



ANNEXURE

MANAGEMENT DISCUSSION AND ANALYSIS

a) Industry structure and developments

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

The market size of Indian agrochemical industry is expected to grow at a rate of 17% over next five years on account of rising agricultural production and increasing awareness among farmers on use of agrochemicals. Global agrochemical market is expected to grow at CAGR of 5.5% over next five years.

b) Opportunities and threats

Some of the highest selling agrochemicals of top multinational companies have come out of patent in last two years. This has opened up global market for the domestic companies. The company had obtained registration for some of these products in key international markets that are expected to add substantial export revenues.

Multinational companies have been trying to enforce manufacturing process patents for the products which have come out of patent (related to product usage) to hold on to their market position.

In order to mitigate these threats and create more opportunities in the international market, the company focused on R&D with emphasis on development of non-infringing alternate viable manufacturing processes resulting in intellectual property development.

c) Financial performance vis-a-vis operational performance

The company has registered strong growth with turnover exceeding ₹ 146/- crores for the first time since its establishment. The growth has largely been possible because of revival of Chlorpyrifos business and re-start of Process Block-III. The company is expected to maintain the momentum in the current financial year with new business relations and strong contract manufacturing business.

d) Risks and concerns

Highly fragmented market structure, stiff domestic competition, inflationary trends in price of raw materials and no corresponding increase in product prices are some of the concerns regarding future performance of the company.

The uncertainty in power supply continues to pose major risk as the industry is power intensive. The company is dependent on third party power supply for continuity in operations. The company is evaluating the possibility of setting up power co generation plant as a long term prospect.

e) Outlook

The agro-chemicals business, despite the above concerns is lucrative. With the addition of new products, new processes the company augurs to sustain strong growth in the forthcoming financial year also.

- The company is expected to have substantial growth in its export market for Chlorpyrifos.



- New opportunities are emerging in contract manufacturing business which is expected take shape in the current financial year.
- The company is focusing on integrating its processes to start from base raw materials for some of its products which are expected to boost the profitability.

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 is organizational development are being provided.

The employee strength as on March 31st, 2013 was 275.

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.