



Management Discussion and Analysis



GLOBAL ECONOMY

The global environment in 2023 was characterised by geopolitical tensions and elevated interest rates as major central banks the world over looked to contain inflation, which gradually eased during the year. The world's major economies withstood monetary policy tightening well, easing the path for a "soft landing". Labour markets also remained resilient, with unemployment rates at or close to full employment.

As per the International Monetary Fund's (IMF's) January 2024 World Economic Outlook (WEO), global growth is projected at 3.1 percent in 2024 and 3.2 percent in 2025. The 2024 forecast is 0.2 percentage points higher than that in the October 2023 WEO on account of greater-than-expected resilience in the US and several large emerging market and developing economies (EMDEs), as well as fiscal support in China.

The IMF's forecast for 2024-25 is however below the historical (2000-19) average of 3.8 percent, with elevated central bank policy rates to fight inflation, a withdrawal of fiscal support amid high debt weighing on economic activity, and low underlying productivity growth. Inflation is declining faster than expected in most regions, in the midst of unwinding supply-side issues and restrictive monetary policy. Global headline inflation is expected to moderate to 5.8 percent in 2024 and to 4.4 percent in 2025.

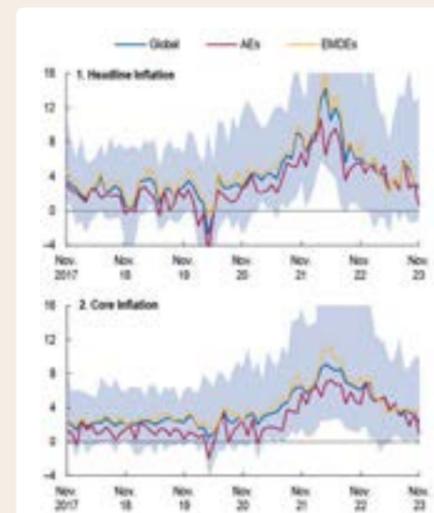
Targeted and carefully orchestrated structural reforms would reinforce productivity growth and debt sustainability and accelerate convergence toward higher income levels. The IMF states that more efficient multilateral coordination is needed for debt resolution to avoid debt distress and create space for necessary investments, as well as to mitigate the effects of climate change.

Developments shaping the forward path

Growth is expected to remain fairly resilient in major economies. Economic growth is estimated to have been stronger than expected in the second half of 2023. In several cases, government and private spending contributed to the upswing, with real disposable income gains supporting consumption amid still-tight, yet easing now, labour markets and households drawing down on their accumulated pandemic-era savings.

Global inflation: Rise and fall

(Month-over-month annualised percent change, seasonally adjusted)



Source: Haver Analytics and IMF staff calculations

In low-income countries, liquidity squeeze and elevated cost of interest payments, averaging 13 percent of general government revenues (about double the level 15 years ago), crowded out necessary investments, hampering recovery of large output losses compared with pre-pandemic trends. In 2024, the fiscal policy stance is expected to tighten in several advanced and emerging market and developing economies to rebuild budgetary room for manoeuvre and curb the rising path of debt. This shift is expected to slow growth in the near term.

Inflation forward path

Global headline inflation is expected to decline from an estimated 6.8 percent in 2023 (annual average) to 5.8 percent in 2024 and 4.4 percent in 2025. Advanced economies are expected to see faster disinflation, with inflation falling by 2 percentage points in 2024 to 2.6 percent, than are emerging market and developing economies, where inflation is projected to decline by just 0.3 percentage points to 8.1 percent. The forecast is revised down for both 2024 and 2025 for advanced economies, while it is revised up for 2024 for emerging market and developing economies. The drivers of declining inflation differ by country but generally reflect lower core inflation as a result of still-tight monetary policies, a related softening in labour markets, and pass-through effects from earlier and ongoing declines in relative energy prices.

Overall, about 80 percent of the world's economies are expected to see lower annual average headline and core inflation in 2024.

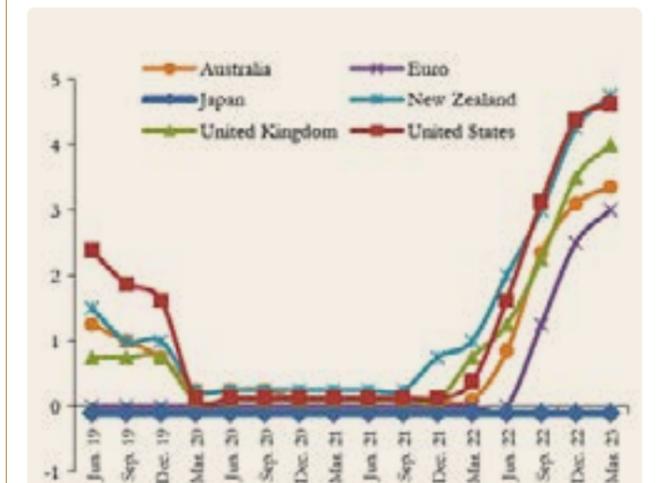
Global financial conditions

Central banks of most of the advanced economies, that is the Federal Reserve System, Bank of England and European Central Bank started increasing policy rates from the beginning of 2022, with few exceptions, such as the Bank of Japan, which has been maintaining the policy rate (-0.1 percent) set in 2016. Consequently, a notable spike in the policy rate increase for the selected advanced economies was observed by the end of March 2023 (See chart "Central bank's policy rate of selected advanced economies").

