from several years. Lenders are ready to offer these loans with the least hesitation as collateral plays an important role. To avail hopping loans amount, long term loans are considered as a ideal option. Long terms loans are approved against are collateral. Therefore it can be said that any asset carrying equity can fulfill the purpose of collateral, usually land house, car & valuable documents it well in the category of valuable collateral.

With easy terms & conditions propinquity to fail in repayment is very less as lenders charges feasible interest rates. The loan amount can be used for meeting varied personal demand of the borrowers, the demands like buying an equipment & machinery, higher education expenses & renovation some among.

OBJECTIVES

1. To analyze source of long term finance viz., own source of capital and loan funds employed by the enterprise.
2. To analyze utilization of long term source employed by the company i.e. whether long term funds are used for long term requirement or for short term requirement of the company.
3. To know the financial position of the company.
RESEARCH METHODOLOGY

DEFINITION:

According to Webster’s dictionary: “research is a careful or examination in seeking facts or principles; diligent investigation in order to ascertaining something”

SOURCES OF DATA COLLECTION

PRIMARY DATA

Primary data means the data which is freshly gathered for specific research project & this primary data collected by taking interview & discussion with directors of Haripriya organic chemical industry & from CA person who is our external guide.

SECONDARY DATA

The secondary data have been collected from the profit & loss account, balance sheet from the year 2005 to 2009, annual reports, & from the internet.

FINDINGS

1) The Company’s equity share capital is very low. Since the company’s own source of capital is low its interest cost on borrowed capital is very high.

2) It could be observed that, finance expenses are greater than the manufacturing expenses. Thus, whatever the company is earning is taken away by the financial institute.

3) To know the financial position of the company.

4) The company has employed huge capital and created huge assets. However, looking at the fixed asset turnover ratio it could be observed that, the turnover as compared to fixed asset is very low. Thus, the Company is not making optimum use of its fixed asset capacity.
SUGGESTIONS

1. The Company is suffering from lack of own equity capital for funding its business requirement. As a short term measure the Company has obtained unsecured loans from directors and their relatives to meet present need of capital.

2. Once the company starts manufacturing its own product it will require additional working capital to finance its working capital requirement.

3. Manufacturing of own product will establish the company in the open market and will give assured market for its product. This is very important for any company to survive in the long run.

CONCLUSION

During initial years the company incurred losses due to lack of job order, improper use of funds and underutilization of production capacity.

However, in the recent years i.e. from financial year 2007-2008 the company by better utilization of its capacity and cost reduction process has shown signs of revival.

INTRODUCTION OF THE STUDY
Introduction to long term finance:
Long term financing is a form of financing that is provided for a period of more than a year. It has rightly been said that “business requires money to make more money”. It is not possible to achieve the objectives of organization without adequate finance. Hence, efficient management of finance is required for efficient running of business enterprise. “long term financing” which means that is repaid through regular periodic payments, usually over of 1 to 10 years. Thus, we can say that, long term financing is a starting point for making plans before using any sophisticated forecasting and planning.

Equity shares represent the ownership position in company. The holders of ordinary shares, called shareholders, are the legal owners of the company. Ordinary shares are the source of permanent capital since they do not have a maturity date for the contributed by shareholders by purchasing ordinary shares, they are entitled for dividends. The amount or rate of dividend is not fixed; the company’s board of directors decides it. An ordinary share is, therefore, known as variable income security. Term loans are loans for more than a year maturity. Generally, in India, they are available for a period of 6 to 10 years in some cases, and the maturity could be as long as 25 years. Interest of loan is tax deductible. Mostly term loans are secured through an equitable mortgage on immovable asset. To protect their interest, lending institution impose a number of restrict on the borrowing firm. Debt capital of the company may consist of either debentures or bonds which are issued to public for subscription or term loans which are directly from the banks & financial institutions. Term loan are source of long term debt. In India, they are generally obtained for financing large expansion, modernization or diversification projects. Therefore, this method of financing is also called project financing. The primary source of such loans is financial institutions. Commercial banks are also provide project finance for new projects as also for expansion or diversification & modernization where as the bulk of term loans extended by banks is in the form of working capital term loans to finance the working capital gap. Though they are permitted to finance infrastructure projects on a long term basis, the quantum of such financing is marginal.

FEATURES OF ORDINARY SHARES
CLAIM ON INCOME:
Ordinary shareholders have a residual ownership claim. They have a claim to the residual income, which is, earning available for ordinary shareholders, after paying expenses, interest charges, taxes & preference dividend, if any.

CLAIM ON ASSET:
Ordinary shareholders also have a residual claim on the company’s assets in the case of liquidation. Liquidation can occur on account of business failure or sale of business.

RIGHT TO CONTROL:
Control in the context of a company means of power to determine its policies. The board of directors approves of the company’s major policies & decisions while managers appointed by the board carry out the day to day operations.

VOTING RIGHT:
Ordinary shareholders are required to vote on a number of important matters. The most significant proposals include: election of directors & change in the memorandum of association. For example, if the company wants to change its authorized share capital or objectives of business, it requires ordinary shareholders’ approval.

PRE-EMPTIVE RIGHT:
The pre-emptive right entitles shareholders to maintain his proportionate share of ownership in the company.

LIMITED LIABILITY:
Ordinary shareholders are the true owners of the company, but their liability is limited to
the amount of their investment in shares.

TERM LOAN, TERM LOAN NEGOTIATION AND APPRAISAL

This section discusses,
1. Features & evaluation of term loans provided by financial institutions.
2. Negotiations of term loans with banks & financial institution
3. Their financial appraisal by institutions.

FEATURES OF TERM LOANS

1. MATURITY
   The maturity period of term loans is typically longer in case of sanctions by financial institutions in the range of 6 to 10 years in comparison to 3 to 5 years of bank advance.

2. NEGOTIATED
   The term loans are negotiated loans between the borrowers & the lenders. They are akin to private placement of debentures in contrast to their public offering to investors.

3. SECURITY
   All term loans are secured. While the assets financed by term Loans serve as primary security, all the other present & feature assets of the company provide secondary security for the term loan.

4. COVENANTS:
   Negative to protect their interest, the financial institutions reinforce the asset security stipulation with a number of restrictive terms & conditions. These are known as covenants. They are both positive & negative in the sense of what the borrower should & should not do in the conduct of its operations & full to broadly to four sets are as under.

(a) Asset related covenants
   These are intended to ensure the maintenance of a minimum asset base by the borrower included in the set of covenants is,
   1. Maintenance of working capital position in terms of a minimum current ratio.
2. Restrictions of creation of further charge on asset.

(b) Liability – related to covenants:
   1. Restrains on the incurrence of additional debt/repayment of existing loan.
   2. Without the concurrence approval of the lender or financial institution.
   3. Reduction in debt equity ratio by issue of additional capital.

(c) Cash flow related covenants
   - Restrictions on new project/expansion without prior approval of the financial institution.
   - Limitation on dividend payments to certain amount & prior approval of the financial institutions for declaration of higher amount.

(d) Control related covenants
   - Broad basing of board of directors & finalization of management set up in consultation with the financial institution
   - Effective organizational changes & appointment of suitable professional staff.

5. Repayment schedule / loan amortization
   The term loan have to be amortized according to predetermined schedule. The payment has two components.
   a) Interest
   b) Payment of principle

   a) The interest component
   The interest component of loan amortization is a legally enforceable contractual obligation. The borrowers have to pay a commitment charge on the unutilized amount. The interest on term loans by the financial institution subject to a minimum prime lending/floor rate is risk related & various with the credit risk of the borrowers. In case of default in
respect of both the interest & principle components, liquidated damages/penal interest at a specified of on the default amount has to be paid.

b) Repayment of principles

Typically, the principles are repayable over 6 to 10 years period. After an initial grace period of 1 to 2 years. Where as the mode of repayment of term loans is equal semi-annual instalments. with this type of loan amortization pattern, the total debt servicing burden declining and principal repayment remaining constant.

EVALUATION

Term loan have merit as well demerit both for the borrowers & the lend. From the perspective of borrowers, term loan offer all the advantages & disadvantages associated with debenture financing. An additional demerit is that term loans contract contain restricting managerial freedom. The right of lenders to nominate directors on the borrowing company may further restrict managerial discretion. Similarly, the term loans provide all the advantage & disadvantage of debentures financing to the lending institutions together with the additional benefits of restrictive covenants to protect their interests. However, term loans are not represented by negotiated securities. Debt securitization would go a long way in removing this limitation of term loans vis-à-vis debenture. To conclude, term loans carry low cost & involve high risk. there is no adverse effect on control but there is moderate restraint on managerial freedom.

