



Management Discussion and Analysis



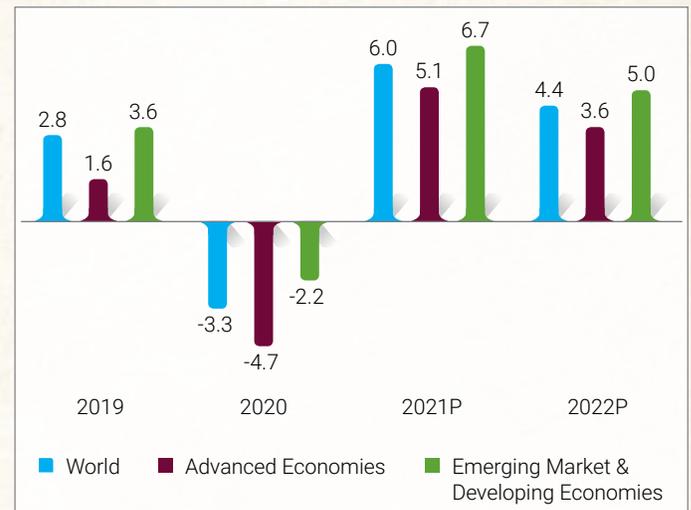
ECONOMY OVERVIEW

World Economy

The global economy is showing signs of recovery from the deep recession caused by the COVID-19 pandemic in 2020. Governments, central banks and other public agencies across countries have responded unprecedentedly to mitigate its impact. The International Monetary Fund (IMF) has estimated global economic growth to have contracted by 3.3% in 2020 despite better-than-expected actual performance by key economies in the second half of 2020.

While the global health crisis continues in the early months of 2021 with second and even third waves of the virus in many regions, accelerating vaccine rollouts and major stimulus packages in many advanced economies, most recently in the United States and Japan have raised hopes of an eventual end to the pandemic and prospects of a stronger-than-expected recovery. IMF, in its world economic outlook in April 2021, projected world economy to grow by 6.0% in 2021 and 4.4% in 2022 amid exceptional uncertainty. Economic recoveries are expected to be uneven across countries and sectors, reflecting variation in pandemic-induced disruptions, pace of global vaccine rollouts and the extent of policy support.

World Economic Growth (%)



Source: IMF World Economic Outlook, April 2021

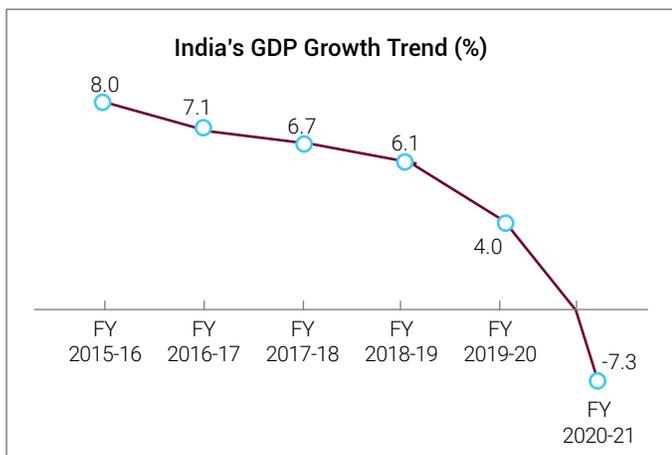




Indian Economy

The economic impact of the COVID-19 pandemic in India has been largely disruptive, which has resulted in fiscal strains and weakening of demand conditions. The economy witnessed sharpest contraction ever of 23.9% YOY in the first quarter of FY 2020-21, owing to the stringent pandemic-induced lockdown imposed by the government. Agriculture was the only high performing sector of the economy in Q1 of FY 2020-21 with a growth of 3.4%, driven by normal monsoon, record-high production and strong policy support.

There has been rapid recovery in India's economic activity from the COVID-19 pandemic induced unprecedented lows of the first quarter of FY 2020-21 on the back of easing of restrictions, extraordinary fiscal and monetary support provided by the Government and RBI. As per the provisional National Income estimates by the National Statistics Organization (NSO), the Indian economy contracted by 7.3% in FY 2020-21, as compared to a 4% economic growth recorded in FY 2019-20. The Economic Survey 2020-21 estimates a 'V-shaped' recovery of the economy with India's real GDP estimated to record 11.0% growth in FY 2021-22 – the highest since independence. However, the second wave of COVID-19 hitting the country poses risk to economic recovery, even as growing vaccine coverage lifts sentiment.



