



ANNEXURE

MANAGEMENT DISCUSSION AND ANALYSIS

Overall market scenario:

The financial year 2013-14 has been challenging for the entire economy. Economic growth declined across all sectors due to various domestic and external reasons. Industries across the realm had to tackle high inflations, growing interest rates, fluctuating foreign currency, increased price of raw materials and huge power costs.

Operational performance of the company:

In this tough operating environment the company has sustained itself in terms of top line and has registered turnover of ₹ 173/- crores. The company has conducted trial runs for Fipronil during the year.

In spite of sustainable operations and new initiatives, the company's bottom line shrunk due to the external market forces. The increased price of raw material, growing interest rates and high inflationary trends had exerted pressure on the bottom line.

STRENGTHS

With over 21 years of expertise in the manufacture of technical grade agrochemical active constituents and the State of Art manufacturing unit consisting of three production blocks with annual capacity of 3,250 Tonnes the company is well poised to advance to next level of operations.

Backed by highly competent R&D unit, the company is to adept to overcome the internal and external hurdles. Company's R&D is in continuous look out for new effective and efficient cost effective production process and product development. The R&D unit is not only amenable to absorb the changes in business environments and develop new innovations, but is also able to minimize the time taken to

convert an idea into innovation and thereby leading to its profitable commercialization.

Prioritizing the manufacture of quality products, rational and effective use of available resources and minimization of waste has helped the company to maintain healthy organic growth. Your company is an ISO 9001:2008 certified company. It constantly bench marks its operations against the best-in-class companies across the segment to identify the good practices and emerging thought leadership adds to long term value to the various stakeholders.

OPPORTUNITIES AHEAD

India is one of the fast developing agrarian economies in Asia Pacific region with over 75 % of population dependent on Agriculture which is dependent on the four main factors viz: water, fertilizers, seed and pesticides. Over the XII five year plan period, the segment is expected to grow at 12% to 13% per annum with domestic demand growing at 8% to 9% per annum and export demand at 15% to 16% per annum

Though India has marked its place in the production, still its per capita consumption of pesticides is just 0.6 Kg per Hectare which is the lowest in the world. With the modernization of agriculture, the demand for high yielding quality of pesticide is bound to increase. Due to the current low per capita consumption of pesticides there is large room for multi-fold growth.

THREATS & MEASURES TO COMBAT THEM:

The company keeps constant watch on business climate competitions, legislations regarding environment and social concerns as well as the threats and business risks. The proactive management concentrates not on the cause of threats but on finding of cost efficient and effective solutions to what it perceives as potential threat.

**a) Operational:**

The prices of raw material continued to rise during the year. This frequent upward revision in the prices of raw material continues, it would mount further pressure on the bottom line. To overcome this, the company has been working strategically and has undertaken backward integration process to start production from the basic raw material for Azoxystrobin.

The uncertainty in power supply continues to pose major risk as the industry is power intensive. The company has installed sufficient diesel power generators and has entered into power purchase agreement with third party private power providers to assure uninterrupted power supply to the entire facility.

b) External threats:

The domestic industry is characterized by over-capacity, low capacity utilization and unsustainable levels of production from many units. Backed by highly efficient and competent R&D unit, the company aims to achieve optimal manufacturing process and substantial capacity improvement in plant.

With the increasing trend of low dosage, high potency molecules usage, the market for usage of high volume pesticides is expected to decline. And in order to overcome this threat, the company is focusing on R&D by laying greater emphasis on development of non infringing alternate viable manufacturing process resulting in intellectual property development.

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.

SEGMENT WISE PERFORMANCE:

The company has only one segment of activity namely agrochemicals as per Accounting Standard 17 issued by Institute of Chartered Accountants of India. The performance of the company is discussed separately in this report.

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 31st, 2014 was 331

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.