On the same note, central banks of emerging and developing economies and South Asia have also been increasing the policy rate since the beginning of 2022, with exception such as China where

the policy rate has been declining although marginally. In the case of South Asian countries, a significant uptrend of policy rates could be observed for Pakistan and Sri Lanka, which could be aligned to the existing economic and financial turmoil of these economies, while India and Bangladesh have been maintaining a steady upward adjustment considering the global financial conditions (See chart "Central bank's policy rate of emerging markets and selected peer economies of South Asia").

Central bank's policy rate of selected advanced economies



Source: Policy Rate Statistics, Bank for International Settlements

Growth outlook

Global growth, estimated at 3.1 percent in 2023, is projected to remain at 3.1 percent in 2024 before rising modestly to 3.2 percent in 2025 (See chart "Overview of the WEO Projections"). Compared with that in the October 2023 WEO, the forecast for 2024 is about 0.2 percentage points higher, reflecting upgrades for China, the US, and large emerging market and developing economies.

Overview of the WEO projections

(Percent change)

	2023 India	2024 (P)	2025 (P)
World output	3.1	3.1	3.2
Advanced economies	1.6	1.5	1.8
United States	2.5	2.1	1.7
Euro Area	0.5	0.9	1.7
Japan	1.9	0.9	0.8
United Kingdom	0.5	0.6	1.6
Canada	1.1	1.4	2.3
Emerging market and developing economies	4.1	4.1	4.2
Emerging and developing Asia	4.1	4.1	4.2
China	5.2	4.6	4.1
India	6.7	6.5	6.5
Middle East and Central Asia	2.0	2.9	4.2
Low income developing countries	4.0	5.0	5.6

Source: IMF WEO January 2024



INDIAN ECONOMY

As per the second advance estimates of national income, 2023-24, by the Ministry of Statistics & Programme Implementation (MoSPI), the Indian economy remained resilient with robust 7.6 percent growth rate of GDP achieved in FY2023-24, over and above 7 percent growth rate registered in FY2022-23. This was primarily fuelled by double-digit growth rate of the construction sector (10.7 percent), followed by good growth rate of the manufacturing sector (8.5 percent) which boosted GDP growth in FY2023-24.

As per MoSPI, real GDP or GDP at constant (2011-12) prices in the year 2023-24 is estimated to attain a level of ₹172.90 lakh crore, against the first revised estimates of GDP for the year 2022-23 of ₹160.71 lakh crore. The growth rate of GDP during 2023-24 is estimated at 7.6 percent as compared to a growth rate of 7.0 percent in 2022-23. Further, nominal GDP or GDP at current prices in the year 2023-24 is estimated to have attained a level of ₹293.90 lakh crore, against ₹269.50 lakh crore in 2022-23, exhibiting a growth rate of 9.1 percent.

India's economic transformation

As per the Department of Economic Affairs, Government of India, the Indian economy has undergone many structural reforms that have strengthened its macroeconomic fundamentals. These reforms have led to India emerging as the fastest-growing economy among G20 economies. An impressive post-pandemic recovery has seen the urban unemployment rate decline to 6.6 percent. Since May 2023, the number of net new subscribers to EPFO in the age group 18-25 years has consistently exceeded 55 percent of the total net new EPF subscribers. The government has extended the Pradhan Mantri Gharib Kalyan Anna Yojana for 80 crore citizens for five more years until December 2028.

India's economic growth suffered in FY2021 due to the global pandemic. Real GDP contracted 5.8 percent. However, the government's agile response during this period through a broad range of fiscal, monetary and health responses to the crisis supported India's economic recovery. Alongside economic reforms, this is helping to mitigate longer-lasting adverse impacts of the crisis.

Leading the focus on infrastructure development in the country, the government is building a road network and expanding rail and air networks at a record pace. India built 74 airports in the first 67 years after independence. It doubled that number in the last nine years. The number of universities was 723 in 2014, which increased to 1,113 in 2023. More girls are now in higher education than boys. Further, despite the conflict in Ukraine and disrupted supplies, the government managed crude oil purchases at the right price so that retail prices of petrol and diesel did not have to be increased for more than eighteen months.

The government gave a 50-year interest-free loan of ₹1 lakh crore to states in FY2023 and announced another ₹1.3 lakh crore of 50-year free loan in FY2024. From April-November 2023, the states utilised more than ₹97,000 crore out of the ₹1.3 lakh crore of interest-free loans under the Special Assistance to states for Capital Investment that the Centre budgeted for FY2024. Resultingly, the states are improving their infrastructure, like schools, rural roads, electricity provision, etc. States' capital expenditure was up more than 47 percent in the six months between April-September 2023, vs. April-September 2022.

Drivers of economic growth

The government's economic policy focus was to restore India's growth potential by getting the financial sector back on track, facilitating economic activity by easing conditions for business, and augmenting physical and digital infrastructure to enhance connectivity and the competitiveness of its manufacturing sector. With this vision, the government undertook diverse economic reforms to prepare the economy to grow at its potential by creating a business-friendly environment, improvising ease of living and strengthening governance systems.