Source: National Statistics Office provisional estimates dated 26th Feb, 2021

Agriculture and its allied sectors continue to remain central to the Indian economy, contributing nearly 17% to our Gross Domestic Product (GDP). More importantly, it is a source of livelihood for more than 50% of the country's population. As a result, a sector like agrochemicals, is a far more reliable venture than many others in the economy, driven by facilitative government actions and interventions.

Indian economy is estimated to have contracted by 7.3% in FY 2020-21, as compared to 4.0% economic growth recorded in FY 2019-20.

India is an emerging agrochemicals production base, along with Vietnam, Indonesia and Taiwan, which have gradually joined the global production community, supplementing the supply chain. From the perspective of the industrial chain, India relied heavily on China for pesticide supplies in the past several years. India's overall chemical infrastructure is still relatively underdeveloped, and its access to key intermediates and raw materials is limited. Indian chemical companies are increasingly focusing on independent research and development, forward and backward integration along with scale effect. Despite some difficulties, the Indian market can be considered a strategic alternative in the near future, rather than a cornerstone.

INDUSTRY OVERVIEW

Global Agrochemical Industry

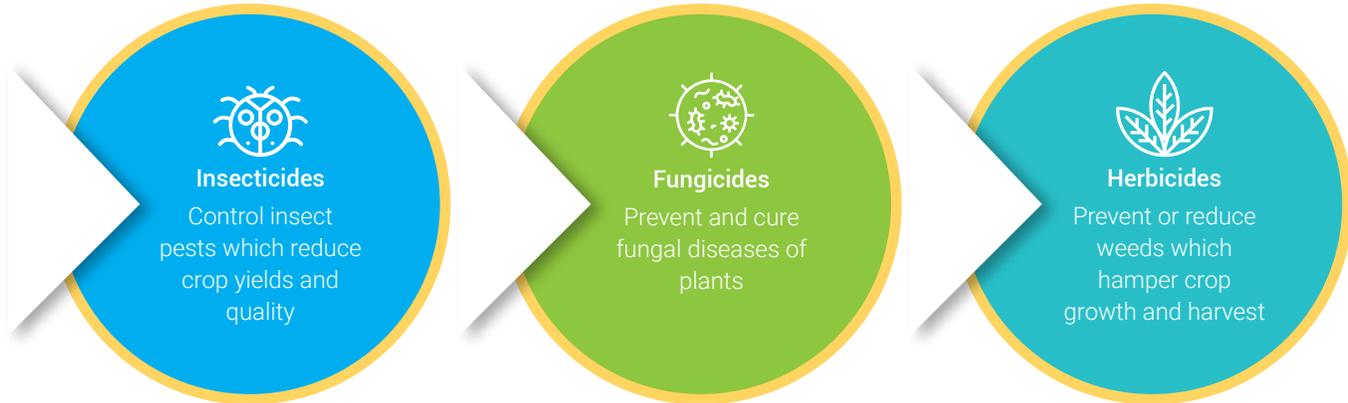
The global agrochemicals market size is estimated at USD 208.6 billion in 2020 and is projected to reach USD 246.1 billion by 2025, registering a CAGR of 3.4% during the forecast period. Increasing demand for food supply due to the rapid growth in the human population has triggered agricultural intensification during the last few decades. However, concurrently unbalanced use of agrochemicals also causes environmental deterioration and poses severe challenges to aquatic and terrestrial ecosystems. Various research studies have indicated that the use of fertilizers and pesticides in agriculture has substantially increased in developed and developing countries in recent years for attaining maximum yields of crops.

The agrochemicals sector is witnessing huge demand in recent years, with its increasing importance on the well-being of the consumers. The components that are used in the production of agrochemicals ultimately help in controlling the pests from damaging the crops or in improving soil fertility. There are broadly 4 categories of crop protection products: Insecticides, fungicides, herbicides and others (include bio pesticides, nematocides, rodenticides etc.).





Types of key Agrochemicals and their primary uses



Also, Globalization of the agrochemical industry has a huge impact on the Asian crop protection markets. With high rates of population growth, the need for increased food production, and economic growth, the demand for various agrochemicals such as herbicides and fungicides is increasing.

