



DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

TO THE MEMBERS

Your Directors have pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company for the Financial Year ended 31st March 2020.

FINANCIAL RESULTS

	(₹ in Crore)
Sales & Other Income	180.51
Profit before Finance Cost & Depreciation (PBITD)	(3.80)
Profit after Tax	(10.76)
Surplus brought forward	<u>46.16</u>
Surplus carried to Balance Sheet	<u>34.75</u>

DIVIDEND

Considering the financials of the Company, no Dividend has been recommended by the Board for the Financial Year 2019-20 ended 31st March 2020.

PREFERENTIAL ALLOTMENT OF EQUITY SHARES & CONVERTIBLE WARRANTS

For meeting working capital requirements of the Company and for other general corporate purposes, the Company has made preferential allotment of 5,50,000 Equity Shares of ₹10/- each and 4,83,057 Fully Convertible Warrants "Warrants" (to be convertible at an option of Warrant holder in one or more tranches, within 18 (Eighteen) months from its allotment date i.e., 4th March 2020 into equivalent number of fully paid up Equity Shares of face value of ₹10/- each) to the Promoter and Promoter Group, at a price of ₹484/- per Equity Share/ Warrant, based on a price prescribed under relevant SEBI Regulations, aggregating to ₹50 Crore.

Pursuant to the above allotment of Equity Shares, the issued, subscribed and paid-up equity share capital of the Company has increased from ₹3,60,39,060/- comprising of 36,03,906 Equity Shares of ₹10/- each to ₹4,15,39,060/- comprising of 41,53,906 Equity Shares of ₹10/- each.

In respect of Warrants, the Company has received an amount of ₹5.85 Crore upfront representing 25% of the warrant price at the time of allotment of warrants and the balance 75% i.e., ₹17.53 Crore will be payable at the time of exercise of the warrants which is exercisable within a period of 18 months from the date of allotment.

OPERATIONS

Your company's performance for the year 2019-2020 should be seen in the overall context of the Covid-19 situation, especially the impact in the last quarter of the financial year. The Company was set to achieve better revenues if lockdown would not have happened in the last few days of the financial year. In fact, till February, the revenues of the Company were ahead of the previous year. During the lockdown significant high-value material like vegetables and export were stuck in transit due to supply chain disruptions therefore could not be sold.

Overall, the field crop business fared well whereas vegetables continue to be subdued. Maize business had a double-digit growth whereas Jowar, Bajra and Rice had marginal degrowth. As part of its product portfolio restructuring program, the Company had also dropped some low margin, slow-moving high-volume products even at the cost of short term drop in overall revenue. Our newly launched products in Rice, Maize, Mustard, Millets, Sorghum Sudan grass and Cotton have been perceived well in the market and are expected to contribute significantly to the turnover and profitability of the Company in the upcoming years.

The domestic cotton business has stabilised, and we believe that new products introduced in recent years will bring us back on the growth path. In the medium-term, Covid-19 driven subdued demand pattern may lower the sentiments for the Cotton crop in India. Pink bollworm & un-authorized technologies like herbicide tolerant cotton are also spreading even though the rate of expansion has slowed down owing to the crack down by the Government. In the Short-term Government's MSP based procurement of Cotton may provide stability to the crop.

Seed exports of field crops have also started ramping up and we have recorded a small growth in spite of multiple headwinds including currency and trade issues. Company is pursuing to increase its share of exports in the forthcoming years, as we secure more approvals in new and existing markets. Though the Company expects some temporary headwinds due to ongoing pandemic but these are surmountable and long term prospects of the Company would not be influenced by these events.

The vegetable seed business is also undergoing

structural change with emphasis to drive growth over next few years. Focus is to revamp portfolio and increase the demand generation activities to help drive the grass root level demand and growth.

