



ANNEXURE

MANAGEMENT DISCUSSION AND ANALYSIS

a) **Industry structure and developments**

The company manufactures technical grade agrochemical active constituents used as insecticides and weedicides.

China is dominating the international market in supply of voluminous products being advantageously placed with the domestic availability of intermediates.

b) **Opportunities and threats**

Declining market demand for conventional products and increasing competition remain the major problems of the industry. Diversification into products involving high end technologies offer good prospects. The company is updating its product range to include high value products to improve its performance in the coming years.

Exports constitute a major part of the company's revenue and hence global recession and currency fluctuations affect the financial performance.

c) **Financial performance vis-à-vis operational performance**

Drop in sales of chlorpyrifos led to reduced operational and financial performance of the company.

d) **Outlook**

The manufacture of the bulk insecticide chlorpyrifos which has been contributing to a significant portion of the company's revenue is becoming non remunerative. The company proposes to add products that replace chlorpyrifos in due course of time. The additional products clodinafop and cloquintocet mexyl are gaining market penetration and its impact will be felt in the coming years.

e) **Risks and concerns**

Large capacity built up internationally especially by China is leading to skewed demand - supply position leading to severe competition in the export as well as the domestic market which is ultimately leading to undercutting of prices and falling margins.

Volatility in prices and supply of imported raw material and exchange fluctuations negatively impact the company which relies both on import of raw materials as well as export of finished products.

f) **Internal control system and their adequacy**

The company has proper and adequate systems of internal controls, which ensure that all the assets are safeguarded and that all transactions are authorized recorded and reported correctly. The company maintains adequate and effective internal control system and suitable monitoring procedures with regard to the purchase of raw materials, stores,



plant & machinery, equipment and other assets as well as for sale of goods. The finance and commercial functions have been structured to provide adequate support and controls for the business of the company.

g) Industrial relations and human resource development

The company has cordial and harmonious industrial relations. Opportunities for individual growth, creativity and dedicated participation in organizational development are being provided.

The employee strength as on March 31, 2010 was 218.

h) Cautionary Statement

Statements in this report on Management Discussion and Analysis describing the company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectation of future events. Actual results could however differ from those expressed or implied. Many important factors including global and domestic demand-supply conditions, prices, raw materials costs and availability, changes in government regulations, tax laws and other statutes may affect the actual result which could be different from what the director's envisage in terms of future performance and outlook.