



ANNEXURE

MANAGEMENT DISCUSSION AND ANALYSIS

a) Industry structure and developments

The company manufactures technical grade agrochemicals 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

During the financial year 2010-11, the company had taken rigorous initiatives to replace the Chlorpyrifos, as there was low market viability. But due to ban on other insecticides and stringent enforcement of environmental policies there is surge in the demand and price of Chlorpyrifos. The company, being a reputed manufacturer of Chlorpyrifos for the past 15 years, would like to regain the Chlorpyrifos business along with diversification by adding three new products to its existing product portfolio. These products are likely to be introduced in the forthcoming financial year.

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. The financial performance is expected to improve with improvement in business volumes and prices.

d) Outlook

- As market conditions for chloropyrifos has improved, the company would like to restart chloropyrifos production, which will contribute to significant portion of company's revenue.
- The company will be commissioning its formulation unit in July, 2011 with an investment of 3 crores. This facility would help the company to market its actives as end formulated products.
- The additional products Clodinafop and Cloquintocet mexyl have contributed to 30% of the sales for the financial year 2010-11 and expected to increase with the launch of formulated products.

e) Risks and concerns

- The likely withdrawal of DEPB and its reflection on the pricing of the agrochemicals is a watchful situation.
- Single manufacturing location and change in demography is calling for more restraint on environmental factors.



- 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 ensures 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, 2011 was 133.

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.