But the market for agrochemicals is highly fragmented, comprising of a large number of big and small players. The majority of players in the market are located in the European region who offer a variety of products. With the growing demand for various agrochemical products, the major players in the market are focusing on R&D investments to launch products, which would cater to the requirements of the consumers and simultaneously focusing on making investments in innovations, collaborations, and expansions, in order to increase their market share through mergers & acquisitions and partnerships.

COVID-19 impact on the agrochemicals market globally

Agrochemicals, such as pesticides and fertilizers serve as an important solution for farmers across the globe. But due to the outbreak of COVID-19 pandemic, there has been a supply chain disruption because of which the agricultural sector had to face problems such as labor unavailability, transportation barriers, restriction for market access, and lack of inventories in some regions. Many fertilizer and pesticide manufacturers were facing issues due to lack of raw material availability impacting their production schedules and levels.

Trends in International Agrochemicals exports during the year under review:

Overall exports were affected by drought conditions in South Africa, Southeast Asia and Eastern Australia. Dry weather condition prevailed in most of the Northern Europe region which resulted in reducing the herbicide and fungicide applications leading to the fall of fungicide exports. Trade tensions between China and the U.S. have led to imposition of steep tariffs on U.S. Wildfires in Australia which were caused by a combination of extreme heat, prolonged drought and strong winds affected the demand from Oceania.

Indian Agrochemical Industry

India is the fourth-largest producer of agrochemicals in the world. According to FICCI-PWC Report on 9th Agrochemicals Conference 2020, the Indian agrochemicals industry was valued at around ₹ 42,000 Cr in FY 2020-21, out of which domestic consumption was around ₹ 20,000 Cr, while exports during the same period were worth around ₹ 22,000 Cr. The industry is expected to grow at a CAGR of 8–10% till FY 2024-2025.

The domestic demand for agrochemicals is expected to rise with a need to increase farm output to meet food requirements of the growing population, demand for high-value agricultural products, decrease in arable land and loss of yield due to pest attacks. It will be further aided by the timely onset of monsoons in the year gone by and the recent proposals under the 'Atmanirbhar Bharat' package pertaining to the agrarian economy which are focused on boosting the agriculture and allied sectors by strengthening its infrastructure and logistics.

On the flipside, companies are likely to face input constraints as Indian manufacturers depend heavily on imports of raw materials and intermediates from China and given the anti-China sentiments prevalent in the country, it might be a while till manufacturers will be able to diversify their supply chain needs.

In a scenario where COVID-19 cases increase and restrictions are applied again, supply constraints could become much more crucial. Companies might also face challenges in terms of availability of labour, availability of manpower and staggered timing of plant operations in order to follow the protocol of social distancing. The export demand for pesticides is likely to take a hit in the ongoing financial year because of the spread of the pandemic across the globe. Financial constraints of the global farm sector and restriction imposed by countries across the globe on imports and exports will adversely hit pesticide trade volumes during FY 2021-22.





COVID-19 impact on the domestic market

The domestic agrochemical industry in India started on a positive note in FY 2020-21, driven by a surge in herbicide sales in Q1, pre-buying led by robust demand expectations and price increase in generic molecules. Moreover, generic molecules have seen 5% price increase due to short supply in India as the COVID-19 outbreak impacted production in China. The industry expects a strong growth in FY 2021-22 with even better prospects given the confluence of factors such as: (a) healthy monsoon trend, (b) better price realizations, (c) strong demand for herbicides to fill in for labour shortage, (d) locust infestation, and (e) higher cash transfers by government, higher MSP for select crops, higher procurement and increasing focus on farmer incomes in view of the COVID-19 pandemic.

COMPANY OVERVIEW

Company Background

Founded in 1995, by late Sri S. Koteswara Rao, whose name is well known in the agrochemical circles of the country, Bhagiradha Chemicals & Industries Ltd. (BCIL) carved a niche for itself alongside the best in the industry as a manufacturer of high quality technical grade agrochemicals and their intermediates in the country. Distinguished as an R&D driven company, led by highly qualified and passionate top management with proven skills, the Company is making steady progress in realizing its determined long term growth objectives.

For Bhagiradha, quality has always been its best strategy for success that helped in establishing strong and long lasting business relationships with reputed multinational and domestic chemical companies. It earned significant forex revenues over the years for the country, with exports to more than a dozen countries, including the USA, constituting more than fifty percent of its annual sales, the year under review being an exception.

