



Management Discussion and Analysis

a) Industry structure and developments

According to reports Global Agrochemical Market was estimated at USD 220.9 billion in 2016 and was expected to grow at CGAR of 3.7% to USD 269.7 billion by 2022. The Crop Protection Chemical Market was estimated at USD 53.695 billion in 2017 and expected to grow at CGAR of 5.5% from 2017 to 2025 due to rising occurrences of pest and rodent attacks damaging crops. The Asia Pacific market is expected to witness the highest growth over the forecast period due to the growing agro-based industries including sugar, textiles, vegetable oil manufacturing, and animal husbandry

India is the fourth largest global producer of pesticides with an estimated market size of around \$4.9 billion in FY17 after United States, Japan and China. The Indian pesticide industry is predominant with generic products and has a substantial opportunity with a number of products going off-patent during 2017-2020.

b) Opportunities and Threats

China has been the global hub for pesticide manufacturing and it exported pesticides worth USD 4.765 billion USD in 2017. With the introduction of China's new environmental program, a number of industrial facilities and chemical plants are required to upgrade their facility to adhere to the new environmental norms. This would result in significant investments in pollution control and pollution monitoring equipment and will also result in increase in the cost of production. There is already surge in the prices of pesticide and pesticide intermediates imported from China. BCIL is investing in backward integration of some key pesticide intermediates from base raw materials which will result in increase in the product margins and thus the profitability.

Indiscriminate use of pesticides is resulting in resistance in target pests thereby rendering the pesticides ineffective. Rising sale of spurious pesticides and spiked bio-pesticides also pose a major threat to the industry. Going forward, the industry needs increased scope by way 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 net sales revenue of the company is ₹ 18330.91 Lakhs against previous year revenue of ₹ 20279.27 Lakhs. Though Block-III was not operational for more than ten months in the financial year due to fire accident, the company was able to achieve sales turnover of 90% of the previous year. Azoxystrobin and Chlorpyrifos will be the key products for the company in FY2019 which are expected to contribute more than 50% of the company's revenues.

d) Outlook

Due to the uncertainty in manufacturing and supply of pesticides and pesticide intermediates from China, the Indian industry is expected to seize the opportunity and grow in double digits. The domestic and export revenues of the company are expected to improve significantly under the current circumstances.

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 for 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 directors envisage in terms of future performance and outlook.

ANNEXURE- III

**Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31-03-2018**

**[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]**

To,
The Members,

M/s. BHAGIRADHA CHEMICALS AND INDUSTRIES LIMITED

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. **BHAGIRADHA CHEMICALS AND INDUSTRIES LIMITED** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on our verification of the M/s. **BHAGIRADHA CHEMICALS AND INDUSTRIES LIMITED** books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We, hereby report that, in our opinion, the company has, during the audit period covering the financial year ended on 31st March 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by M/s. **BHAGIRADHA CHEMICALS AND INDUSTRIES LIMITED** ("the Company") for the financial year ended on 31st March, 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; **(Not applicable to the Company during the Audit Period)**