During the year, several strategic and transformational moves have been initiated to put back the Company on a growth path. Some of the notable initiatives are:

1. **Portfolio renewal & Simplification of operations** – The product portfolio has been rejigged and your Company has decided to only continue with products that make a positive profit contribution and discontinue old and slow-moving products. These actions will simplify business planning, supply chain and marketing operations. Discontinued products include some in vegetables and field crops.
2. **Branding and visibility** – In order to improve the visibility of company’s products in the marketplace a new simple and easy to relate packaging has been introduced which will help farmers identify the company’s products clearly.
3. **New product launches** – To refresh the product portfolio and offer better products for the farmer new products in Okra, Tomato and Chilli have been introduced. In field crops, during the last 2 years, we have introduced dozens of new products in rice, maize, cotton, millets & mustards etc for rapid scale up of volumes.
4. **Portfolio Gaps** – Besides focusing on our own R&D, we have started collaborating with the best in the class companies to in-source products to meet the gap in our product portfolio. Such tie-ups will help catalyse the growth of the Company in upcoming years.
5. **Demand generation** – To create brand pull in the market, the Company has restructured the marketing function into three key areas i.e. marketing communication, demand generation and portfolio management. Detailed demand generation planning activities, execution and close monitoring all the way to the last mile should help us generate more robust on ground pull for our products.
6. **Upgrading and upskilling of the people** – A number of strategic changes have been made in the organisation structure and high quality experienced talent has been inducted across all

the levels to augment the leadership pipeline of the Company in order to drive the transformation and deliver critical outcomes.

7. **Digital & e-commerce push** – Several initiatives have been undertaken to improve our digital presence and listing our products with various e-commerce platforms to ensure all our products become available via channels of customers choice. Tools to connect and service our channel partners are being developed and implemented. In addition, all our employees are geared up to work, connect and collaborate remotely leveraging modern digital tools.
8. **Business continuity strategies and plan** – Several initiatives have been taken to make the Company future ready to combat Covid-19 type of disruptions. After a short closure the Company was able to start the plant operations complying with all the sanitation, health and social distancing norms and government guidelines.
9. **Organizational readiness** – There has been a significant effort to improve engagement of our people across the levels. A number of cross functional teams have been formed and training programs have been conducted to upgrade the skill sets and improve decision making capabilities. The efforts made are showing progress and for the first-time ever your Company has earned the distinction of “Great Place to Work™” by the Great Place to Work® Institute, a global certification body.
10. **Export business expansion** – In the short-term we expect export business to face challenges due to export restrictions to Pakistan, pandemic situation in India and overseas countries. In spite of the challenges we have been able to secure new registrations for our products in Egypt, Myanmar & Ethiopia.

INDUSTRY OVERVIEW AND OUTLOOK

It is difficult to predict the impact of Covid-19 on the agriculture economy but given that food is a basic need, we believe impact will be far lower as compared to discretionary items of consumption. Also, its impact may not be uniform across all the crops. Labour availability and prices may dictate some crop trends that are difficult to predict. Silver lining is that outlook for the monsoon for the season 2020 is positive.

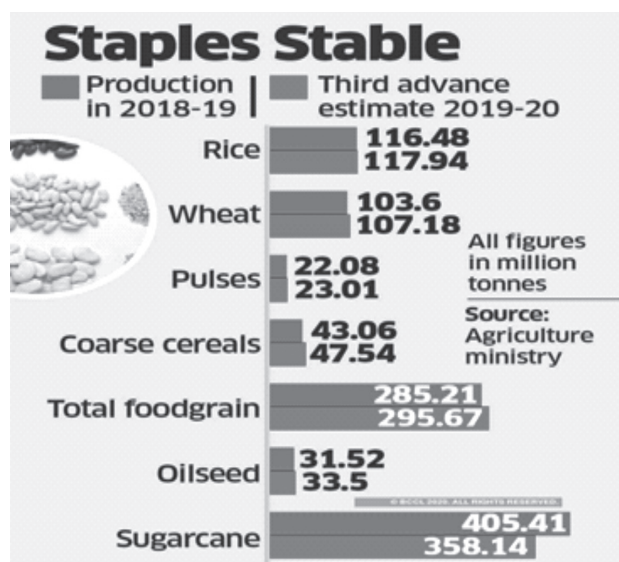


Cotton prices both in India and around the world have become softer due to uncertainty around the discretionary spend in apparel and other cotton fibre-based products. India's cotton and textile export may also be impacted due to Covid-19.