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Beginning modestly in Cheruvukommupalem, Village, Prakasam District of Andhra Pradesh, with an annual manufacturing capacity of 300 metric tonnes per annum (MTPA), 25 years ago, the Company has attained production capacity of 3,250 MTPA as on March 31, 2021, providing direct and stable employment to about 600 skilled and unskilled personnel. The noble objectives of the founder, for building a sustainable organization that cares for the community and caters to the needs of its customers and creates value for its investors, are being pursued by his successors in all earnestness.

Incorporation of Wholly-Owned Subsidiary

During the year under review, BCIL has incorporated a wholly owned Subsidiary Company, named 'Bheema Fine Chemicals Private Limited' (CIN: U24299TG2020PTC142050), on July 22, 2020, with its registered office at Plot no- 3, Sagar Society, Road No 2, Banjara Hills, Hyderabad -500034. It will engage in manufacturing and marketing of various agrochemical intermediates and technicals at its proposed plant in Kadechur Industrial area, Yadgir district, Karnataka. The Company is in the process of seeking initial approvals from the Ministry of Environment and Forests, Government of India.





BCIL's Strengths



Well laid out manufacturing facility

The facility is spread across 29.00 hectares and has three production blocks for manufacture of insecticides, herbicides & herbicide intermediates and Fungicides. BCIL has permitted capacity of 3250 MTPA for production of agrochemical active ingredients and their intermediates in addition to pesticide formulations. The Company has received quality certifications under various parameters for its products and production facilities

It is a zero liquid discharge facility with an Effluent Treatment facility that conforms to the best of standards and equipped with Stripper, Multiple Effect Evaporators, Forced Evaporation System, Agitated Thin Film Dryers, Biological treatment plant and Reverse Osmosis plant. Inorganic sludge generated in the process is disposed to secured land fill as approved by the regulatory authorities.



Strong in-house Research and Development

The Department of Scientific & Industrial Research (DSIR) recognized R&D unit is one of the key strengths of BCIL and serves as a great enabler of Company's business model. Qualified and talented scientific personnel with proven chemistry skills are the biggest assets for the Company. All the process technologies implemented in the manufacture of different products by the Company since inception were developed In-House. The R&D unit has the capability to develop new and alternative technologies swiftly.



Diversified customer base across geographies

The Company caters to both domestic as well as international customers with exports contributing about 50% of total revenues in general. Over the years, the Company has developed a global brand equity as a reliable source for elite MNCs and its products are sold by such MNCs across various overseas markets.



Innovation led Product portfolio

Bhagiradha's products are well known for their quality. The Company has in its product basket a range of insecticides, herbicides and fungicides that command good market across the domestic and international markets. The Company has effectively executed the Capex for the large scale commercialization of Fipronil, an insecticide, the commercial sales of which commenced in April 2020. Another insecticide, Pymetrozine too was commercialized during the year. A few products lying in the pipeline shall be launched as soon as approvals for registration in different geographies are received.



Competent Management Bandwidth

BCIL has an experienced leadership team of highly qualified professionals with a demonstrated track record. The promoters have rich industry expertise across various technical and business functions and hands on approach in R&D segment. The composition of the Board is an optimal mix of professionalism, knowledge and experience that enables the Board to discharge its responsibilities effectively and provides leadership to the business.





Business Development Strategies

Strong emphasis on registrations of new products

Crop protection product companies need local registrations to enable them to sell their products in different countries in the world. In accordance with its long term plans, the Company has taken steps to strengthen its registration department. During the year under review, the Company received approvals for the registration of an insecticide, Pymetrozine in the domestic market. Domestic approvals for a few more molecules are awaited. BCIL aims to increase the number of registrations for its existing and proposed products in India and various other countries to facilitate faster product launches and increase in revenue.

Augmenting production capacity

In order to enhance the production capacity, BCIL has proposed to set up another manufacturing plant in the name of its wholly owned subsidiary, Bheema fine Chemicals Private Limited. Land of 33.90 acres was acquired from Karnataka Industrial Areas Development Board in Kadechur Industrial area, Yadgir District, Karnataka for setting up the plant. The plan is to manufacture various agrochemical intermediates and technicals with an annual production capacity of 9000 MTPA which shall be implemented over a period of 5 to 6 years in three phases. Application has been submitted to the Ministry of Environment and Forests, seeking clearances. Works relating to construction of the plant shall commence after all the necessary approvals are in place.