TERM LOAN NEGOTIATIONS

The step involved in negotiating term loans with financial institution is outlined below. Borrowers have to apply in the prescribed details of the project, including the financial assistance required. Here we will briefly discuss.
1. APPLICATION FOR FINANCIAL ASSISTANCE.

General Name:
Form of organization; date of incorporation/registration; date of commencement of business, sector business house to which the concern belong, applicability of MRTP act; location; nature of project (new/expansion/modernization/); brief particulars of the project; nature of industry & products; financials assistance applied for & foreign currency loan/guarantee applied for.

Promoter:
The bio-data of the main promoter, a brief write-up of other companies promoted by the promoter; in case the promoter is limited company, a brief write-up on the activities & past performance of the company. Particulars of the project: Details of the project for which financial assistance I required in terms of the following (copy of the project reports/feasibility reports, if any, to be enclosed).

Capacity:
Present installed capacity, maximum production achieved, proposed installed capacity & maximum production envisaged for various products. Sections wise capacities for the major sections of the plant. Specifications of major products & by products

Process:
Details of the technical process, labour intensiveness of the process advantages / disadvantages of the alternative process with reference to employment potential; reference for choosing the particular process; copy of process flow chart with material balance utilities & process parameters.

Technical arrangement:
Technical arrangement made/ proposal ;write up on the collaborator; in case of collaboration, copy of government approval of the collaboration, copy of government approval for availing of the services of foreign technicians, particulars of consultants.

Management:
Proposal arrangements for executive’s managements, particulars of proposal key technical, administrative & accounting personnel; proposed organization chart.

Location & land:
Location of plant, land requirements & the arrangements thereof, of the land acquired / proposed to be acquired; copy of sale/lease deed. Copy of soil converting the land industrial land into industrial land if applicable, location map, site plan.

Buildings:
Arrangement made/proposal for constructing the building (particulars of buildings as per form v); copy of master plan showing location of building & roads, power receiving station, railway siding, tube well etc. Copy of equipment layout or plan building indicating the flow of materials.

Plant & machinery:
Basis of selection of equipments list of imported & indigenous plant & machinery acquired/to be acquired along with detailed specification as per VI&VII, layout of the plant & machinery indicating the flow of material.

Raw material
Requirements of raw materials, components, chemicals,etc as per formVIII.

Utilities
Details about power (source of power & supply voltage, maximum demand, connected load, peak hour requirements with electricity board, copy electrical layout of the plant. Note on power generation, demand & supply of power in the state, present & projected.

Effluent:
Details of the nature of atmosphere, soil & water pollution likely to be created by the
project & the measures proposed for control of pollution, permission for the disposal from concerned authorities for the proposed arrangement.

Labor:
Estimates of total requirements & availability of skilled & unskilled labor, plans for training of personnel, manpower development programmed category wise classification of total personnel requirements.

Quarters & labor housing:
Existing & proposed arrangements for housing staff & workers, classified as follows; senior executives, other executives, supervisors, labour.

Schedule of implementation:
Manner in which the design, engineering, erection, installation & commissioning of projects will be carried out: progress made so far in the implementation of the project; other projects of the concern: details of any other new/expansion, etc; project that are under implementation or those that the company/promoters propose to implement, giving the estimated cost, means of financing & the present status.

Means of financing:
Means of financing envisaged, divided as follows: share capital (equity preference), rupee loans, foreign currency loans, debentures, internal cash accruals, & others; details of the means of financing envisaged & the proposal for raising share capital as per form X & form-A, respectively; basis of estimation of internal accruals; arrangement of letters sanctioning assistance; source of foreign exchange & arrangement, if any, made for obtaining foreign exchange; source from which expenditure already incurred has been financed as per form X-B; promoters’ contribution to project cost.

Marketing & selling arrangements:
Copy of market survey report, if any, inducted by the company or independent consultant; brief notes on the products, their major uses, scope of the market, possible competition
from substitute products etc., special features of the products, which would result in consumer preference in relation to competitive products; detailed notes on the existing & future demand & supply of the products proposed to be manufactured; assessment of likely competition in the future of the projects that may enable it to meet the competition.

Profitability & cash flow: Estimates of cost of production & working results for the first ten years of operation as perform XI & XII, respectively.(for expansion/diversification of existing companies two sets of profitability statement may be prepared—one for the project & the other for the existing operation only); cash flow statement for the company as a whole for ten years of the project in form XIV, based on working results in form XII, projected balance sheet for ten operating years for the company as a whole as per form XV; break-even capacity level. Economic considerations: Prices of competing import/export products, giving a break up as FOB, CIF, landed cost (including import duty) & selling price; detailed explanation for differences in selling prices of the products & those of imported goods, with quantities data on differences in cost of production (such as scale of operation, differences in cost of inputs & various local duties & taxes). Government consents: details of the following license/consents required for the projects in term of date issue, viability period, & present issue, if not already issued;

I. Letter of intent
II. Industrial license
III. Capital good clearance
IV. Import license
V. Foreign exchange permission
VI. Approval of technical/financial collaborate
VII. Clearance under MRTP Act
VIII. Any other (specify); copies of license/consents etc, received; special conditions
attached to the license & the undertakings given by the company in connection with them.

Declaration:-
Declaration by the applicant that the information, statements & paper furnished are true & correct.

List of forms
The following is the list of forms to be submitted along with the application for financial assistance.
I. Letter addressed to the bakers
II. Existing long term borrowing
III. Existing short term borrowing
IV. Distribution of share holding
V. Particulars of buildings
VI. Particulars of imported machinery
VII. Particulars of indigenous machinery
VIII. Raw material requirements
IX. Estimates of cost of the project
   A: Calculation of cost of project
   B: Calculation margin money
X. Means of financing
   A: Proposal of raising of share capital
   B: Sources of expenditure incurred
XI. Estimates of cost of production
XII. Estimates of working results.
   A: Estimate of production & sales
   B: Calculation of wages & salaries

XIII. Unit cost of production

XIV. Cash flow of statement

XV. Projected balance sheet

XVI. Break even point

DOCUMENTATION AND DISBURSEMENT OF TERM LOANS:
After the project has been approved by the financial institution, a formal financial letter of intent issued in favor of the applicants. The letter of intent is issued to the applicant in the prescribed form enclosing therein the following other papers:

- Special terms & conditions as applicable to the financial assistance
- General conditions as applicable to financial assistance.
- Specimen copy of common loan agreement.
- Draft of the resolution to be passed by the board of directors of the borrowers for accepting the letter of intent.
- Convene a board meeting for acceptance of letter of intent & passing the board resolution.
- Finalize a final drawl schedule depending upon the progress of project implementation.

UTILISATION OF LOAN DISBURSEMENT:
- The lending institution would get all the documents executed.
The disbursement of the loan by the lending institution would be in stages depending upon the progress in project implementation & would be subject to compliance of pre-disbursement & other special conditions.

All the disbursements are made by the Cheque drawn in favor of the borrower & the date of Cheque is taken as the date of disbursement of the loan.

All these cheques are required to be deposited in a ‘special bank account’ to be maintained for this purpose.

The borrower must keep a proper record of withdrawals from this special account & also authorize his bank to reveal all the information, as required, to the lending institution regarding operations in this account.

The entire loan is not disbursed as the final security by way of mortgage of immovable property is not created.

**CHARGING OF SECURITY:**

- A first mortgage & charge in favor of the lending institution of all the borrower immovable properties, both present & future.
- A first charge by way of hypothethetication in favor of the lending institution of all the borrowers movables (excepts book debts), including movable machinery, machinery spares, tools & accessories, present & future, subject to prior charges and/or to be created Scrutiny of title deeds of all immovable properties &
mutation certificates by the legal department of the lending institution, to determine the ownership & clear marketable title of the borrowers over these properties.

**PROJECT APPRAISAL:**

Financial institution/carry out a thorough scrutiny of a project submitted to them for financing. The appraisal covers the following aspects of a proposal:

(a) Technical feasibility

(b) Managerial competence

(c) Commercial & financial viability

(d) Economic & environmental viability.

