



ANNEXURE - 2

MANAGEMENT DISCUSSION AND ANALYSIS

a) Industry structure and developments

According to reports of Global Agrochemical Market was estimated at USD 203 billion in 2013 and was expected to grow at CGAR of 3.6% to USD 242 billion by 2018. The Crop Protection Chemical Market was estimated at USD 50 billion in 2013 and expected to grow at CGAR of 5.5% to USD 70 billion by 2019.

The company manufactures technical grade agrochemical active constituents used as insecticides, fungicides and weedicides which belong to the Crop Protection Chemical segment of the Agrochemical market. 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

With the Chinese government emphasis on environment protection and closure/relocation of chemical industries, the manufacturing cost of Chinese chemical industries is expected to increase. Many multinational companies are looking at India as an alternate manufacturing destination. This is expected to open up lot of opportunities for Indian chemical manufacturing companies. BCIL with strong manufacturing capabilities is comfortably positioned to capture these opportunities.

Many agrochemical active ingredients are coming out of application patent in next five years. However, high cost of data generation and enforcement of process patent in regulated markets is a major barrier for registration and sale of products by generic companies. With strong R&D specifically focusing on intellectual property development, the patent infringement is negated to a great extent. The company is also working in partnership with generic multi-national companies for data generation and registration of product into regulated markets.

c) Financial performance vis-a-vis operational performance

The sale revenue of the company increased by 25% from ₹ 174 crores to ₹ 220 crores. However reduction in contract manufacturing revenues and low margin in export sales due to intense competition resulted in lower profitability. The company is focusing on increasing the value addition on products by backward integration and offering bulk formulations.

d) Outlook

The domestic market is under considerable stress on account of unseasonal rainfall, high inventories and poor recoveries from market. This is expected to significantly impact the margins. Export market and contract manufacturing are expected to be growth drivers for the company. The company is also actively pursuing new contract manufacturing opportunities.

e) Risks and concerns

The global climatic changes are impacting the agrochemical business to a large extent with the effect unevenly distributed across the world. This has emerged as one of the



biggest risk for companies with region-specific market. Multinational companies with global presence and wide market access are better equipped to manage the risk. BCIL is planning to mitigate the risk by working with multinational companies on contract manufacturing and corporate sale strategy.

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 31.03.2015 was 336.

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.