Poultry prices sharply dropped recently due to Covid-19. Maize commodity prices are directly linked to the poultry demand, continued lockdown and disruptions due to Covid-19 may see some farmers switching to other crops. It is also pertinent to note that cost of maize cultivation has significantly gone up in the recent years due to additional cost of insecticides for the control of pests like fall army worm, locust etc.

The consumption of vegetables and fruits have also been adversely impacted due to lower demand in the HoReCa (Hotels, restaurant and canteen) segment and supply chain challenges leading to the lower realizations for the farmers.

On the positive side, Indian agriculture overall performed well, aided by good rainfall, cold winter, good reservoir levels, soil moisture and commodity prices in 2019-20. According to the recently released 3rd estimate, India will have all time high food grain output of 295.67 million tonne (MT) in 2019-20. For the year 2020-21 target is 298.32 MT of food grain. Cotton production is estimated at a record 36.05 million bales (170 kg each) significantly higher than previous year.



Source – Economic times dated May 15, 2020

Government continues to increase focus on agriculture and taking steps to double farmers income. Policy impetus given during Pre & Post Covid-19 auger well for the farmers and farm economy. Few key

announcements made by Government if implemented well will create positive impact.

In February 2020, the Government announced that they will launch an Aadhaar-authenticated data base of the farmers for them to take advantage of farmer related Government schemes. This will ensure that benefits reach the authentic beneficiaries.

Government in a very calibrated manner continues to increase the minimum support price of the crops. The Commission for Agricultural Costs and Prices (CACP) has recommended higher support prices for 17 kharif crops. India recently had announced sweeping reforms for the farm sector like –

- Proposed amendment to The Essential Commodities Act which will help deregulate trade in cereals, edible oils, oilseeds, pulses, onion and potato.
- A new central law is proposed to be formulated to provide barrier-free inter-state trade of farm produce and more freedom for farmers to sell directly or even online. This will help the farmer get fair and remunerative prices for their produce.
- Government has also proposed creating a facilitative legal framework for contract farming encouraging private capital in agriculture.
- ₹1,50,000 crore package seeking to strengthen farm gate infrastructure and logistics for the sector and build capacities for intervention. It includes ₹1 lakh crore financing facility through National Bank for Agriculture & Rural Development (NABARD) for funding agriculture infrastructure projects at the farm gate and aggregation points for produce such as cooperatives, farmer producer organisations (FPOs), agriculture entrepreneurs and startups.
- In addition, a ₹10,000 crore dedicated fund will be set up to aid micro food enterprises brand and market their products globally.

We believe that above changes have potential to increase contribution of agriculture in GDP and create many more jobs in rural India.

RESEARCH AND DEVELOPMENT

R&D continues to be the driving force of the Company's future. While the primary focus has been the vast domestic market, however, the teams have also started working on hybrids suitable for similar Agro climatic

conditions especially in select African and ASEAN markets. The Concept of taking bottom-up customers input to collect the breeding lines and breed commercial products for market specific needs has further been strengthened by sharply defining the segments and formalising the cross-functional crop teams.

The R&D team has sharpened the focus on developing hybrids with tolerance to biotic stress for crops like Tomato, Okra & Chilli in vegetables crops and Hybrid rice, Maize, Bajra and Cotton in field crops. To improve the probability of outcome in the shortest possible time, the Scientists have been using marker assisted breeding techniques across the crops. The teams have also started focusing on production research to improve the cost effectiveness of multiplication. We continue to strengthen our field trials and testing network to improve our success rate.

OPPORTUNITIES, THREATS, RISK AND CONCERNS

Opportunities

While it is difficult to predict the outcome for 2020-21, it is certain that reforms announced by Government of India will go long way in unleashing the potential of agriculture in medium to long-term. Following trends will get further boost:

Significant bold reforms by the Government in the Essential Commodity Act, giving market choice to farmers and encouragement of private capital in agriculture will have significant advantages over time to the sector. Emergence of contract farming led by organised retail, in addition to the proliferation of a large number of start-ups is improving the supply chain network between the farmers and retailers and has the potential to significantly impact India’s agriculture in the medium to long term. The constant increase in MSP will enable the farmer to get an assured and remunerative price for his produce, encouraging him to increase production. Demand for packed vegetable through modern retail and e-commerce will gain and companies will require to change the research strategy that addresses needs of both farmer and modern retail.