Intensive Focus on R&D

The Company is distinguished globally as an R&D driven agrochemical Company. The team is currently focused on developing processes for making products which are becoming off patent in the coming few years. Processes developed for a few proposed products by the unit shall be taken up for commercialization in a phased manner when additional production capacities are set up.

Steps and initiatives taken by the Company in the wake of COVID-19

All safety protocols related to COVID-19 as advised by the Government are being implemented and observed at the Plants. The Company adopted a work from home policy for non-site based employees during COVID-19 Peak periods.

The Company continues to closely monitor national and international sourcing and supply positions to identify any potential supply side risks and chalk out a suitable plan.

The Company at present continues to fulfil its obligations with respect to all the existing contracts and agreements.

The Company availed COVID-19 emergency loans aggregating to ₹ 6.09 Cr and at the end of the financial year, the liquidity of the Company is satisfactory.





FINANCIAL OVERVIEW ON STANDALONE BASIS

Financial Highlights



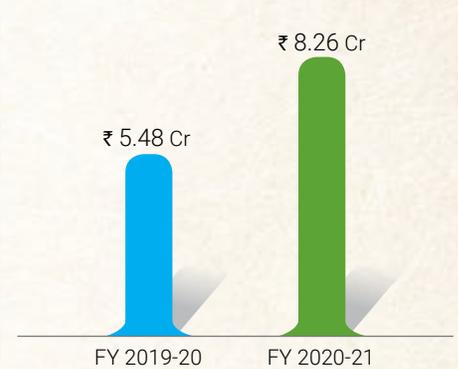
Revenue from operations

The revenue from operations increased to ₹ 317.90 Cr in FY 2020-21 from ₹ 245.67 Cr in FY 2019-20. The increase in turnover by 29.40% was made possible with a suitable business strategy in the given conditions, despite the setbacks caused by the prevalence of COVID-19 during the year.



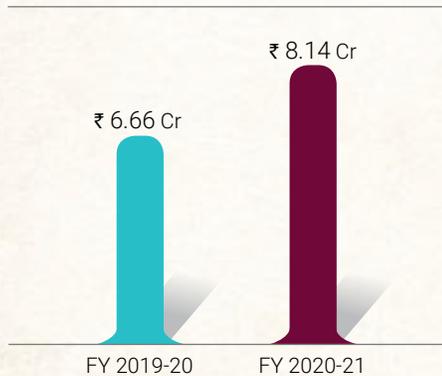
Raw Material Consumed

The consumption of raw materials increased by ₹ 51.75 Cr at 36.42% in FY 2020-21 as against decrease by ₹ 111.89 Cr at 44.05% during the FY 2019-20. The production and turnover were marred by loss of production days due to shutdown of operations for about 100 days during the FY 2019-20. During the year under review, there were no such adverse events other than the impact of COVID-19. Thus the production and turnover returned to normal levels, hence the increase in raw material consumption in absolute terms.



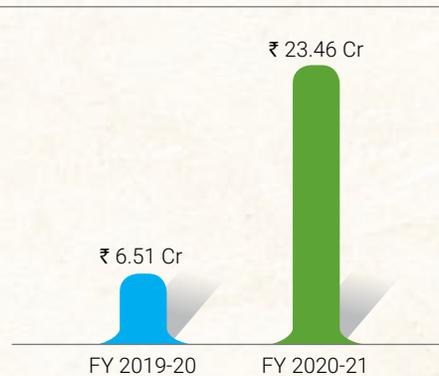
Finance Cost

The expenditure under this head increased to ₹ 8.26 Cr from ₹ 5.48 Cr during the year. The increase was on account of increased borrowings by way fresh term loan, COVID-19 loans and increased utilization of working capital limits from banks in line with increased production and turnover levels.



Depreciation Expense

The expenditure under this head increased to ₹ 8.14 Cr in the year from ₹ 6.66 Cr of the previous year, owing to the implementation of Capex during the year and the previous year for setting up Fipronil process line, up gradation of ETP and installation of equipment relating to backward integration of the production processes of certain products.



Profit after Tax

The profit after tax increased to ₹ 23.46 Cr in the year as against ₹ 6.51 Cr in the previous year. The increased production and sales levels in the year were achieved as a result of suitable business plan in place, resulting in improved profit after tax by 261%.



Fixed Assets

The gross carrying value of fixed assets increased to ₹ 205.28 Cr during the year by ₹ 13.93 Cr on account of Capex relating to certain automation works and ETP works.