Following the credit boom in the first decade of the millennium, the Indian economy faced a severe financial system crisis up to 2020. The private non-financial sector's credit-to-GDP ratio, which had risen from 58.8 percent in March 2000 to 113.6 percent by December 2010, came down to 83.8 percent in December 2018. As the banking, non-banking and non-financial sectors deleveraged their balance sheets, several reforms have been undertaken to strengthen the financial sector. From the recapitalisation and merger of Public Sector Banks (PSB) and amendment of the SARFAESI Act 2002 to enacting the Insolvency and Bankruptcy Code 2016 (IBC), these reforms have helped clean up the balance sheets of banks and corporates. The IBC has improved the business environment by providing a mechanism for an honourable exit to honest business failures.

Simplification of regulatory frameworks has been integral to all the reforms. For instance, enacting the Real Estate (Regulation and Development) Act, 2016 has created a culture of transparent transactions, reducing the circulation of black money and is incentivising more investments into the sector. Further, to enhance the ease of living and ease of doing business, the taxation ecosystem in the country has undergone substantial changes in the post-2014 period. Tax reforms, such as the introduction of the Goods and Services Tax (GST), reducing corporate and income tax rates, exemption of sovereign wealth funds (SWFs) and pension funds from taxes and removing the dividend distribution tax have reduced the tax burden on individuals and businesses and removed the distortionary incentives from the economy.

The GST has enhanced the tax base, reduced non-compliances, ensured a free flow of goods across states and led to the formalisation of the economy. The GST system has shown improved buoyancy with consistently rising average monthly gross collections from ₹0.9 lakh crore in FY2018 to ₹1.5 lakh crore in FY2023. The number of GST taxpayers increased from 66 lakh at its introduction to 1.4 crore in 2022, with a larger number of smaller businesses entering the regime.

A major reform over the last few years has been the transition in the engagement of the government with the private sector with regards to the development agenda. The private sector is now entrusted as a co-partner in development. Accordingly, the government's disinvestment policy has been revived and a New Public Sector Enterprise (PSE) Policy for Aatmanirbhar Bharat has been introduced to minimise the presence of the government in the PSEs to only a few strategic sectors.

Many initiatives have been introduced under the Aatmanirbhar Bharat and Make in India programmes to enhance India's manufacturing capabilities and exports across industries. Production Linked incentives (PLI), a major success factor in recent years, are being provided to firms to attract domestic and foreign investments and to develop global champions in the manufacturing industry. Strategic sectors, such as defence, mining and space have also been opened up to enhance business opportunities for the private sector. The FDI policy has been further liberalised too, with most sectors now open for 100 percent FDI under the automatic route.

The emphasis of reforms for the private sector has not just been on large businesses. The progressive reforms introduced by the government for the Micro, Small, and Medium Enterprises (MSME) sector have supported smaller businesses to recover from the impact of the pandemic and grow further. Some of these include the Emergency Credit Line Guarantee Scheme (ECLGS), revision in the definition of MSMEs under the ambit of Aatmanirbhar Bharat, introduction of TReDS to address the delayed payments for MSMEs, etc.

A common thread through all the reforms undertaken during the years has been the use of technology and digital platforms. India's digitalisation reforms and the resulting efficiency gains in terms of greater formalisation, higher financial inclusion and more economic opportunities stand as a bright model. Digital infrastructure has enabled the creation of digital identities, improved access to finance, access to markets, reduced transaction costs and improved tax collection and has provided the foundation for sustained and accelerated economic growth.

Interim Budget 2024-25

The FY2025 Interim Budget places emphasis on four crucial areas:

- Encouraging the impoverished by lifting them out of poverty and reaching out to marginalized groups
- Improving farmer welfare by giving direct financial assistance, promoting inclusive growth and productivity through farmer-centric policies, income support, risk coverage and technology promotion

- Encouraging the youth for the prosperity of the country by emphasizing high-quality education, holistic development, etc
- Empowering women through improved living conditions, increased workforce participation, etc.

The Interim Budget pointed out that despite challenges to the global economy, the Indian economy has fared much better, demonstrating resilience and maintaining strong fundamentals. With focus on infrastructure development, the amount allocated for capital expenditure in the upcoming year has been increased by 11.1 percent to ₹11,11,111 crore, or 3.4 percent of the GDP. Building on the tripling of capital investment expenditure over the previous four years, this will have a significant bearing on employment creation and economic growth. The total expenditure for 2024-25 and the total earnings (excluding borrowings) are projected at ₹47.66 lakh crore and ₹30.80 lakh crore, respectively. The tax receipts are estimated at ₹26.02 lakh crore.

In a major announcement, the scheme of 50-year interest free loan for capital expenditure to states will be continued this year too with a total outlay of ₹1.3 lakh crore. This year, a fifty-year interest-free loan of ₹75,000 crore is suggested as a means of supporting the state governments' milestone-linked Viksit Bharat reforms.

The Interim Budget also pointed out that the Pradhan Mantri Kisan Sampada Yojana has benefitted 38 lakh farmers and generated 10 lakh employment. The Pradhan Mantri Formalisation of Micro Food Processing Enterprises Yojana has assisted 2.4 lakh SHGs and 60,000 individuals with credit linkages.