**TECHNICAL FEASIBILITY**

All factors related to infrastructure needs, technology, availability of machine, material & so on are scrutinized under this head. Broadly speaking, the factors that are covered under this aspect include; availability of basic infrastructure, licensing/registration requirements, selection of technology/technical process, availability of suitable machinery/raw material/skilled labors & so forth.

**BASIC INFRASTRUCTURE:**

The main point to be examined under this head is as discussed below.

**Land and its location:**

Land is the most basic requirement for the setting up of project. The size of the available land should not only meet the present requirements but take care of future expansion plans as well.

**Buildings**

Necessary plans for factory building, plant room, workshop, administrative blocks etc, as considered necessary, are to be finalized & provided in the project cost.
Availability of water and power:

Water & power are other two very vital requirements. Some projects may consume large quantities of water, which would be available either through municipal supply or from underground source.

Availability of labor:

The availability of labor is mainly dependent on the location of the project. The cheap & abundant supply of labor makes a lot of differences to project implementation. For project to be set up in far flung areas, special incentives might be necessary to include the labor to shift to that area, which may add to the cost of project & its implementation.

Licensing:

The government of India has recently liberalized provisions relating to the licensing of industries. Certain industries are, however, subject to licensing the exact position in this regard has to be ascertained & necessary arrangements should be made for obtained industrial licenses.

TECHNICAL PROCESS:

An important aspect of project evaluation is the critical examination of the technical process selected for the project. The main points considered in this regard are as under:

Availability:

The technical aspects selected for the project must be readily available either indigenously or necessary arrangement for foreign collaboration must be finalized. The provision regarding foreign collaboration with or without financial collaboration has also been liberalized recently. Many foreign collaboration can be now approved by the reserve bank of India is not necessary. Full provisions in this regard must be elaborated & from the subject matter of the project report.
Application:

Continuous updating:
The selected technology should not only be only but underlying technical arrangements must provide for its constant updating as a necessary safeguard against the process becoming absolute.

Availability of skilled technical personnel/training facilities:
The foreign technical collaboration should provide necessary training facilities to Indian personnel who would be involved in project implementation & subsequent running of the project.

Plant size & production capacity:
The selection of plant size & production capacity is mainly dependent on the total capital outlay by the promoter & and also the available market for the product. This aspect is, however, very important in selecting the right technology that would be suitable for the envisaged scale of production.

Availability of Machinery:
The availability of plant and machinery required for setting for setting up of the project, after the selection of technology, is to be ensured. Some plants may require a long lead time, which may result in delay and consequent cost overrun, upsetting the financial planning in the beginning itself. Availability of Raw Material and Consumables The easy availability of raw materials and consumables is a precondition for the successful operation of any project. This aspect, therefore, needs considerable attention at the planning stage itself. Tie-up arrangements with the raw material suppliers may be necessary if the suppliers are few.

Managerial competence
The ultimate success of even a very well conceived and viable project may depend on how competently it is managed. Besides project implementation, other important functions required to be controlled can broadly be classified as under: Production, Finance, Marketing, and personnel. A complete integration of all these functions within an organization may be the first step towards an effective management. The promoter of the project is to provide necessary leadership and his qualification, experience and track record would be the lending institution. The details of other projects successfully implemented by the same promoter may provide the necessary confidence to these institutions and help in the final approval of the project.

**Commercial Viability**

Any project can be commercially viable only if it is able to sell its production at a profit. For this purpose, it would be necessary to study the demand and supply pattern of that particular product to determine its marketability. Various methods such as the trend method and the regression supply of a particular product. The prospects of exporting the product may also be examined while assessing the demand. The exercise should be conducted for a sufficiently long period, say, 5 to 10 years to determine the continued demand of the product during the currency of the loan granted by financial institution.

**ADVANTAGES OF LONG TERM LOANS**

- Secured installments loans for small business & professional wishing to finance equipment & vehicle Loan among range from $5000 to $ 250000 with terms 12 to 60 months. Competitive rates & flexible terms fit in to any business budget etc.

Term loans advantage to the business a secured term loan is for financing equipment purchases, working capital or other business related needs this type of loans also offers payment with the fixed interest rates & eliminates concerns about rate fluctuations.
INDUSTRY PROFILE

Send additives, for the monitoring and control of production processes, for quality control of stored materials and shipments and many other applications. But which instrument is best suited to your needs? When selecting the right instrument, the requirements for accuracy and speed of the analysis are of key importance.

The website carries detailed information regarding different varieties of chemical and terminology of chemical such as Chemical Processing, Chemical Industry, Chemical Technology, Chemical Association, Chemical Engineering, Chemical News etc. Such information will enable you to properly assess the usage of different chemicals in safe & secure manner. The voluminous knowledge about chemical related issues can be easily and
India’s chemical industry, one of the oldest domestic industries in India, has been contributing significantly to both the industrial and economic growth of the country since independence was achieved in 1947. From cosmetics and toiletries to plastics and pesticides, India’s chemical industry currently produces nearly 70,000 commercial products. The industry covers a large spectrum of categories including inorganic and organic chemicals, drugs and pharmaceuticals, plastics and petrochemicals, dyes and pigments, fine and specialty chemicals, pesticides and agrochemicals and fertilizers.

India is ranked 13th in the world for exports of pesticides and disinfectants, producing more than 1,000 tons of pesticides annually. In terms of volume, India ranks 12th largest producer of chemicals in the world. Also, the agrochemical, petrochemical, and pharmaceutical sectors are amongst the fastest growing in the economy. Accounting for 12.5 percent of the country's total industrial production and 16.2 percent of the total exports from the Indian manufacturing sector, bringing the estimated total worth to $28 billion.

Having a strong focus on modernization, the Indian government actively promotes the advancement of the domestic chemical industry. Policy, planning, development, and regulation of the industry is all coordinated by the Department of Chemicals and Petro-chemicals, which has been part of the Ministry of Chemicals and Fertilizers since 1991.

Several organizations in the private sector are working towards growth of the industry and the export of Indian chemicals. Among these are the Indian Chemical Manufacturers Association, the Chemicals and Petrochemicals Manufacturers Association, and the Pesticides Manufacturers and Formulators Association of India.

LISTS OF CHEMICAL INDUSTRIES

- 20 Microns Ltd
- ABR Organics
- Aimco Pesticides
Chemical Information

The website carries detailed information regarding different varieties of chemical and terminology of chemicals such as Chemical Processing, Chemical Industry, Chemical Technology, Chemical Association, Chemical Engineering, Chemical News etc. Such information will enable you to properly assess the usage of different chemicals in safe & secure manner. The voluminous knowledge about chemical related issues can be easily and instantly obtained from this website.

Chemical Compounds

Chemical compound is formed by combination of two or more elements into one substance form. In a chemical compound atoms of it's constituent elements are bonded together in molecules. Millions of chemical compounds can be made by combining the roughly 120
Chemical elements presently known. 30 million chemical. The ratio determining the composition of chemical compound remains fixed. The ratio of each element in a chemical compound is generally expressed by chemical formula like, water which is represented by chemical formula H2O is a chemical compound consisting of two hydrogen and one oxygen atom.

Chemical compounds are further divided into subcategories. Those chemical compounds which are based on carbon and hydrogen atoms are called organic compounds and other chemical compounds which are based on elements other than carbon and hydrogen are called inorganic compounds. Another form of chemical compound which contain bond between carbon and metal are called organ metallic compound. Chemical compounds in which components share electrons are known as covalent compounds whereas compounds consisting of oppositely charged ions are known as iconic chemical. Talking about property of chemical compounds, a chemical compound may have several possible phases. At low enough temperatures All compounds can exist as solids. Some chemical compounds may also exist as liquids, gases, and even plasmas. Every known chemical compound decompose when heat is applied.

Indian chemicals industry during 2005-06 was US$30.59 billion, a growth of 10.23% over the previous year and a CAGR of 8.68% during the last 3 years. Chemical industry occupies an important place in the country’s economy. During 2005-06 contributed about 3% of GDP and 17.6% of the manufacturing sector. However, India continued to be a net importer in 2005-06, with imports of US$7.82 billion and exports of $9.5 billion the post WTO era, Indian chemical industry is undergoing a massive expansion, brand building and increased global reach. The industry is expected to grow at a CAGR of over 10% for the next 3 years, in line with the growth of manufacturing industry.