Post Covid-19, there could be some food preference shift towards healthier diets and it may lead to increased intake of vegetables. As such over the years, improvement in the health of the general economy and increased income levels have been changing the

food preferences leading to growth of consumption of agricultural produce. The government’s push for value addition in agriculture by giving incentives to promote down-stream food processing has also positively contributed to the consumption of agricultural output.

We are very hopeful that the above-mentioned factors will help in fuelling the growth of Seed Industry.

Threats, Risk and Concerns

Being an outdoor profession, agriculture is always impacted by the vagaries of monsoon including lower precipitation, uneven distribution, timeliness etc.

Due to uneven rainfall during the recent years, the government has realised the importance of irrigation projects and some large developments under the Accelerated Irrigated Benefits Programme (AIBP) have taken place. In fact, there has been significant progress in expediting completion of unfinished projects in the last 2-3 years, with coverage area on an annual basis more than doubling. But still the unpredictability of monsoon will remain. In 2 out of the last 10 years, monsoon has been lower by 12-20% in the El Nino years.

Emergence of new diseases and pests can potentially harm the farming community. We have seen that cost of cultivation of Maize had risen sharply due to measures needed to protect the crop from Fall Army Worm which has also become a menace in some crops beyond Maize. It is times like this when the modern technologies can play a very important role.

Shift in planting patterns may be impacted by the global spread of ongoing pandemic. Reduction in offtake of poultry has a direct impact on Maize and the slowdown of cotton and textile trade could have an impact on cotton. Slowdown in the consumption of vegetables by the restaurant, hotel & catering businesses can continue to have an impact on vegetables.

HUMAN RESOURCE DEVELOPMENT

Human Resource Development plays a vital role in providing long term growth opportunities to employees leading to achievement of business goals. The success of HR Strategy depends on ability to unify, retain, develop and continue to attract talent with the required skills and experience to help the Company master challenges and make the most of opportunities. **Purpose, People** and **Process** are the vital aspects that comprise the organizational performance management strategy. As part of the



growth agenda, the Company continues to invest in the capability building of its people across all levels.

Core People Policy changes in assessment cycle & employment clauses have been put in place to align with the industry best practices and annual business accounting cycle. These positive changes aimed to inculcate positive attitude amongst the employees and in-turn drive short, medium and long-term growth opportunities.

Structured systems are in-place for employee engagement, learning & development, resourcing, performance and compensation management, competency mapping and career planning. The Company has been working with internal and external faculty of elite institutions like IIMs towards leveraging and develop skills of High Performers across all segments. The Company is trying to build a transparent and high-trust workplace culture where connect between Employee & Employer remains of paramount importance.

As an outcome there has been an improvement in **Employee Engagement Survey's** and the Company has also been certified as a **Great Place to Work** by the global Great Place to Work Institute. These milestones will sharpen our objectives further in the journey to build a High-Trust, High-Performance Culture.

KEY CHANGES IN FINANCIAL INDICATORS

S. No.	Particulars	Units	As at 31.03.2020	As at 31.03.2019	Re-remarks
1	Debtors Turnover	Times	2.62	2.11	Better Working Capital Management
2	Inventory Turnover	Times	1.07	1.42	
3	Current Ratio	Times	1.57	1.39	
4	Debt Equity Ratio	Times	0.34	0.62	Infusion of Equity Capital
5	Interest Coverage Ratio	Times	(0.43)	1.85	Drop in Turn-over
6	Operating Profit Margin	%	-2.14%	9.35%	
7	Net Profit Margin	%	-9.05%	2.91%	
8	Return on Net worth	%	-9.71%	5.56%	

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place Internal Control Systems commensurate with the nature of its business, size and complexity of its operations. These systems are regularly tested for their effectiveness by Statutory as well as Internal Auditor. The Internal Auditor reviews on regular basis to check its adequacy and also to verify all statutory compliances. Based on the Internal Audit Programme approved by the Audit Committee of the Board, the Internal Auditor carry out regular internal audits covering all offices, factory and key areas of business. Reports of the Internal Auditor are placed before the Audit Committee on quarterly basis for review. The Audit Committee regularly reviews the reports and discusses the actions taken with the management in addition to reviewing the effectiveness of the internal control systems and monitoring the implementation of audit recommendations. There are adequate checks & balances in place, wherein deviation from the systems laid-out are clearly identified and corrective actions are taken in the respective areas, wherever required.