Moreover, no change relating to taxation has been proposed in the Interim Budget. The same rates for direct and indirect taxes, including import duties, have been retained. However, to provide continuity in taxation, certain tax benefits to Start-Ups and investments made by sovereign wealth or pension funds as also tax exemptions on certain income of some IFC units have been extended by one year up to 31 March 2025.

Economic outlook

India's relatively good position in the international markets is indicative of the nation's optimistic view on increasing employment rates and economic growth. In terms of foreign direct investment inflows during the first quarter of 2022, India came in fifth place among the developed and developing countries on the list.

India has been showing both resilience as well as progress despite the uncertainties in the global economic landscape. Through timely and effective policy actions aimed at achieving macro stability and repairing the balance sheets of financial and non-financial sectors, as well as by investing in building high-class physical and digital public infrastructure, India has been able to withstand the challenges and ensure that the economy continues to progress on a steady path for attaining sustainable growth and inclusive development.



GLOBAL AGROCHEMICAL INDUSTRY

The agrochemicals market is a vital part of the agriculture industry, providing farmers with the necessary tools to maximize crop yields and quality. The market includes products such as pesticides, herbicides and fertilizers that are essential for successful crop production. Rising demand for food and the need for sustainable agriculture practices is fuelling the demand for global agrochemicals, with the market projected to grow significantly over the next few years. The global agrochemicals market size was valued at USD 221.7 billion in 2022 and is poised to grow to USD 301.5 billion by 2030, registering a CAGR of 3.9 percent during the period 2022-30 (P&S Intelligence). The market is being primarily driven by increasing population and the consequently rising demand for food. This is leading to a growing demand for fertilizers among farmers in order to supply nutrients to crops and enhance their yield. Globally, the US dominates agrochemical production with a market value of USD 36.42 billion in 2023.

Agrochemical Market

Market growth will accelerate at a CAGR (2022-2030) **3.9%**

MARKET SIZE (USD BILLION)

221.7
2022

301.5
2030

GROWTH DRIVERS

- Large size of farm lands
- Ongoing R&D activities to create high-quality agricultural chemicals

APAC accounted for around **40%** Share in 2022

Agrochemicals thus play a critical role in the success of the agriculture industry by improving crop yield and quality through the use of chemical and biological components. This includes fertilizers and insecticides, which safeguard crops by preventing and eliminating pests and providing vital nutrients to the soil. The need for increased agricultural productivity on existing land to feed a growing global population makes agrochemicals indispensable to agriculture.

The fertilizer category dominates the global agrochemicals market with a revenue share of 80% in 2022 (as per the latest data available). The category is expected to sustain its market dominance due to governments' efforts to make farmers aware of their benefits. Population expansion is also likely to raise the demand for fertilizers with the increasing demand for food. Moreover, the growing penetration of organic fertilizers is expected to enhance efficiency and safety. Particularly, growing emphasis on eco-friendly and sustainable formulations is one of the latest trends in the crop protection chemicals industry, driven by rising environmental consciousness. Biological control and precision agriculture technology are combined in integrated pest management (IPM) approaches, which are becoming more and more popular the world over.

A growing number of partnerships and collaborations between agrochemical companies and technological enterprises is giving rise to innovation leading to the tech-centric development of targeted products and solutions. In general, the patterns exhibit a larger industry shift toward crop protection technologies that are advanced, economical and sustainable.

Research and development (R&D) efforts are being guided by the regulatory focus on safer and more sustainable chemical solutions. These patterns show a movement in crop protection strategies toward more effective and environmentally-friendly options in response to changing agricultural and social demands, especially with the rise of ESG (environmental, social and governance) disclosures.

An important trend propelling the market for crop protection chemicals is liquid formulations. Farmers can apply, mix and handle liquid forms more easily, such as suspension concentrates and emulsifiable concentrates. Liquid formulations have better coverage on plant surfaces too, allowing for precise dosage control for enhanced efficacy. These formulations also lessen operator exposure and their negative effects on the environment. The move to liquid formulations is in line with the larger industry emphasis on crop protection measures that prioritize efficiency, safety and environmental sustainability. This trend is propelling the adoption of sophisticated and approachable liquid-based solutions in agriculture.

The Asia-Pacific accounts for the largest share of the crop protection chemicals market, a position that is predicted to be maintained over the foreseeable future due to a burgeoning population. One of the other main factors propelling this market in the Asia-Pacific is the growing demand for food, especially in