The wide and diverse spectrum of chemical products can be broken down into number of categories - inorganic and organic (commodity) chemicals, drugs and pharmaceuticals, plastics and petrochemicals, dyes and pigments, fine and specialty chemicals, pesticides and agrochemicals and fertilizers. This report covers all the segments except petrochemicals, drugs and pharmaceuticals. The report covers overall industry scenario in the context of global chemicals industry, various segments, growth drivers, critical success factors, issues and challenges and future outlook for the
industry. The report also profiles the major 17 companies in the Indian industry (11 Indian companies and 6 MNCs). The report is useful for industry analysts, banks and financial institutions, investors, consultants, corporate engaged directly or indirectly in the chemicals industry and international readers who want to keep abreast of the Indian manufacturing sectors.

Organic chemicals are compounds that are formed from the two basic building blocks of carbon and hydrogen. It is one of the most important sectors of the chemical industry, providing the basic feedstock for a variety of other industrial sectors such as drugs and pharmaceuticals, dyes and dye intermediates, leather chemicals, paints and pesticides. As in the case of most of the other chemical sectors, the domestic industry is a late starter, with the pioneers in the field being the National Organic Chemical Industries Limited (Nocil) and Hindustan Organic Chemicals Limited (Hocl). The Indian industry has traditionally used the alcohol route for the manufacture of many organic chemicals, but is now shifting over to the globally accepted petrochemical route, with the alignment of petrochemical feedstock prices with the international levels. The industry is valued at around US$ 4.5 billion (1999-00).

Specialty chemicals are those that are customized to perform specific functions, applications and operating conditions. These chemicals need application know-how and technical service support to produce an optimum level of performance. Even within the same end use industry, the customer specifications for specialty chemicals can vary. The growth of the industry has been fuelled by the Second World War, which resulted in product-oriented research in the economies.

The oil crisis of the 1970s saw a shift to process-oriented research in the global economies. After a fall in the 1980s, the last decade of the century has rekindled interest in the industry and has seen the emergence of Asia as a power to reckon in the industry. The Indian industry however saw a spurt in growth in the 1980s, which was sustained in the last decade. The industry is today valued at US$ 1.1 billion and has emerged as a key player in the Asia Pacific region. A few large companies with a wide range of products dominate the industry. The industry is highly fragmented, there being more than 10,000 manufacturing units in total.
COMPANY PROFILE

1) A launch of industry : Haripriya Organic chemical Pvt. Ltd
2) Establishment       : April 2004
3) Address             : Haripriya Organic Chemical Pvt. Ltd
                        Laxmi industrial plot no 5,6
                        Phase sector B. Hatkanangle Dist-Kolhapure
4) Phone No            : 09049954875

BOARD OF DIRECTORS
The following composition of directors on the board of Haripriya Organic Chemical Pvt. Ltd

NAME AND DESIGNATION

1) Shri. Gajanan. H. Kitture                Chairman and M.D
2) Shri. Damodar L Murdeshwar  
   Executive Director

3) Shri Shivaji B Raijadhav  
   Director

4) Shri N.B. Chavan  
   Director

5) Shri Amol S. Raijadhav  
   Director

6) Shri Jayant T. Salvi  
   Director

7) Shri Rajesh C. Ghandi  
   Director

8) Shri R. R. Wadekar  
   Director

**ORGANISATION STRUCTURE**

- **Shareholders**
- **Directors**
  - Works manager
    - Lab dept.
    - Process, design
    - Mechanical civil
    - Electrical instrument
    - Project dept.
    - Utility dept.
    - Maintains dept.
  - Commercial manager
    - Bank
      - C.A
      - ROC
      - Excise
      - Sales Account
      - Account
      - Administration
      - Overseas
  - Marketing manager
    - Market survey
      - Insist for
      - Overseas
      - Sales
      - Bills
      - Payment
      - Advertisement
BACKGROUND OF HOCPL

They think the duty of engineer’s with respect to industries is like the duty of doctors with respect to patients, so while working consulting engineer they found understood that closing Situation of HOCPL is not proper from finance of ‘Bank +Owner +Workers’ & all points of view = capital was blocked & no returns since more than one years. Lot of time effort money is required to start any industry & readymade unit was is Close condition, no benefit to ‘Bank+Owners+Workers’ & all so we started to initiate some well Financed people to think about HOCPL in the form of owner or partner or to run unit on hire. We had given reference of Mr. RaijadHAV to more than 10 people but they didn’t know why the People were in the senses of pulling back. They were confusion about finance, chemical filed Production & marketing, effluents, payback because of lack of confidence & experience.

Thinking that if this situation will remain for further some period the unit will get Corroded w.r.t. time & stopping condition. So, as a duty of engineer, they decided to get involve Ourselves to start the unit, they avoided to think about, ‘first planning of swimming & then enter In to the water ‘ & we took the decision about ‘whatever may be, let us first think of entering in To the water & than let us learn swimming write time.
ABOUT HOCPL ADJUSTMENT

Present had been designed for yara – yara products, to achieve breakeven point, Requirement of production was 9 tons per month again they found that it was very difficult to get order of minimum 9 tons per month due to our initial stage &’off- season market’ so they have selected number of products in to three phases of fine chemical, purification of product Through distillation, inorganic chemicals, etc so that there should be as minimum as people Disturbance of production & market fluctuation to remain the stability.

DECISION+PLANNING+WORK OF HOCPL

ACTIVITIES DONE

1. They decided & planned for first regular payment of term loan of loan to bank = up to given.
2. Payment of owner within 6 month = In progress.
3. All pending bills & papers of sales, excise, industrial office, MSDC, accounts were cleared till now = 100%
4. Regular payments of sales, excise, industrial office, MSDC, workers salary are being Paid till now = 100%
5. All prestart up maintains has been done to restart the unit in better way in the November Month.
6. All conditioning of unit has been done to run in efficient way till 15 of December
7. Practical measurement of utilization capacities. Efficiencies, suitability of all
equipments was done with water trail & methanol trail to develop the other products other than YARA –YARA products in the end of December month.

8. Booking for purchasing of 100 tons raw material (kcl) from Gharada was done

9. Regular wet processing of kcl in existing Unit & drying of kcl was done in end of December –January month.

10. Due to maintains shutdown of ‘Gharda plants; supply of kcl was postponed up to March, but we didn’t stop for kcl, we started value addition of present stock of kcl to Potassium salts in outside area to HCL generation & trials of other potassium compounds were taken in existing plant

11. Compounds were taken in existing plant

12. Successful distillation trails of water, methanol, Benzoyl chloride have been taken in

13. Dec, Jan, Feb months first phase of potassium based chemicals (more than 7 products) is being stabilized for process set up second phase of distillation is to be converted for formal chloride from methanol process.

ACHIEVEMENTS OF HOCPL

In first phase (apprx 7 years of services) of our career our starting point was having Rs.1300/- per month & within 7 years we raised up to 12,000./- per month = ten times growth in 7.5 years (1992 to 1999). In second phase (apprx 7 years of consultancy) of our career, our starting point was having 250 per month & within 7 years they raised up to Rs 15000/- per month = sixty Times growth in 7 years (2000-2006) so, they have planned to maintain this record for there industry to raised the graph as fast as possible to upward through our Confidence + Patients + Work ability, but they want only some time, time &time… to take a speed right now our situation its like birth of child, starting point of
river, starting speed of train while leaving station. There was no planning of ‘to run unit in Aug 2006. Primary discussion was done in 1 week of September 2006 meeting was done in 2 week with Mr. RaijadHAV they requested you in third week, after arranging finance you granted the permission for us in 4 week. In oct month, we arranged the finance of share payment & given to RaijadHAV to either in to the plant In November month – all pending bills of MSCB were cleared & all maintains activities were Completed in December month – conditioning of unit was completed, water trails were taken, conditioning of equipment were checked for other products other than Yara-Yara. Insolated of investment of large capital investment having low profit margin % products they invested low capital investment for large profit margin % through Regular production & process set of value added production have been done in February month to confirm data. In month of march all there phases are being started & will be stabilized.

**BRIEF OVERVIEW OF THE HOCPL’s PROJECT**

The project is for manufacturing of aroma chemicals mainly Yara-Yara & esters. The aggregate insolated capacity will be 12mtpd. The promoters are two young & enthusiastic entrepreneurs who have good knowledge & experience. Excellent technical consultant backs the promoters & therefore they are very enthusiastic about the project being a mix of youth & experience. The project cost in Rs 77-60 lakhs of which the fixed assets costs in Rs 44 lakhs which is relatively considering any sales tax incentive or central excise benefits of mod vat. The promoters & their relatives are will to commit substantial funds. As regard the working capital which would be 32lakhs in the first years going up to 52 lakhs from the 4 year onwards. The project requires a term finance of Rs-28.60 lakhs & Rs-11.00 lakhs from national equity fund (as seed capital) term loan will be repaid by 7 year. At the end of year 7 the project will generate a cumulative surplus of Rs-46 lakhs after clearing all loans. Therefore the project in quite feasible. It in sincerely hoped that the financial institution would come forward with prompt financial assistance to make this project a grand success.