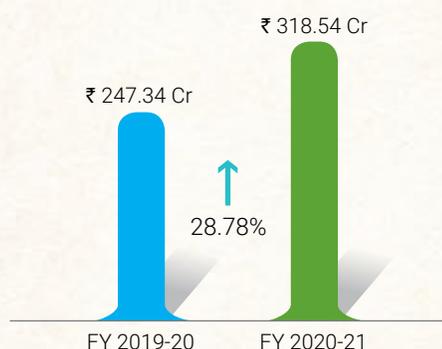




Balance Sheet

(₹ in Cr)

Particulars	As at 31.03.2021	As at 31.03.2020
Assets		
Fixed Assets	146.12	141.90
Investments	8.01	-
Non-current assets	4.96	4.79
Current assets	113.99	78.57
Total	273.08	225.26
Equity and Liabilities		
Share Capital	8.33	8.33
Other Equity	147.50	123.91
Non-Current Liabilities	22.15	9.92
Current Liabilities	95.10	83.10
Total	273.08	225.26



Total Revenue

₹ 318.54 Cr from ₹ 247.34 Cr

Total Bottom Line

₹ 23.46 Cr from ₹ 6.51 Cr

Total Revenue

The **total revenue** of the Company in fiscal 2021, having gone up to ₹ 318.54 Cr in the year from ₹ 247.34 Cr by 28.78% of the previous year as also the bottom line to ₹ 23.46 Cr from ₹ 6.51 Cr, most of the key ratios have improved as compared to the previous year on account of improved sales turnover made possible by appropriate management strategies.





Key Financial Ratios

Key Ratios	31.03.2021	31.03.2020	Performance Details
Inventory turnover	6.31	4.37	Improved as a result of increase in turnover by 29.40%.
Interest coverage ratio	4.70	1.90	improved owing to increased profit after tax
Current Ratio	1.20	0.95	Increased profit after tax ploughed back in to the system has helped improve this ratio compared to the previous year.
Debt Equity ratio	0.39	0.32	The marginal increase in the ratio is owing to the need based term loans received from the banks.
Gross profit ratio	15.02	10.37	
Net Profit margin	10.14	3.58	Improved Production/ Sales resulted in better performance of the Company.
EPS	28.24	7.83	
EPS (Cash)	47.09	18.51	
Return on capital employed	0.22	0.10	
Book value	187.53	159.23	



Status of Subsidiary: The Company is in the process of obtaining clearances from the Ministry of Environment and Forests, Government of India. The commercial operations are yet to commence.

BUSINESS OUTLOOK

BCIL is well placed in the Indian agrochemical market, led by a robust domestic portfolio with focus on in-licensing and regular launch of new products. Over the years, the Company has demonstrated speedy progress in broad basing its revenue mix by adding new clients, new geographies and new products. The Company aims to become a world class agrochemical manufacturer and preferred partner of choice by creating compelling value for its customers by leveraging its R&D capabilities. BCIL is relentlessly striving to improve its standards by benchmarking against the global best. The Company is also expanding its product portfolio by integrating backward for the manufacture of technical grade pesticides aiming to reduce its reliance on China for its raw materials.

The Company is well equipped with alternative products in the pipeline in the event of any negative headwinds in terms of regulatory ban of any product in any geography. BCIL will continue to derive strength from its experienced management and resourceful team, long track record of operations, advanced technology, talent and R&D skills, reputed customer base across the globe and increase in capacity as well as capabilities. The Company's investment in ERP will further drive its competitiveness in terms of improved efficiency level.

Although, COVID-19 has put uncertainty on the economic recovery of India and the world with increased fears of soaring

infection rate, new mutant of virus and access to vaccination, the overall outlook remains positive. The Government's financial support to farmers and other COVID-19 related relief measures are likely to propel farmer investments in crop inputs. The Company also remains on a strong footing for the long-term despite the challenges of global recession, currency risks and liquidity concerns.





RISK AND MITIGATION

Risks are an integral part of business operations and any Company is exposed to various internal and external risks. BCIL has developed and implemented a robust Risk Management Policy that monitors, identifies and suggests risk mitigation measures. This is reviewed periodically by the Board of Directors. A few inherent risks associated with the Company are discussed herein.

