



ANNEXURE MANAGEMENT DISCUSSION AND ANALYSIS

a) Industry structure and developments

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

China continues to dominate the international markets in supply of voluminous products being advantageously placed with the domestic availability of intermediates.

b) Opportunities and threats

The domestic market is expected to be the growth driver for Indian pesticides industry in the years to come, unlike the previous years where the industry was thriving on the exports. The increase in use of herbicides and fungicides would provide the major growth prospects for the Industry. The company with focus on bulk formulations and addition of new products to its portfolio is in an advantageous position to tap the growing Indian market.

Indian Industry is dependent on China for many key intermediates used in manufacture of agrochemicals. The currency fluctuation and strategic pricing of Chinese companies is expected to greatly impact the financial performance of Indian companies. The company is planning to mitigate these threats by back integrating its process to start from base raw materials for some of its processes.

c) Financial performance vis-a-vis operational performance

The loss in business due to shut down of operations for a period of 50 days on account of a fire accident has largely impacted the financial performance of the company in the second quarter. The company has put determined efforts to resurrect the performance in the last two quarters. The financial performance is expected to considerably improve in the current financial year with increase in business volume.

d) Outlook

- The company has re-started production of Chlorpyrifos and is putting sustained efforts to regain its position in domestic and export market.
- The company after resurrection of Process Block-III would be re-starting the manufacture of products Clodinafop Propargyl and Cloquintocet Mexyl which have contributed to 30% of the sales in financial year 2010-11.
- The company proposes to add a new product "Azoxystrobin" to its product portfolio.
- The company has commissioned its formulation unit which is expected to contribute towards the revenue in the current year.

e) Risks and concerns

- The uncertainty in power supply poses a major risk as the industry is a power intensive. The company proposes to mitigate this risk to a greater extent through purchase of power through third party power supply agreement.
- Single manufacturing location and change in demography is calling for more restraint on environmental factor. The company is actively pursuing options for expanding its operations into industrial area.

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 control system and suitable monitoring procedures with regard to the purchase of raw materials, stores, plant & machinery, equipment and other assets as well as 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, 2012 was 188.

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, change in government regulations, tax laws and other statutes, force majeure may affect the actual result which could be different from what the director's envisage in terms of future performance and outlook.