INTERNAL FINANCIAL CONTROLS

The Company has laid down Internal Financial Controls Systems, Policies and Procedures with reference to Financial Statements. The systems, policies and procedures are reviewed from time to time and are updated. These are designed to ensure adherence to the Company's policies, safeguarding of its assets & interests, prevention & detection of frauds & errors, accuracy & completeness of financial records and proper conduct of business of the Company. The Company also has a robust management Information System which not only facilitates speedy business decisions but also helps in timely preparation and sharing of reliable financial information across various levels in the Company. The transactional controls built in SAP ERP systems ensures appropriate segregation of duties, appropriate level of approval mechanisms and maintenance of various records. All such controls are assessed during the year. Regular audits and review processes ensure that such systems are reinforced on on-going basis. No material reportable weakness was observed in the system during the financial year.

EXTRACT OF ANNUAL RETURN

The extract of the Annual Return as on 31st March 2020 in the prescribed Form MGT-9 is attached as **Annexure - 1** to this report and forms part of it and is also available on the website of the Company.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The particulars of loans given, guarantees or securities provided and investments made as required under the provisions of Section 186 of the Companies Act, 2013 are given in the Notes to Financial Statements.

RELATED PARTY TRANSACTIONS

During the Financial Year ended 31st March 2020, all the contracts or arrangements or transactions entered into by the Company with the Related Parties were in the ordinary course of business and on arm’s length basis and were in compliance with the applicable provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Further, the Company has not entered into any contract or arrangement or transaction with the related parties which could be considered material in accordance with the policy of the Company on materiality of Related Party Transactions. In view of the above, disclosure in Form AOC-2 is not applicable. The Related Party Transaction Policy as approved by the Board is available on the website of the Company.

COST RECORDS

Maintenance of cost records, as specified by the Central Government under sub-section (1) of section 148 of the Companies Act 2013, is not required by the Company.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Smt. Swati Singhania, Director of the Company retires by rotation and being eligible offers herself for re-appointment at the ensuing Annual General Meeting (AGM). The Board recommend her re-appointment.

All Independent Directors of the Company have given declarations that they meet the criteria of independence as provided in Section 149 of the Companies Act, 2013 and Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the year, Shri Appala Raju Narava ceased to be Chief Financial Officer (Key Managerial Personnel) of the Company w.e.f. 12th June 2019. The Board of Directors at its meeting held on 25th July 2019 appointed Shri Gowthavaram Sravana Kumar, General Manager (Finance and Accounts) of the Company as Chief Financial Officer (KMP) of the Company with immediate effect.

There were no other changes in the Directors/ Key Managerial Personnel of the Company, during the period under review.

CONSERVATION OF ENERGY, ETC.

The details as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 are annexed to this Report as **Annexure – 2** and forms part of it.

DEPOSITS

The Company has neither invited nor accepted any deposits from the public.

AUDITORS

(a) Statutory Auditors and their Report

M/s BGJC & Associates LLP, Chartered Accountants (ICAI Firm Registration Number- 003304N), were appointed as Statutory Auditors of the Company for a second term of five consecutive years, commencing from the conclusion of 19th AGM held on 27th August 2019 till the conclusion of 24th AGM.

The observations of the Auditors in their Report on Accounts and the Financial Statements read with relevant notes are self-explanatory. The Auditor’s Report does not contain any qualifications, reservations or adverse remarks.

(b) Secretarial Auditor and Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Board of Directors appointed Shri Namo Narain Agarwal, Company Secretary in Practice as Secretarial Auditor to carry out Secretarial Audit of the Company for the Financial Year 2019-20.

The Report given by him for the said Financial Year in the prescribed format is annexed to this Report as **Annexure–3**. The Secretarial Audit Report does not contain any qualifications, reservations or adverse remarks.