



Management Discussion and Analysis

a) Industry structure and developments

According to reports Global Agrochemical Market was estimated at USD 214.2 billion in 2015 and was expected to grow at CGAR of 3.2% to USD 250.5 billion by 2020. The Crop Protection Chemical Market was estimated at USD 52 billion in 2015 and expected to grow at CGAR of 6.2% to USD 82 billion by 2020.

There is high growth potential for the agrochemical market in the untapped, emerging markets of India and China. Currently, India's consumption of pesticide stands at 0.6 kilograms per hectare, which is among the lowest compared with 5-7 kilograms per hectare in the UK and nearly 13 kilograms per hectare in China. With increasing awareness among farmers, further penetration will lead to a rise in the consumption pattern.

b) Opportunities and Threats

India imports close to USD 925 million, or about Rs 5,900 crore, worth of technical pesticides, intermediaries, and finished products a year, of which around 55% comes from China. Pesticides import from China has also been increasing at CAGR of 6% since 2007. Under the Make in India scheme, the Govt. of India is taking initiatives to support the domestic manufacturing companies by restricting the import of Agrochemical active ingredients and its formulations. Imports from China are expected to reduce by 80% due to the regulatory changes proposed to boost local production of pesticides. A large portion of imports will shift from formulated products to raw materials. BCIL is actively pursuing registration of many products for domestic market which would result in increase in product base and revenues in domestic market.

Rising sale of spurious pesticides and spiked bio-pesticides pose a major threat to the industry. Going forward, the industry needs increased scope of regulations to include all types of pesticides including biopesticides and increased inspection to contain the growth of spurious products.

c) Financial performance vis-a-vis operational performance

The sales revenue of the company increased from Rs.150 crores to Rs.200 crores. The company has obtained registration for one of its key products Azoxystrobin into the US resulting in, increased market for the product. Azoxystrobin and Chlorpyrifos will be the key products for the company in FY: 2017-18 which is expected to contribute to more than 50% of the company's revenues.

d) Outlook

The domestic market is expected to do well on account of good monsoon. The domestic revenues are expected to increase in comparison to the export revenues.

e) Risks and Concerns

Most of the Indian companies are dependent on supply of agrochemical intermediates from China. The availability and pricing of these intermediates have significant bearing on the profitability. By backward integration of the manufacturing process to the base chemicals, the dependency on specific intermediates can be greatly reduced.

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.

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.