

## Management Discussion and Analysis

In order to have a sustainable business model we have always given due emphasis to all aspects of growth, from R &D to HR and we must say that we are progressing well on the growth path. We can say with conviction that FY 18 was a year in which the foundation for a long term sustainable growth was laid. Essentially, Research, Production and Marketing are the three cornerstones of any seed company, and we identified and addressed the gaps in each of these areas. But still we assure our shareholders that we are not complacent and would continue to work for the best interest of all our stakeholders.

### Research, Product Development

Research is all about performing a methodical study to prove a hypothesis. In our industry, Research and Product Development is typically a 5-7 years period, before you can see any tangible results. Financial Year 2018 was a turning point as some of the products on which the company has been working for last few years started to yield results. Your company has developed a family of products across verticals of Cotton, Paddy, Mustard, Pearl Millet, Maize, Okra, Tomato, Gourds, Chilli and crop nutrition supplements. Your company also has a strong pipeline in each of the verticals for the next 3-4 years.

Nath Bio-Gen has a formidable research team led by Dr. Satish Raina and his energetic team of agricultural scientists and breeders. Company has a dedicated team of research scientists working on each crop. Company has set up 18 stations for evaluating research products across agro-climatic zones. It is not just about making high yields seeds but creating seed embedded technologies to protect against specific biotic / abiotic stressors. Your company is also working closely with number of national / international research institutions.

**Cotton:** Your company products are leading in per acre yield, fibre quality, resistance across climatic conditions and soil conditions. Our claim has been confirmed by number of research and testing trials conducted by recognised institutions. The products like King 101, NBC 102 and NBC 1022 have displayed excellent results and have been well accepted by the farming community. Now the challenge is to scale up production as the demand picks up.

**Paddy:** In paddy, our presence is largely in the hybrid segment. Here we compete with large MNC's and large domestic companies. We have been able to maintain a steady growth based on product quality. Given the superiority of hybrids over natural seeds, hybrids paddy has been witnessing superior growth over the naturals and this trend is likely to sustain. We expect to grow higher than industry, backed by our strong product portfolio. We also are enhancing our presence in the OP segment. The induction of Dr. Ish Kumar to spearhead the Paddy growth for the company would definitely support our endeavours.

**Other Cereal Crops:** Apart from the above two main crops, we are also into other cereal crop like Maize, Wheat, Jowar, Mustard etc. Each crop has a potential to be a chart buster. Although currently these crops add a minor contribution to the sales, the research efforts are on to take each crop to its deserved height. Your company maintains its presence in all these crops, to ensure visibility as also presence in all areas.

**Vegetables:** In order to provide the desired impetus to vegetable segment, we have created a separate Vegetable Vertical. In house research of your company, led by Dr. Chandra Pathak, has managed to develop a balance product portfolio comprising chilli, okra, tomato, brinjal, bottle gourd, bitter gourd, sponge gourd, ridge gourd and cucumber. Few of our products in chilli, tomato and okra are considered to be amongst the best in the industry on a range of parameters. Since vegetables are grown through the year, the vertical would provide stability to the revenues. Backed on our product superiority, we expect strong growth in vegetable seeds in the years to come.

**Crop Supplements:** Win-chi-win is a bio growth enhancer for cereals, vegetables crops, fruits, etc. It is a promising product which your company is aggressively pursuing for growth. We believe that there is a large market for this product and market size is manifold and just waiting to be tapped. We plan to make this product a chart buster in the years to come.

### **Marketing**

Marketing is one area which always requires complete attention. Even with the best of product portfolio, company cannot achieve the desired heights without a strong marketing support. Under the able leadership of Mr. Madhav Dhande your company was able to attract some of the finest marketing talents in the industry. The important changes brought in by Mr. Dhande during the year like Creating a rating mechanism for distributors, focusing on the performing and good potential distributors, reduction in number of active distributors, Rationalizing the portfolio of products, working extensively with farmers to help them improve their yields and Rejuvenating the sales team and bringing in fresh new talent at different levels in the marketing set up of your company have commenced to show results. He is confident of the products and their sales potential.

### **Financials**

The company is gearing up for an enhanced growth during the coming years. During FY 2018, we inducted fresh equity through Qualified Institutional Placement for repayment of Long-term Loans as also to strengthen the Working Capital. Accordingly, all long-term loans were duly paid by the company and balance funds parked with the company bankers for working capital needs. The company plans to use these funds judiciously to achieve target growth.

The revenues saw a reasonable upward trend of 12.82 %. The growth can be attributed to enhanced Cotton, Paddy, Vegetables and Win-Chi-Win sales. Cotton and Paddy continued to contribute around 20% and 40 % of the total sales. However, PNS segment contributed around 10% and the better margins in this segment resulted in better margins. The Net Profit (PBT) increased by astounding 79%. Part of the increase was due to better product mix and increased margins. The reduction in discounts and schemes also contributed as a major factor towards the same.

The Inventory holding has been gradually reducing over the last 2-3 years. It is basically due to controlled production and enhanced sales. However, the debtors have shown an increase over the last year. The company reduced the Cash Discount schemes at the year end, thereby enhancing debtors but increasing the profit margin. Advances to production growers have also increased over the year. Seed production for the coming years, especially cotton and paddy, can only be ensured with quality producers, by making advance booking of their lands. And we plan to exponentially enhance cotton sales. Our cotton products have been well accepted and are in

demand. Similarly, the trade payables have reduced in FY 18. The reduction in payable period facilitates the trade confidence.

Finally, the financial year 2018 was a progressive year and the efforts of renewed marketing vigour have started showing results. The products are being recognised for their yield and quality. At Nath Bio-Gen we are undergoing a complete transformation and there is an energy, passion and focus to achieve something meaningful over the years to come. Nath Bio-Gen is essentially a company devoted to the services of the farmers. Your company will strive to help increasing the income level of farmers and do its bit to achieve government mission of doubling farm income by 2022. We believe that seed technology must be at the forefront for the Government to achieve its objective.