**TECHNICAL KNOW HOW & BRIEF MANUFACTURING**

The consultant to this project Mr. R.N. Shenai has an experience of more than 38 years in the chemical industry in production quality control & research & development of organic
chemicals. He has been manufacturing & marketing aroma chemicals for more than 30 years he has developed technical know-how for the manufacture of more than 60 aroma chemicals since 1971. He has given technical know-how to many SSI unit in Maharashtra, Karnataka, Gujarat & M.P. he has agreed to give technical –know to this project. Not only that he will be staying at Kolhapur / Hatkanangale near the project to supervise day-to-day working. Initially he will be imparting the know-how for Yara - Yara & esters & for other aroma chemicals at a later

**PROCESS FOR YARA-YARA**

Crude Yara is produced by the reaction of beta Naphthol with methanol in presence a catalyst. It is the purified by distillation & crystallizing from a solvent. Finally it is centrifuged, dried & packed 8.10mt. beta Nephthol +13.0kl methanol will produce 8 tons Yara-Yara.

**PROCESS FOR ESTERS**

Most all the esters are manufactured by standard etherification process. All these are reacted with organic acids to produce crude esters which are then purified by vacuum distillation & packed in HMHDPE drums /cans. The consultant being staying near the project site will work for further improvement in the processes & will do R&D. work to develop other aroma chemical.

**PRODUCT PROFILE**

Aroma chemicals are organic chemicals, which have a pleasant aroma. These chemicals viz Aldehydes, Alcohols, Carbinols, Esters, Ethers, Ketones, Lactones, Nit riles & others. There are about 250-300 aroma chemicals in consultant demand in the market. Aroma chemicals are mainly used in the manufacture of perfumery & flavor compounds, cosmetics & soaps, fragrances, agarbatti & incense sties etc. they are also used in pharmaceuticals, rubber & plastic goods manufacture for deadening & reducing their foul dour
MARKET

Market for aroma chemicals is mainly concentrated in around Mumbai, Bangalore, Chennai, Delhi, Calcutta & is all over India. Based on this, it is proposed to manufacture following aroma chemicals.

- Yara-Yara (Beta Napthy /Methyl/ ether)
- Esters (About 30 different types of esters)
- PCPA (Para creasy /Pheny / Acetate)

Other aroma chemicals will be manufactured in future depends on feedback from the market.

MARKET SURVEY

Mr. Shenai has done extensive marketing & market survey for aroma chemicals during his entire career in chemical industry. He has good relations with aroma chemicals distributors in Mumbai, Chennai, and Bangalore etc. Although aroma chemicals market is spread all over India, it is concentrate in around Mumbai, Bangalore, Chennai, Ahmadabad, Kolkata & Delhi. They are used in perfumery & flavor industries, in the manufacture of soaps & cosmetics & Agarbatti & incense industries. Yara-Yara is mainly used in perfumery & Agarbatti manufacture. Esters are used mainly in the flavor industry although sums are used by Agarbatti manufactures also. The demand for Yara-Yara is around 600 tons per year in the domestic market & around 300 tons it’s the expert market. Some demand for Yara-Yara has developed in the bulk drudge industry is & intermediate for drugs like Naproxen & Nabumetone.
PROCESS OF PRODUCT
PURIFICATION OF KU:-

1. Take 1000 liter water.
2. Start the mixer /heating if necessary
3. Add 400kg if KU at r.t. (36.33% -40%)
   Add 500kg if KU at 60 0c (45.06% -50%)
   Add 600kg if KU at 100 0c (56.70% -60%)
4. Add HCL for adjustment of P.H.L
5. Hold the batch for 10 to 15 mins
6. Fitter the batch through the fitter media.
7. Adjust the PHS to 6 adding KOH.
8. Cool the batch up to 30 c0
9. Fitter the batch through.
10. Take the another liquid in tank.
11. Separate out material KU filter.
12. Dry the material.
K2SO4 FROM KU:-

1. Take the water 150 liter.
2. Add the KU 100kg.
3. Mix the material
4. Add the 98% H2SO4 =70kg gradually
5. Hold the material over right.
6. Fitter the batch for K2SO4 & HCL
7. Dry the H2SO4
8. Take the mother liquid for heating 100°C
9. Scrub the HCL fumes.
10. Drain the batch at R.T.
11. Cool the batch at R.T.
12. Fitter the batch for K2SO4 & water.
13. Take the water for next batch
14. Dry the K2SO4
PURIFICATION OF K₂SO₄:-
METHOD-1
1. Take the 100 litter.
2. Mix the 150kg crude K₂SO₄.
3. Fitter the batch at R.T.
4. Take the filtrate for evaporation for 50% & scrub the HCL.
5. Cool the batch at R.T.
6. Fitter the batch.
7. Take the fettered K₂SO₄ for drying.
8. Take the mother liquid /literate for next batch.
9. Break the lumps
10. Grind the material.
11. Sieve the material for required size
12. Pack the material.
METHOD -2
1. Take the 100 litter
2. Mix the 250kg crude k2so4 at 100 0c
3. Heat the material for 10 to 15 minis
4. Filter the hot material for removing impurities
5. Hold the material over right
6. Filter the material at R.T.
7. Dry the filtered material
8. Take the filtered for evaporation or next batch
9. Repeat the process for evaporated material from 5 to 8
10. If filtrated is taken for next batch, do make up the 1000 liter by adding water.
11. Add (250-filter dried k2so4 of previous batch kg k2so4 crude
12. Repeat the process from 4 to 8
PURIFICATION OF SODIUM SUIPHATE

- Take the 800 liter water in reactor
- Starts the mixer
- Add the crude sodium sulphate =360kg in reactor gradually.
- Add the 4kg activated carbon
- Start the heating heat the batch up to 45oc
- Filter the batch at 45oc
- Store the liquid of S.S. in trays
- Cool the batch in tray for over right
- Centrifuge the material after 24 hrs
- Pulverize the centrifuged lumps of S.S. (or powder ) in pulverize.
- Dry the powder of S.S. at the room temperature
- Pack the write powder of S.S.in trays.
LITERATURE SURVEY

Long-term Financing Funding

PART I – APPLICATION PROCEDURES

The Global Conservation Fund (GCF) finances the creation, expansion and long-term management of protected areas in the world’s biodiversity hotspots, high-biodiversity wilderness areas and important marine regions. A significant portion of GCF funds is allocated toward financing the long-term sustainability of protected areas. This is primarily accomplished through the capitalization of mechanisms to cover the recurrent costs of protected area management, such as endowments and trust funds. GCF has technical expertise in designing and establishing such vehicles and intends to work closely with grantees in this regard.

Submission Requirements

Prior to submitting proposals for long-term financing grants, applicants should carefully review the “Long-term Financing Vehicles – Conditions to Funding” document attached hereto as

This document can also be found in the publications section of this annex sets forth conditions that must be satisfied to qualify for GCF long-term financing grants, including specific matching fund requirements. All approved applicants with an annual operating budget of $25 million or less will be required to complete a brief accounting questionnaire and submit copies of their most recent annual audited financial statements. If a proposal is time sensitive, applicants should request and complete this questionnaire as part of the application process, thereby shortening the period between project approval and grant disbursement. GCF recognizes that some information and documents requested below may
be less developed or unavailable for certain projects. Please respond to the information requests below to the extent possible. Where information is unavailable, please explain plans for further development of the long-term financing vehicle. Questions regarding long-term financing proposal submissions should be addressed to GCF grant.

**Proposal Review:**

GCF analysts draw on a variety of resources in assessing proposals, including legal and financial experts, donor organizations engaged in the region, partner organizations and experts with knowledge/experience in a particular region as well as independent research. When necessary, follow-up questions will be submitted to applicants. GCF conducts due diligence on all projects that undertake land acquisition (e.g., land purchase, title transfers, easements, etc.). Applicants are advised to consult the GCF Guidelines for Land Acquisition.