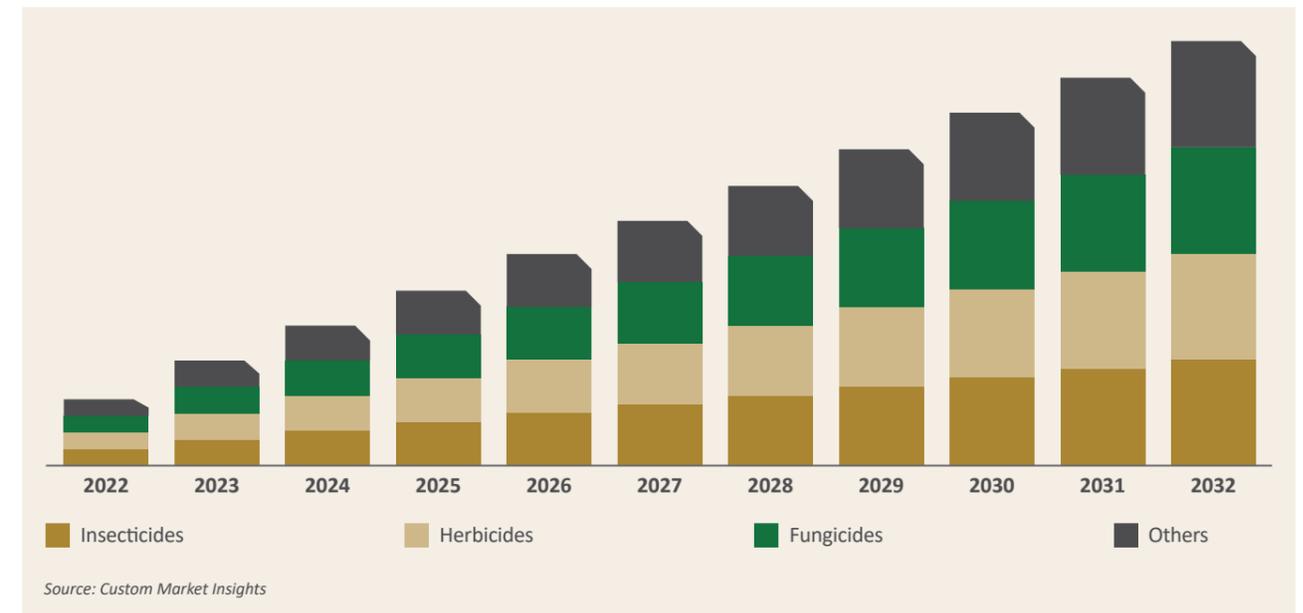
populous nations like China and India, which is driving up agricultural production. These two nations together account for close to 36 percent of the world's population.

Innovative crop protection technologies are the need of the hour due to the growing effects of climate change and evolving pest and disease patterns. The need for novel and ecologically-friendly

crop protection agents is also fuelled by the rise in integrated pest control, precision farming and awareness around sustainable agriculture. Also, government programs promoting contemporary farming methods contribute to the agriculture sector's growth in the Asia-Pacific region.

Global crop protection chemicals market 2023-2032

(By type)



Regional crop protection market performance 2023

Region	2022	2023 (P)	Nominal Change (%)	Current Dollar Change (%)
North America	12,684	12,450	(1.8)	(1.1)
Central & South America	22,979	25,045	9.0	7.6
Asia Pacific	22,609	20,288	(10.3)	(3.3)
Europe	13,713	14,451	5.4	8.1
Middle East / Africa	2,770	2,626	(5.2)	3.0
World	74,755	74,860	0.1	2.7

* 2022 Baseline
Source: AgbiInvestor

Outlook

Due to growth being hindered by unfavourable weather conditions in some countries and decreased agrochemical prices, the crop protection market remained somewhat flat in 2023. This was countered though by favourable circumstances that caused much of Europe to recover; a robust Brazilian agriculture sector and economy that prevented price reductions from being felt when buying agrochemical products; better weather in the Western US, and elevated pest pressure in important international markets, particularly China, India and Brazil.

The global agrochemicals market is expected to remain muted in 2024 as the full effects of declining agrochemical prices are realized in Central and South America while much of Asia Pacific is still feeling the effects of the ongoing El-Niño weather conditions. Furthermore, the market in 2024 may be impacted by projections for reduced areas of a few important crop and country markets, such as cereals in France and Argentina, maize in Brazil and the US, and cereals and canola in Australia.



INDIAN AGROCHEMICAL INDUSTRY

The India agrochemical industry market size is estimated at USD 8.22 billion in 2024, and is expected to reach USD 13.08 billion by 2029, registering a CAGR (compounded annual growth rate) of 4 percent during the period of 2024-29.

India Agrochemicals Market (Market Size in USD Billion)



The growing population in India, accompanied by rising affluence, is creating a shift in consumption patterns. There is a need to not just increase production to meet demand but also to ensure that the nutritional needs of an increasingly affluent population are met. Shrinking arable land and loss of crops due to pest attacks lead to wastage, posing a critical challenge to ensuring food and nutritional security. The agrochemical market is an important agriculture support industry, which boosts output. These factors support the growth of the market.



In India, about 15-25 percent of potential crop production is lost due to pests, weeds, and diseases. The need for improving crop productivity with a focus on the effective use of pest control measures and the adoption of weed management practices has been recognized as an important factor in increasing agricultural output. These factors are aiding the use of agrochemicals in agriculture to increase output.

India uses about 400 g/hectare of agrochemicals, compared to the average of 2.6 kg/hectare worldwide. As a result of the Indian government relaxing its laws and regulations regarding drones, mechanization and technological improvements have made it possible to use agrochemicals efficiently, lowering the potential for imports and increasing exports. Additionally, it has led to a further decline in dermal exposure related to the application of agrochemicals.