Type of Risk	Description	Mitigation Strategies & measures adopted
Economy Risk 	The recovery of the global economy could be weaker than expected even after the pandemic recedes soon. The reasons include lingering uncertainty about the return of the contagion, confidence failing to improve, establishment closures, massive job losses and purchasing power erosion and structural shifts in business and household behaviour, leading to more supply chain disruptions and weak aggregate demand.	The Company continuously monitors the business and economic environment, adapts new technologies and seeks ways to improve market penetration to counter such an event. The Company's wide and growing portfolio along with geographical diversification further insulates the risks.
Regulatory Risk 	Increased regulatory oversight and adverse changes to regulations in key markets could adversely impact the Company's business of operations.	BCIL works closely with various Indian regulatory agencies and international customers to keep track of the dynamic regulatory requirement. The Company keeps a plan in place to fine-tune and adjust the product portfolio in accordance with anticipated changes.
Innovation Risk 	The Company is exposed to the risk of inability to launch innovative products or failing to identify opportunities in terms of emerging trends. Further, inadequate investment in processes and technology and R&D could also adversely impact BCIL's business.	The Company's strong R&D team focuses on new and innovative processes to remain competitive in the market. BCIL is committed to further strengthen its R&D capabilities. Backed by its sustained R&D efforts, the Company already has a few products in pipeline. The promoters of the Company are technically qualified and they personally drive this initiative.
Competition Risk 	The Company might receive stiff competition from its peers in terms of new market entrants or change in marketing strategy by the competitors.	BCIL has proven competence in research and robust technical expertise in the industry. In addition to well diversified product portfolio, BCIL has built up strong customer relationship and brand equity over the years. The Company has invested in backward integration in terms of expanding its manufacturing capabilities to improve margins and meet the evolving needs of customers. The Company regularly interacts with customers to understand changing requirements and invests in the required technologies to stay ahead of the competitors.
Foreign Exchange Risk 	The Company imports some of the raw material while exports contribute more than 50% of the revenues in general. Any unfavourable movements in the exchange rate would adversely affect the Company's financials and results of operations.	BCIL evaluates exchange rate exposure arising from foreign currency transactions on a continuous basis. The Company uses natural hedge technique of adjusting foreign currency receivables against currency payables. The Company enters into foreign exchange forward contracts to hedge its exposure of foreign currency risk as per the Board laid down policy.





HUMAN RESOURCE

The Company takes pride in the commitment, competence and dedication shown by its employees in all areas of business and these are translated into action at all levels. To ensure good human resources management, the Company focuses on all aspects of the employee lifecycle. This provides a holistic experience to the employee as well. The Company has a structured induction process and management development programs to upgrade skills of managers. Objective appraisal systems based on Key Responsibility Areas are in place for all employees. BCIL is committed to nurturing, enhancing and retaining talent through superior Learning & Organizational Development. This serves as a critical pillar to support the organization's growth and its sustainability in long run.

Immediately after the outbreak of COVID-19, the Company adopted strong measures to safeguard the health of its employees. Work from Home (WFH), social distancing norms, regular sanitization of plant and office premises and enhanced safety measures were among the significant measures taken.

QUALITY AND COMPLIANCE

The Company adheres to the quality standards set for itself and meets the requirements of all its reputed domestic and MNC customers. The manufacturing facilities are in compliance with all the regulatory requirements

INTERNAL CONTROL

The Company has put in place adequate system of internal controls commensurate with its size and the nature of its operations. The Company follows stringent procedures, systems, policies and processes to ensure accuracy in financial information recording, asset safeguarding from unauthorised use, optimum use of resources and compliance with statutes and laws. The Company's internal control system covers the following aspects:

- Financial propriety of business transactions
- Safeguarding the assets of the Company
- Compliance with prevalent statutes, regulations, management authorization, policies and procedures

The Company has proper and adequate systems of internal controls which ensure that transactions are authorized, recorded and reported correctly. Regular internal audits and checks ensure that responsibilities are executed effectively. The finance and commercial functions have been structured to provide adequate support and controls for the business of the Company.

HEALTH, SAFETY AND ENVIRONMENT

The Company has installed necessary equipment and systems with in its factory premises to strictly comply with safety and protection of workers, minimise consumption of natural resources and to reduce wastage of water and energy. The Company is truly sensitive to evaluate new initiatives for reduction of waste and emissions to sustain environment system complying with all Government Policies, laws, regulations and guidelines applicable in this regard.

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 statutory 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.