1. GCF recognizes protected areas as those sites with legal recognition of protection and with biodiversity conservation as a goal.
2. For more information regarding marine and terrestrial biodiversity hotspots and wilderness area Acquisition Funding, in order to ensure that their project meets the general conditions that must be satisfied for GCF to finance a land acquisition. Long-term financing grant proposals are reviewed on a rolling basis. Grant proposals for long-term financing should not exceed 15 pages in length (excluding appendices). All applicants that have previously received funding from GCF in connection with the project for which GCF long-term funding is being sought should so indicate.

**PART II – PROPOSAL FORMAT**

1. **Project Summary:**
   Proposals should provide at the outset a one to two paragraph executive summary of the project. This should include the following:
   - Amount of funds requested
   - Type of financing mechanism to be created or description of existing financing
mechanism to be used

- Brief description of the protected area(s) to be supported by the financing mechanism and whether GCF funds have been used to support the creation/expansion of the area(s).

2. **Protected Area(s):**

Long-term financing mechanisms supported by GCF may fund the annual recurring costs of one or more protected areas. Please note that if the protected area(s) have been previously supported through GCF implementation funds this section may be brief. Proposals must include the following:

- Geographic location of the protected area(s) to be supported. Include at least one Basic map, outlining the location site(s) at the country level, and detailed site-level map(s) highlighting relevant boundaries, surrounding land use, and adjacent or nearby protected areas.
- A description of the biodiversity value of the area(s), focusing on presence of globally threatened and restricted-range species, key habitat features, and ecological functions.

3. **Activities to be Funded:**

A description of the long-term management activities to be funded describes the current management of the areas and the capacity to implement required activities. If a GCF planning or implementation grant was issued, describe the activities funded to date and how they have impacted design of the protected area strategy.

- Personnel and staff salary costs
- Equipment and Maintenance, including physical infrastructure to be purchased or maintained on an annual or semi-annual basis.
- Enforcement and surveillance
- Monitoring, evaluation and research
• Community projects, alternative income generation programs, etc.

• Miscellaneous (costs associated with the project that do not fit into the above categories) provide an estimate of the total annual cost required to effectively manage the protected area(s). Given these expenses, please provide an estimate of the total required capitalization needed. Please restate the amount of funding requested from GCF. As noted in the document *Long-term Financing Vehicles – Conditions to Funding*, GCF requires matching funds for all long-term financing grants.

4. **The Long-term Financing Mechanism:**

Please provide a clear summary of the proposed long-term financing vehicle or sub-account. We request that applicants review the GCF’s document entitled *Long-term Financing Vehicles – Conditions to Funding* to learn more about GCF eligibility requirements for such vehicles. Please describe:

- The proposed fund structure
- Management, oversight and auditing
- Methods for effectively disbursing funds towards the target protected area
- Coordination with other organizations and/or financing mechanisms in the region
- Methods for evaluation of performance and long-term impact(s) of the mechanism

5. **Stakeholder Interests:**

Describe the level and type of stakeholder support.

- Which local, national and international entities will be involved in the project, and what will their roles be? Describe any efforts made to involve local stakeholders.
- Are there any further participatory processes required to ensure the project’s long-term success (public consultations, workshops, communication/awareness activities, etc.)? Describe coordination with other organizations in the region. Discuss the role of local,
National and regional government(s) in the project. To what extent are they participating in/supporting the project? Is it anticipated that any new/additional legislation will be required as part of this project and if so, please describe the process.

6. **Donor Coordination:**

Identify all known donor organizations and any other funding sources that are currently or are projected to, provide long-term funding to the Target Protected Area(s). Identify the type/nature of funding from other donors (grant/loan, revolving/sinking, Endowment capital, etc.). Describe how these sources of funds will be jointly applied to support management of the Target Protected Area(s).

7. **Budget and Work plan:**

This section should state the expected cost of development of the long-term financing mechanism (i.e. legal fees, consultancies, workshops, etc.) and a time line for activities. Please describe how the applicant anticipates financing these costs.

8. **Applicant:**

Applicants should provide the following organizational information: name; type of entity (i.e., tax-exempt, private, governmental, etc.); ownership/control information (i.e., name of parent organization or controlling members); date of formation; and address. Include a brief summary of the organization’s mission, operating strategy and scope of activities in the target region. Please provide any additional information such as evidence of registration/accreditation, latest annual budget (including sources of revenue), and relevant experience or activities.

9. **Documentation (optional):**

The following is a list of standard documents that will be requested by GCF before most long-term financing grants can be finalized. While these documents are not required at the time of proposal submission, they may be submitted as appendices if available.

- Articles of Association of Entity
By-Laws of Entity

Proof of Tax-Exempt Status

Proof of U.S. 501(c)(3) status or equivalency

Appointment of Officers and Directors

Fund Distribution Policy

Investment Policy

Documentation of Official Declaration of target protected area(s)

LONG TERM PROJECT FINANCE

The financial resources needed to undertake internationalization projects may be considerable. Having sources of financing is very important for any business activity. It is even more important for internationalization projects. When the company lacks sufficient internal funds to undertake a project, it may turn to outside sources for financing. The advantages of having sources of finance are:

- Increased competitiveness. If your offer is both technically and commercially sound and you accompany it with a competitive financial offer, you will gain an edge over the competition. Security. Drawing up a financing plan with the buyer will increase collection security.
- Adaptability to the requirements of the customer and of the contract.

Financing with government subsidies

This is the group of financial instruments that receive some sort of funding or subsidy from the state. Their objective is to boost exports and investments abroad. In other words, they are instruments for promoting international business activity. The Organization for Economic Co-operation and Development is the body that determines the rules of the game member countries must follow in officially supporting exports. It applies to transactions with amortization periods of over two years and to tied aid arrangements. The State of Spain applies the Reciprocal Interest Adjustment Contract (CARI), the Export Credit...
Insurance (CESCE), and Development Assistance Funds (FAD).

**The items that follow describe the Main government financing programmers:**

- **Financial Support for Exports.**

  This is a system for supporting Spanish goods and services exports. It stimulates the issuing of export credits at fixed interest rates in accordance with the OECD Consensus. The CARI system works as follows: The exporter makes an export offer to the customer and informs them of the credit available to them and the advantages provided. The export credits are issued by financial institutions. The institution can sign a Reciprocal Interest Adjustment contract with the ICO (State Credit Institute). This agreement offers several forms of credit.

- **Foreign buyer credit.**

  The financial institution grants credit to the foreign buyer, who thereby becomes the borrower. The exporter receives the amount of the credit directly as payment for the sale. It is therefore the financial institution that assumes the risk of default. It may cover this risk with the CESCE buyer credit insurance policy.

- **Supplier credit.**

  In this case, it is the supplier or exporter who becomes the borrower. The foreign buyer is bound to the supplier by the export contract. The CESCE supplier credit policy insures this type of transaction for periods over three years.

- **Line of credit.**

  This is a variation of the buyer credit. The financial institution gives the borrower (generally a bank in the buyer's country) a lump sum that can be used to finance
various export contracts.

**Items covered:**

- Costs of exported goods and services originating in Spain. This includes:
- Freight charges and transport insurance
- The export credit insurance premium
- Costs of foreign goods and services limited to 15% of the total
- Service charges
- Local expenses
- Paid and capitalized credit interest. Financing may be used for up to 85% of the costs of exported goods and services and service charges, and up to 100% of local expenses.

One aspect of CARI is that once the credit is signed, the applicable interest rates are the Commercial Interest Reference Rates (CIRR). These are characterized by the fact that they remain constant until the total amortization of the loan.

- **Development assistance funds (FAD)**

This is a State financial support instrument, whose funding is assigned annually in the National General Budget. There are four types of FAD aid:

- **Credits and donations.**

FAD is usually directed at this method of acquiring Spanish goods and services. Countries with a per capita GDP within the limits established by the OECD are eligible for FAD aid programmes. FAD credits are granted only to projects that are not commercially viable, and may be used to finance up to 100% of the project, subject to the following limitations:
• a maximum of 15% of total foreign goods and services.
• a maximum of 15% of total local goods and services.

The State Credit Institute (ICO) is the State financial agent that acts for and on behalf of the government in the administration of FAD credits.

➢ Contributions to multilateral development bodies.

This is aid that takes the form of a donation from the FAD. One of the methods of granting this aid is through contributions to Multilateral Development Organizations of which Spain is a member.

➢ Lines of financing for feasibility studies (FEV).