Pesticide usage is high among other chemicals. Price premiums and innovative eco-friendly production methods are emerging steadily in the agrochemical market. There is an increasing need to balance the judicious use of the best chemicals and minimize the impact of that use. As the Central Government focuses on promoting sustainable agriculture practices, there is an increase in the use of biopesticides which now account for 15 percent of the market.

According to the Federation of Indian Chambers of Commerce and Industry, the Indian government recognizes the agrochemical industry as one of its top 12 industries to achieve global leadership, growing at 8-10 percent through 2025. Thus, the agrochemical sector in India is projected to witness growth during the forecast period.

Source : <https://www.mordorintelligence.com/industry-reports/india-agrochemicals-market>

Moreover, the population demographic in India is shaping the agrochemical industry in the country. For example, the population is growing significantly. India's population was estimated by the World Bank to be 1.39 billion in 2021 and is projected to increase to 1.66 billion by 2050. Approximately half of the population still makes their living from agriculture. To feed the growing population, there is a significant demand for food goods. The increased likelihood of pest infestation brought on by the warmer temperatures and increased moisture causes productivity to decline. Scientists from the India Council of Agricultural Research (ICAR) estimate that pests cause the loss of between 30-40 percent of India's annual crop yield. It is projected that the use of crop protection chemicals will rise in order to address these issues and boost productivity.

Additionally essential to crop growth are agrochemicals, which exhibit enhanced efficacy and discernible outcomes. Since they are important to preventing pests and diseases in the field, they play a major role in generating higher yields. Enough nutrients must be given to plants in order for them to develop healthily and produce enough food to feed the growing population.

When it comes to agrochemical exports, by 2022, India ranked second, according to data from the WTO. With USD 5.5 billion in exports, the nation's market has surpassed that of exports by the United States (USD 5.4 billion). In FY 2022-2023, India's agrochemical industry growth yielded a respectable trade surplus of ₹28,908 crore

(How India is leading the world's agrochemical sector, Economic Times, 9 December 2023). With a projected CAGR of 4.6%, the current pesticide market size in India is likely to reach ₹342.3 billion by 2028 from an estimated ₹229.4 billion in 2022.

Because of the growth levers that the Indian government has supported, including policy reforms, demand stimulation, R&D prioritisation and capacity building on several products manufactured under the Made in India Mission or Atmanirbhar Abhiyan initiatives, India's outlook as a global manufacturing hub remains strong.

When it comes to manufacturing, the national agrochemical sector is characterised by state-of-the-art production facilities that help meet local demand, thus ensuring progressive self-reliance and decline in agrochemical imports. The sector has become well-known throughout the world for its economic production methods, high-quality products, affordable prices and supply to almost all the major markets of the world. Furthermore, the government proposed a production-linked incentive program for agrochemicals in 2020. This initiative aims to create a resilient, digitally-led agrochemicals supply chain that guarantees Indian farmers access to the appropriate products at the right time.

According to data available for the year 2022-23, the US and Brazil accounted for more than half of the USD 5.3 billion agrochemical export basket out of India. The nation currently supplies agrochemicals to more than 140 countries worldwide (Source: Hindustan Times, 31 January 2024).

The year 2023 was a mixed bag for India's agrochemical industry with sales sustenance that was somewhat offset by higher commodity and raw material costs. Furthermore, during the year, there was a 1.8 percent moderation in the Gross Value Added (GVA) in agriculture due to harsh weather. To allay worries about working capital, the industry does, however, expect consumption to drive the rationalization of excessive inventories. Because of the current channel inventories, the sector might report subdued demand at least over the near-term.

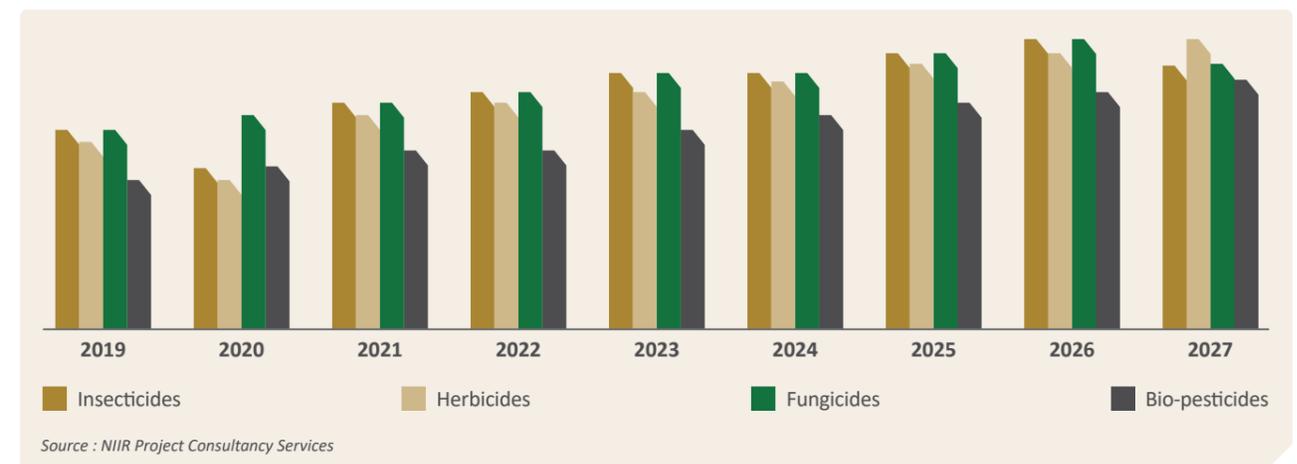
Now, India's agrochemical sector faces a crucial turning point. While domestic demand remains relatively buoyant, the industry struggles with a downturn being brought on by the state of the world economy, increased competition from China, sub-par monsoons that hinder the sowing of rabi crops, and worries about El Nino's influence on agriculture. Further, the threat of climate change cannot be disregarded as adverse weather events can have a significant impact on agriculture. Since the agrochemical industry is inextricably linked to the country's agriculture sector, a new challenge was observed in India: a moderation in the area sown for oilseeds and pulses, which are major crops of the country.

