

## Annexure-I to the Director's Report-

### Management Discussion and Analysis

#### **a. Macro Economic Overview**

During the year under review, inflation continued to be an area of concern and the real earnings of the farmers and other rural population continued to be under pressure. This resulted in their having to cut back on their expenses, particularly the input expenses for their agriculture.

#### **b. Industry Structure and Developments**

The seed business of the country continues to be very competitive. However, many industry leaders who were major producers of GM seeds are facing pressure as the pests seem to have developed resistance to the bt genes transferred in the seeds. Further, due to a drop in the prices of cotton, the farmers are going slow on sowings of cotton and overall area of cotton is expected to reduce. The government has expressed its concern to the seed industry to ensure quality of seeds in the wake of news of suicides by farmers.

#### **c. Opportunities and Threats**

The entry barriers to the seed business have become high as the market is now dominated by propriety brands of seeds and technology of public bred seeds is unable to compete. Development of genetically modified seeds continues to face opposition from the environmental groups and several scientists as well. On the other hand, with competition intensifying there may be new opportunities in the business of providing services such as extension services to large players.

#### **d. Business opportunities under examination**

In view of the high technology barriers for entry in seed industry, your company has been examining other opportunities in the agriculture space. A possible area under examination is trading of seeds on the internet by using warehouse receipts as trading note. Other business opportunities are also under examination.

#### **e. Resources and liquidity**

The company has invested its liquid resources mostly in debt based Mutual Funds with a view to use the income so earned to meet the day to day expenses of the company. In addition, to keep the R&D farms in good order, the land is being used for production of seeds and selling them in the nearby market.

#### **f. Risks and concerns**

The main risk of seed business continues to be the dependence of business on monsoon. Lack or excess of rainfall has the effect of changing the sowing pattern and crops sown with an immediate impact on seed demand. This can result in shortages or in carry over, both of which have an impact on the business.

#### **g. Internal Control Systems and Adequacy**

The Company has adequate internal control procedures commensurate with its size and nature of the business. These business control procedures ensure deficient use and protection of the resources and compliance with the policies, procedures and statutes.

## **h. Human Resources**

The company currently has no employees and the executive director of the Company is looking after the various statutory and other requirements as also looking at the possibilities of starting the business once again. However in view of reverses suffered in the past it is proposed to be cautious in undertaking any new venture.

## **i. Future outlook**

As mentioned earlier, the business is quite dependant on monsoon and its progress. At the time of writing this review, there are reports that so far the monsoon has been normal in most parts of the country. However, the metreological department has issued bulletins expressing concern over strengthening of El-Nino effect which may adversely affect the monsoon in the second half.

On behalf of the Board of Directors

For **HINDUSTAN AGRIGENETICS LIMITED**

**PRITAM KAPUR**  
Managing Director  
DIN- 00461538

**PRANAV KAPUR**  
Chairman  
DIN: 00485910

**CHANDNI KAPUR**  
Director & CFO  
DIN: 07007247

**NEHA MITTAL**  
Company Secretary  
ACS-A27477



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