FEV is a line of FAD that funds feasibility studies for feasibility studies prior to internationalization carried out by Spanish companies in foreign countries. Funds can be used for three types of feasibility studies: those tied to concrete projects, those tied to sectorial projects, and consulting services. The first criterion for choosing a project is whether it is clearly in the interest of all Spanish companies, not just the one performing the study. There are three types of FEV:

• Public: a donation from the Spanish government to the country hosting the study. These funds are processed through the beneficiary countries.
• Multilateral: resources channeled to Spanish consulting funds in the Development Banks, which fund studies carried out by Spanish companies.
• Private: companies interested in conducting a study apply for co financing. Once it is approved, the CESCE issues a Feasibility Studies Insurance policy covering the risks of the company conducting the study.

➢ Liña 500. This line of financing offered by the FADs pays for consulting services contracted for identifying, defining, monitoring, or evaluating projects that are going to be carried out with FAD funding. The ICO is the body that grants this type of aid.
Export credit insurance.

The other major pillar of government aid made available to companies in order to promote exports is insurance offered by the State through the CESCE Company, primarily the Export Credit Insurance. Companies doing business in high-risk markets often have difficulty obtaining funds from private institutions, particularly for medium and long-term projects. Through these insurance policies, the State assumes commercial and political risks and facilitates entry into difficult markets. This way the banking institution, knowing that there is an organization covering the possible risks of the transaction, will be more likely to provide financing. There are different types of policy, some providing direct cover to exporters and others covering the risk of the financial institution. Regardless of the type, CESCE is the entity that issues them.

Financial backing for investment abroad

Recent years have seen a striking increase in exports abroad. The existence of government support mechanisms has contributed to this effect. The promotion is based on four basic pillars:

- Information and consulting
- Through the investment consulting service
- Identification of projects and partners
MEANING: According to Webster’s dictionary: “research is a careful or examination in seeking facts or principles; diligent investigation in order to ascertaining something”

SOURCES OF DATA COLLECTION

PRIMARY DATA
Primary data means the data which is freshly gathered for specific research project & this primary data collected by taking interview & discussion with directors of Haripriya organic chemical industry & from CA person who is our external guide.

SECONDARY DATA
The secondary data have been collected from the profit & loss account, balance sheet for the year 2007 to 2009, annual reports & from the internet.

SCOPE OF THE STUDY
The scope of the study is confined to dist. Kolhapure Haripriya organic chemical pvt. ltd only it is dependent on the information collected in various departments & from account of this organization

DETAIL STUDY OF THE OBJECTIVES
1. To analyze source of long term finance viz., own source of capital and loan funds
employed by the enterprise.

I have studied the profit and loss account of the company for the past three years and I came to know that the long term finance of company is not satisfactory and not up to the mark to achieve the objectives I used the secondary data as well as primary data and I have also drawn tables and graphs in order to study this objectives. The tables and graphs are clearly shown in the data analyses and interpretation.

2. To analyze utilization of long term source employed by the company i.e. whether long term funds are used for long term requirement or for short term requirement of the company.

I clearly studied the financial performance of the company and I came to know that the results of the company is not up to the mark I used the profitability ratio to find out results of long term finance and I have drawn the tables and graphs related to this object.

3. To know the financial position of the company.

I concentrate the higher authorities and responsible person of the organization and discussed about H.O.C.P.L. Ichalkaranji and I came to know that the required raw material are not available in that area. But they can produce chemical products easily. Here the company’s financial position is not so good.

ANALYSIS OF THE STUDY

The term analysis means the computation of certain measures or indices along with search in for patterns of relationship that exits among the data group. Mere collection of data can
not be the aim of any research activity with the help of collected data, a researcher tries to draw conclusions make generalizations, establish relationship between to or more variables & test the hypothesis under the process of analysis of data some statistical method are used to make data meaningful & self explanatory to the process of analysis of data makes the data speak about itself.

1. DEBT EQUITY RATIO
2. PROPRIETARY RATIO
3. FIXED ASSET TO LONG TERM RATIO
4. INTEREST COVERAGE RATIO
5. RETURN SHAREHOLDER FUND
6. EARNING PER SHARE
7. TOTAL DEBT RATIO/DEBT ASSET RATIO
8. RETURN ON CAPITAL EMPLOYED

1. DEBT EQUITY RATIO:

Debt-equity ratio, also known as External-Internal Equity ratio is calculated to measure the
relative claims of outsiders (i.e., shareholders) against the firm’s assets. Debt equity ratio of 2:1 is the norms accepted by financial institution for financing the project. It indicates the cushion available to the Creditors on liquidation of the organization. High debt equity ratio is maintained to maximize return given to shareholders.

\[
\text{DEBT EQUITY RATIO} = \frac{\text{DEBT}}{\text{EQUITY}}
\]

a) The Table Showing Debt Equity Ratio

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEBT</td>
<td>3922721</td>
<td>4101593</td>
<td>3870774</td>
</tr>
</tbody>
</table>
**INTERPRETATION:**

The debt equity ratio in the year 2007 was 9.70 and in the year 2008 it was increased 10.14 and in 2009 year it is 9.57. Debt equity ratio for 2008 has increased from 9.70 to 10.14. However, it has declined from 10.14 to 9.57 in 2009. It can be observed that, as compared to ideal debt equity ratio of 2:1 existing ratio’s of the company are very high. Thus, debt equity ratio of HPOCL is on adverse side. It could be observed from balance sheet that, the Company has obtained unsecured loan of Rs.11.80 in 2007, 8.70 in 2008 while 14.91 in 2009. These loans are obtained from Director and relatives of Directors. It is advised to the Company to convert the unsecured loan into equity.

Revised Debt Equity ratio on conversion of unsecured loan into equity will be as under.

**b) The Table Showing Debt Equity Ratio**

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEBT</td>
<td>2742721</td>
<td>2871593</td>
<td>2379774</td>
</tr>
</tbody>
</table>
It could be observed that, on conversion of unsecured loan into equity the debt equity ratio improves considerable. In fact it becomes favorable.

Revised ratio of 2007 is 1.73, in 2008 it is 1.76 while in 2009 it is 1.26. In all the years ratios are desirable compared to ideal ratio of 2:1.

2. PROPRIETARY RATIO:

It expresses the relationship between shareholders fund to total asset. It is an important
ratio for determining long-term solvency of a firm. The components of this ratio are equity shares, reserves & surplus and total assets.

\[
\text{PROPRIETARY RATIO} = \frac{\text{SHAREHOLDERS FUND}}{\text{TOTAL TANGIBLE ASSET}}
\]

<table>
<thead>
<tr>
<th>PARTICULAR</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHAREHOLDERS FUND</td>
<td>404400</td>
<td>404400</td>
<td>404400</td>
</tr>
<tr>
<td>TOTAL TANGIBLE ASSET</td>
<td>3208254</td>
<td>3057963</td>
<td>2975712</td>
</tr>
</tbody>
</table>
INTERPRETATION:

Ratio of 2007 is 0.12, in 2008 it is 0.13 while in 2009 it is 0.14. We can see ratio of second year increased but in next year it is decreased up to 0.14.

As per previous policy ratio of 2007 was 1.73 but now it is 0.12, in 2008 it was 1.76 and now 0.13. In 2009 it was 1.26 now 0.14.

Company’s long term solvency position is not favorable as per previous policy because company doesn’t have enough own funds to cover its tangible assets. But now after converting its unsecured loan which is taken from its directors and relative of directors of company then company able to become solvent for next several years.

3. FIXED ASSET TO LONG TERM RATIO:

This ratio indicates whether the firm has raised Adequate long term funds to meet its fixed assets requirement. This ratio should not be more than one.
FIXED ASSET TO LONG TERM RATIO = \frac{\text{FIXED ASSETS}}{\text{LONG TERM FUNDS}}

The table showing fixed asset to long term ratio:

<table>
<thead>
<tr>
<th>PARTICULAR</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIXED ASSET</td>
<td>3208254</td>
<td>3057963</td>
<td>2975712</td>
</tr>
<tr>
<td>LONG TERM FUND</td>
<td>3922721</td>
<td>4101593</td>
<td>3870774</td>
</tr>
<tr>
<td>RATIO</td>
<td>0.82</td>
<td>0.75</td>
<td>0.77</td>
</tr>
</tbody>
</table>
INTERPRETATION:

The ratio of fixed asset to long term in the year 2007 the ratio was 0.82 % and the year 2008 the ratio was declining at 0.75% and in the year 2009 it is slightly increasing at 0.77%. Existing ratio’s are below the ideal standard of 1. This indicates that, the Company has raised adequate long term funds to finance acquisition of fixed assets.