Moreover, given that the war in Ukraine has interrupted the EU's food supplies and that nations are buying food from India and other regions to suit their urgent needs, Indian agro-products are also being exported to EU countries, which is somewhat offsetting other global pressures.

Key growth drivers

- Food security for 1.21 billion people. As the world's population grows, so does the demand for food crops, which is growing faster than supply. Pesticides must be used to do this.
- Substantial loss of crop yield per year due to non-usage of agrochemical products. As a result, the market is expected to expand at a steady pace in the coming years.
- Expanding domestic market. The agrochemical industry makes up just 2% of India's overall chemical industry.
- The government's encouragement of the use of unrestricted fertilizers, and new policies to promote full fertilizer output are all contributing to India's agrochemical market's development.
- Farmers spending more on seed treatment agrochemicals, which help ensure pest tolerance as well as stronger and more uniform germination, and improved soil yield, enabling them to bring their crops to market quicker.
- Reduced arable space, smaller farm sizes, increased insect attacks and poor per hectare yields, all of which are positively influencing the Indian agrochemical industry.

India Agrochemical Market, by Product: 2020-2027





Government initiatives

One of the primary features of the Interim Budget of 2024–25 was the improvement of rural demand and farmer welfare.

According to the Finance Minister, each year, 40 million farmers receive crop insurance under the PM Fasal Bima Yojana, while 11.8 crore farmers, including marginal and smallholder farmers, receive direct financial assistance under the PM-KISAN Samman Yojana. Furthermore, free ration for 800 million people has allayed concerns about food and that these and a number of other programs are helping farmers produce food for the nation and the rest of the world.

The Interim Budget has committed to increasing farmers’ incomes and accelerating value addition in the agriculture industry, enhancing productivity on 174 million hectares of arable land. In order to ensure faster growth of the agriculture and food processing sectors, the government has pledged to further encourage private and public investment in post-harvest activities, such as aggregation, modern storage, efficient supply chains, primary and secondary processing, marketing and branding.

In an effort to boost agricultural production, the government has also taken some steps to provide farmers with access to crop protection products. For instance, to guarantee farmers’ access to improved seed types, crop protection agents and technology, the Indian government has developed a network of 729 Krishi Vigyan Kendras at the district level throughout the country.

Earlier in 2022, the government had made a significant investment to subsidize potash, the biggest imported fertilizer, and lower its cost for farmers. The Department of Fertilizers reports that USD 14 million was set aside by the government for the fertilizer subsidy scheme.

The Pradhan Mantri Formalization of Micro Food Processing Enterprises Yojana has helped 60,000 people and 2.4 lakh SHGs (Self-Help Groups) establish credit linkages.

Moreover, 10 lakh jobs and 38 lakh farmers have benefited from the Pradhan Mantri Kisan Sampada Yojana. The Electronic National Agriculture Market has 1,361 mandis integrated and serves 1.8 crore farmers with a trading volume of ₹3 lakh crore.

Also, the government is formulating a strategy to achieve atmanirbharta or self-reliance for oil seeds, such as mustard,

groundnut, sesame, soybean and sunflower. This will cover research for high-yielding varieties, widespread adoption of modern farming techniques, market linkages, procurement, value-addition and even crop insurance.

Overall, the usage of chemical pesticides grew as a result of holistic government initiatives. The Ministry of Agriculture and Farmers Welfare reports that 44,700 metric tons of chemical pesticides were used in 2021. Thus, it is only anticipated that the growing government initiatives in the agrochemical sector to increase the production of important crops will support market expansion in the upcoming years.

Outlook

India has the largest area dedicated to wheat, rice and cotton cultivation and is the world’s leading producer of spices and pulses. In terms of rice, wheat, cotton, sugarcane, and fruits and vegetables, it is the second-largest producer in the world. About half of the country’s workforce is employed in the agriculture sector, which occupies the second-largest area of land in the world. It is anticipated that the agriculture sector will reach a valuation of USD 24 billion by 2025, primarily due to the country’s steady population growth demanding more food to be put on the table.

India is now among the world’s top manufacturers of agrochemicals, primarily as a result of government programs aimed at promoting agriculture and lowering crop loss. World-class agricultural productivity has already been attained through the implementation of a number of ground-breaking initiatives and reforms. Furthermore, the government is also taking initiatives to accomplish the Sustainable Development Goals or the SDGs of the UN through crop-based subsidies for farmer welfare and success of the ancillary industries.

A growing population, altering consumer preferences and changing lifestyles make it imperative to embrace sustainable practices in order to optimize productivity. However, India’s poor use of crop protection agents contribute to its low agricultural productivity and hence it exhibits scope for growth as the correct usage of agrochemical products can be revolutionary for India’s agriculture sector.

Internal control systems and their adequacy

The Company has established a comprehensive internal control framework, which includes thoroughly documented policies and procedures. This proactive approach helps in early detection of any financial and operational issues. The Internal Financial Controls have been documented, digitized and embedded in the business process and are continuously monitored through regular internal audits and management reviews.

Risk management

High-cost inventory liquidation and pricing pressure from the influx of Chinese generics posed profitability challenges for domestic companies during the year. The destocking of inventories by companies across the globe resulted in lesser opportunities for export. The company countered these challenges by modifying its product profile to cater to the domestic market and strengthening cost position of existing products through process optimization and improved capacity utilization.

Type of Risks	Description	Mitigation
OPERATIONAL RISK		
Market Risk	The fierce competition in the agrochemical industry may pose a threat to business growth.	The Company closely observes the strengths and weaknesses of its competitors as well as the dynamics of the market. Effective measures are continuously taken to lower the cost of production, including budgetary controls and other management control systems.
FINANCIAL RISK		
Credit Risk	Risks in the settlement of dues by customers can have an impact on the Company’s financial performance.	The Company has systems in place to assess the creditworthiness of customers. Realization of receivables is closely monitored and adequate provision for bad and doubtful debts is made in the books of accounts on a realistic basis. A proper recovery management and follow-up mechanism are in place.
Foreign Exchange Risk	Foreign currency exposure for sales in other countries and purchases from overseas suppliers in US dollars expose the Company to significant risks due to currency fluctuations in global foreign exchange markets, which can affect profitability.	The objective of the Company’s risk management policy is to reduce risks from adverse currency fluctuations by managing the uncertainty and volatility of foreign exchange through a Board approved forex hedging policy.
Talent acquisition and retention Risk	To retain high-performing employees and implement business strategies effectively, talent retention and engagement are essential.	The Company has an appropriate recruitment strategy in place for employing people at all levels of the organization. It ensures that the right people are placed in the right positions to achieve organisational excellence while also ensuring career growth for the personnel
Environmental Risk	There is a risk of pollutants being released into the environment, endangering the ecosystem and harming the Company’s reputation.	The Company operates its own Effluent Treatment Plant comprising agitated thin film dryers, Multiple Effect Evaporators, Scrubbers, etc., besides a Sewage Treatment Plant and ensures zero liquid discharge. Green belt is developed all around the manufacturing plant to strictly comply with regulatory norms. Solid effluent is sent to government-approved agencies for incineration.



Company Overview

The agrochemical sector, like many other sectors, has encountered various setbacks during the year, globally. Factors such as market volatility, adverse market conditions and uncertainties due to erratic monsoon have undoubtedly posed significant challenges to our industry’s growth. Despite the setbacks, our company has been steadfast in its efforts to adapt, innovate and uphold the highest standards of operational excellence. While we faced setbacks, we made strategic investments and laid the ground work for future growth and sustainability. We acknowledge there is room for improvement and we remain dedicated to enhancing our performance, optimizing our operations, and delivering value to our stakeholders.

Company Outlook

The demand for agrochemicals in the domestic market is expected to be robust with seasonal rainfall across India expected to be above normal and sowing acreage for key crops expected to increase. With destocking of inventories in the previous year complete, demand is expected to set in for the second half of the financial year which should open up opportunities for exports. The company is strategically focusing on certain key products and chemistries for investment in backward integration based on market trends, export opportunities, import competition and domestic advantage. The company would be introducing at least 3 new generic products, going forward.

Financial Overview

Description	FY 23-24	FY 22-23	% Variance	Explanation
Debtors turnover	3.50	4.47	(21.7)	Owing to reduction in sales turnover as compared to the previous year, the debtors turnover has come down.
Inventory turnover	8.69	18.83	(53.85)	Owing to reduction in sales turnover as compared to the previous year and higher inventory holdings due to adverse market conditions, the inventory turnover has come down.
Interest coverage ratio	4.78	14.06	(66.02)	The profits have come down during the year by 56.25%, resulting in fall in Interest Coverage ratio.
Current ratio	2.59	2.30	12.60	The temporary liquidity on account of receipt of share warrants subscription amount has resulted in improved Current Ratio.
Debt equity ratio	0.15	0.16	(6.75)	The variance is not so significant.
Operating profit margin (%)	9.03	13.95	(35.23)	Owing to fall in profits on account of reduced margins, the operating profit margin has come down.
Net profit margin (%)	4.93	9.21	(46.43)	Owing to fall in selling prices and weak market demand, the sales revenue came down resulting in lowered profit margin.
Return on net worth (%)	4.86	14.74	(67.00)	For the reasons of reduced profits and increase in the equity on account of issue of share warrants on preferential basis, the return on net worth declined.