4. INTEREST COVERAGE RATIO:

Interest coverage ratio indicates the number of times interest is covered by the profits available to pay the interest charges. Long-term creditors of a firm are interested in knowing the firms’ ability to pay interest on their long-term borrowing. pay An interest
cover of more than 7 times is regarded as safe & more than 3 is desirable.

INTEREST CVERAGE RATIO = \( \frac{\text{PROFIT BEFORE INTEREST TAX}}{\text{INTEREST CHARGES}} \)

The table showing interest coverage ratio:

<table>
<thead>
<tr>
<th>PARTICULAR</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBIT</td>
<td>190626</td>
<td>616807</td>
<td>697425</td>
</tr>
<tr>
<td>INTEREST CHARGES</td>
<td>410913</td>
<td>417135</td>
<td>445540</td>
</tr>
<tr>
<td>RATIO</td>
<td>0.46</td>
<td>1.48</td>
<td>1.57</td>
</tr>
</tbody>
</table>
INTERPRETATION:

In the year 2007 the interest coverage ratio was 0.46% and the year 2008 it has increased at 1.48% and in the year 2009 the ratio is increasing at 1.57%. Existing ratio are considerably adverse as compared to standard norms. It indicates that, the returns generated by the company from employment of long term funds are very low as compared to their normal standards. Thus, the Company is not fully utilizing its long term funds.

4. RETURN ON SHAREHOLDER FUND:

This ratio indicates the profitability of a firm in relation to the fund supplied by the shareholders or owners.
The Table Showing Return Shareholders Fund Ratio Are As Follows:

<table>
<thead>
<tr>
<th>PARTICULAR</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAT</td>
<td>-396617</td>
<td>22381</td>
<td>74634</td>
</tr>
<tr>
<td>TOTAL SHAREHOLDERS FUND</td>
<td>404400</td>
<td>404400</td>
<td>404400</td>
</tr>
<tr>
<td>RATIO</td>
<td>-0.98</td>
<td>0.05</td>
<td>0.18</td>
</tr>
</tbody>
</table>
INTERPRETATION:
In 2007 Company was in loss, in 2008 ratio was 0.05 while in 2009 it has increased to 0.18. It could observe from ratio that, the company is not able to give satisfactory returns to the shareholders.

6. EARNING PER SHARE:
This ratio is used to measure a profit available to shareholders. Higher earning per share indicates increasing trend of profit.
EARNING PER SHARE = \( \frac{\text{PAT-PREFERANCE DIVIDEND}}{\text{NUMBER OF EQUITY SHARES}} \)

The table showing earning per share:

<table>
<thead>
<tr>
<th>PARTICULAR</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAT-PREF DIVIDEND</td>
<td>-396617</td>
<td>22381</td>
<td>74634</td>
</tr>
<tr>
<td>EQUITY CAPITAL</td>
<td>40440</td>
<td>40440</td>
<td>40440</td>
</tr>
<tr>
<td>RATIO</td>
<td>-9.81</td>
<td>0.55</td>
<td>1.85</td>
</tr>
</tbody>
</table>
7. TOTAL DEBT RATIO:
The total debt ratio depicts the proportion of total asset financed by the shareholders.
TOTAL DEBT RATIO = \frac{\text{TOTAL DEBT}}{\text{TOTAL ASSET}}

The Table Showing Total Debt Ratio Are As Follows

<table>
<thead>
<tr>
<th>PARTICULAR</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL DEBT</td>
<td>3953594</td>
<td>4128998</td>
<td>4008805</td>
</tr>
<tr>
<td>TOTAL ASSET</td>
<td>3649659</td>
<td>3900052</td>
<td>4118101</td>
</tr>
<tr>
<td>RATIO</td>
<td>1.08</td>
<td>1.06</td>
<td>0.97</td>
</tr>
</tbody>
</table>
### TOTAL DEBT RATIO

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1.08</td>
</tr>
<tr>
<td>2008</td>
<td>1.06</td>
</tr>
<tr>
<td>2009</td>
<td>0.97</td>
</tr>
</tbody>
</table>

**INTERPRETATION:**

In the year 2007 the ratio of total debt was 1.08 and slightly decreases during the year 2008 ratio was 1.06 and in the year 2009 the ratio was decreased 0.97.

### 8. RETURN ON CAPITAL EMPLOYED:

ROCE measures profitability of The Capital employed in the business. Capital employed is calculated by adding long term liabilities and owner’s equity. The ratio provides the test of profitability related to sources of long term funds. A comparison of this ratio would help to know how efficiently the long term funds of owners and barrowers have been used.
RETURN ON CAPITAL EMPLOYED = \( \frac{\text{PROFIT BEFORE INTEREST TAX}}{\text{CAPITAL EMPLOYED}} \)

The Table Showing Returns On Capital Employed Are As Follows

<table>
<thead>
<tr>
<th>PARTICULAR</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBIT</td>
<td>190626</td>
<td>616807</td>
<td>697425</td>
</tr>
<tr>
<td>CAPITAL EMPLOYED</td>
<td>4327121</td>
<td>4505993</td>
<td>4275174</td>
</tr>
<tr>
<td>RATIO</td>
<td>4.41</td>
<td>13.69</td>
<td>16.31</td>
</tr>
</tbody>
</table>
INTERPRETATION:
Return on capital for the first year 2007 was 4.41% which was increase in second year 13.69 and again increased in third year by 16.31%. Profitability to capital employed increased from 2007 to 2009. The company is getting moderate returns on capital employed.

FINDINGS
- The Company’s equity share capital is very low. Since the companies own source of capital is low its interest cost on borrowed capital is very high.
- It could be observed that, finance expenses are greater than the manufacturing expenses. Thus, whatever the company is earning is taken away by the financial institute.
- The company has employed huge capital and created huge assets. However, looking at the fixed asset turnover ratio it could be observed that, the turnover as compared to fixed asset is very low. Thus, the Company is not making optimum use of its fixed
asset capacity.

- The company is not working at its optimum capacity level. It is not fully utilizing its production capacity. Further, the efficiency level of the company is also low.
- The major source of revenue is from ‘job work receipts’. Sales of the company are very low.
- Profit margins from job work receipts are low. The company is not manufacturing its own product which would give it better returns.

SUGGESTIONS AND RECOMMENDATIONS

1) SUGGESTIONS TO INCREASING EQUITY SHARE CAPITAL
 The Company is suffering from lack of own equity capital for funding its business requirement. As a short term measure the Company has obtained unsecured loans from directors and their relatives to meet present need of capital
 Such short term measure will not solve the problem of the company.
2) SUGGESTIONS FOR COMMENCING MANUFACTURING OF OWN PRODUCT AND MARKETING THE SAME

- Presently the Company is operating on job work basis. The profit margin of the company is low from job work receipts. Further, the capacity utilization is also very low.
- The company should start manufacturing its own product along with undertaking job work for third party.

3) SUGGESTIONS FOR OBTAINING WORKING CAPITAL TO FINANCE THE MANUFACTURING ACTIVITY

- Presently the company is working on job work basis. The company availing cash credit of Rs.3.00 Lac for funding its needs.
- Once the company starts manufacturing its own product it will require additional working capital to finance its working capital requirement.

4) OPTIMUM UTILISATION OF FIXED ASSET

- The company has employed heavy fixed assets i.e. to the extent of around 40.00 Lac.
- It indicates that, the capacity utilization is low. The company unless uses its assets to optimum level will not be able to earn better profit and pay interest on borrowed capital.
CONCLUSION

Haripriya Organic Chemical Private Limited is engaged in organic chemical business. The company has started its business since 2004. The company is manufacturing chemical products such as yara-yara and esters.

During initial years the company incurred losses due to lack of job order, improper use of funds and underutilization of production capacity.

However, in the recent years i.e. from financial year 2007-2008 the company by better
utilization of its capacity and cost reduction process has shown signs of revival.

As discussed above the company will need additional own capital for better operation of activities. Fresh introduction of capital and better utilization of production capacity will revive the company. Aggressive marketing of own products will given better returns. Greater financial discipline and sound financial management of funds will reduce interest cost and increase returns. Thus though the company is presently in problems it definitely has signs of revival and success if it take necessary corrective measure.

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